

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

DATE: 20 JUN 2023

Tuesday

TABLED
BY:

Hon. Owen Bayo, MP
Deputy Leader, Majority

CLERK-AT
THE-TABLE:

Inzofu Mwale

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

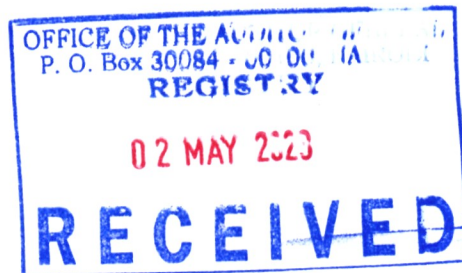
**COMMISSION FOR UNIVERSITY EDUCATION
STAFF CAR LOAN AND MORTGAGE SCHEME
FUND**

**FOR THE TWENTY-ONE (21) MONTHS
PERIOD ENDED 30 JUNE, 2022**



**COMMISSION FOR UNIVERSITY EDUCATION
STAFF CAR LOAN AND MORTGAGE SCHEME/FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2022**



(Leave the page blank)

Contents

1. Key Fund information and management.....	iii
2. Fund Administration Committee	vi
3. Fund Chairman’s Report.....	viii
4. Report of the Fund Administrator/Secretary to the Committee.....	x
5. Statement of Performance Against Predetermined Objectives.....	xi
6. Management Discussion and Analysis	xiii
7. Report of The Trustees/ Fund Administration Committee	xiii
8. Statement of Management’s Responsibilities.....	xv
9. Report Of The Independent Auditor	xvii
10. Statement of Financial Performance for the year ended 30th June 2022.	1
11. Statement of Financial Position as at 30th June 2022.....	2
12. Statement of Changes in Net Assets for the year ended 30th June 2022.....	3
13. Statement of Cash Flows for the year ended 30th June 2022	4
14. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2022 .	6
15. Notes to the Financial Statements.....	7

1. Key Fund information and management

a) Background information

The Commission for University Education staff car loan and Mortgage Fund is established by the provisions of the Government SRC Circular Ref. No. SRC/ADM/CIR/1/13 VOL. III (128) of 17th December, 2014. And derives its authority and accountability from *Section 8 of the PFM Act 2012. (State officers House Mortgage Scheme Fund, Regulations 2015)*. The Fund is wholly owned by Commission for University Education staff car loan and Mortgage Fund and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide loan facilities to eligible staff for purchase of a car or residential house or undertake construction/extension of a residential house. The Fund is administered by the Family Bank Limited as the approved financial institution. There is a committee charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund.

Commission for University Education staff Car loan and House Mortgage scheme standing committee is responsible for the day-to-day operations.

c) Board of Trustees/ Fund Administration Committee

Ref	Position	Name
1	Chairperson (Acting)	Professor Jackson Too
2	Committee Members	i) Mr. Isaac Gathirwa ii) Ms. Margaret Kamoni iii) Ms. Linah Lilan iv) Mr. Benson Kimani v) Dr. James Kiarie
3	Fund Manager/Administrator	Margaret Kamoni

d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Margaret Kamoni
2	Fund Accountant	Kenneth Ntong'onde

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Department of Internal Audit	Hezron N. Njoroge
2	Staff car Mortgage and car Loan Advisory Committee	N/A

f) Registered Offices

Commission Headquarters

CUE Building

Redhill Road off Limuru Road Gigiri

P.O. Box 54999-00200

NAIROBI

g) Fund Contacts

Telephone: (254) 020-7205000, 020-2021150,020-2021154/56

E-mail: info@cue.or.ke

Website: www.cue.or.ke

h) Fund Bankers

1. Family Bank Limited

Westlands Branch-Pamstech House,

P.o Box 74145-00200

NAIROBI

2. Kenya Commercial Bank

Kencom House

P.o Box 30081

NAIROBI

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. The Board of Trustees/ Fund Administration Committee

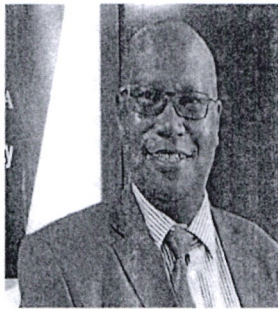
Name	Details of qualifications and experience
<p>1. Member 1- Ag. Chairman Professor Jackson Too</p> 	<p>Prof. Jackson Too Senior Assistant commission secretary-Research and Development Date of birth 1968, 54 years Date appointed: 21st April, 2016 Phd Educational Communication & Technology, Moi University Associate Professor, Member Association of Common Wealth Universities 15 year at University & CUE</p>
<p>2. Member 2- Isaac Gathirwa</p> 	<p>Isaac W. Gathirwa Senior assistant commission secretary-Legal Date of birth 1972, 50 years Date appointed: 21st April, 2016 Bachelor of Law (Moi University) Dip kenya School of law MBA (KU) LLM (UoN) CPS(K)</p>

<p>3. Member 3- Linah Lilan</p> 	<p>Mrs. Linah Lilan Senior assistant commission secretary-Finance Date of birth 1969, 53 years Date appointed: 21st April, 2016 MBA(UoN) Bachelor of Education CPA(K)</p>
<p>4. Member 4- James Kiarie</p> 	<p>Dr. Kiarie Ngugi PhD. Assistant Commission Secretary-Research and Development. Date of birth 1966, 56 years Date appointed:21st April, 2016</p>
<p>5. Member 5- Benson Kimani</p> 	<p>Mr. Benson Kimani Senior Quality Audit Officer (CUE); Date of Birth 1972, 50 years, Date appointed: 21st April, 2016 B.Ed (Sc), M.Ed. Graduate. Appointed to the Committee in 2017, and Member, Expert Committee (Natural Sciences) of KNATCOM, with previous experience in Quality Assurance and Standards, Ministry of Education, Science and Technology.</p>
<p>6. Fund administrator/ Secretary to the Committee- Margaret Kamoni</p> 	<p>Margaret Kamoni Assistant commission secretary- HRM Daye of birth 1976 , 46 years Date appointed:21st April, 2016 B.A Sociology (UoN) MBA- HRM (JKUAT)</p>

3. Management Team

<p>Fund administrator/ Secretary to the Committee- Margaret Kamoni</p> 	<p>Margaret Kamoni Date of birth 1976 , 46 years Assistant commission secretary- HRM Date appointed: 21st April, 2016 B.A Sociology (UoN) MBA- HRM (JKUAT)</p>
<p>Fund Accountant- Kenneth Ntong'onde</p> 	<p>Kenneth Ntong'onde. Date Appointed: 21st April, 2016 Bachelor of Commerce- Egerton University MBA- Kenyatta University CPA(K) Date of birth 1971, 51 years Date of appointment: 1st March, 2008.</p>

4. Fund Chairman's Report



It is a pleasure to present the Annual Report and Financial Statement for the Commission for University education staff car loan and Mortgage scheme/fund for the year ended 30th June 2022. The fund management committee has been exercising its functions of processing applications for loans in accordance with the Salaries and Remuneration Commission guidelines and circular and in line with the Commission for university education Car loan and mortgage scheme policy. During the year ended 30th June 2022 the Fund Management Committee disbursed loans to eligible fifteen members of staff. The recoveries of these loans have been consistently executed on monthly basis without delay in remittances. The disbursed loans to members of staff have shown great positive effect to their livelihoods and their families. As the revolving fund grows over time, there will be great empowerment to many more in the society.

A handwritten signature in black ink, appearing to read 'Jackson Too', written over a dotted line.

.....
Chairman of the Fund Committee

Prof Jackson Too

5. Report of the Fund Manager/Administrator



During the year under review, the Car loan and Mortgage scheme/fund management committee received a funding of Kshs.84,515,037. The fund generated total revenue of Kshs.2,552,064 from the interest charged on every loan at three percent per annum. (3% p.a)

Car Loan.

The Fund management committee disbursed car loan to a member of staff. The loan was disbursed as per the Salaries and remuneration Commission Circular and in line with the Commission Car loan and Mortgage Scheme/Fund policy.

Mortgage Loan.

The Fund Management Committee disbursed loan to Fourteen Members of staff of the Commission for the purchase, development, renovation or repair of residential property. The loans were disbursed as per the Salaries and Remuneration Commission Circular guidelines (SRC) and in line with the Commission for University Education Car loan and Mortgage scheme/fund Policy.

.....
Secretary of the Fund Committee
Margaret Kamoni

6. Statement of Performance against Predetermined Objectives

Introduction

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting Officer to include in the financial statement, a statement of the national government Fund's performance against predetermined objectives.

The key objective of the Commission for University education staff car loan and Mortgage scheme fund is to provide loan facilities to staff for purchase of a car or residential house or undertake construction/extension of a residential house.

The fund so far has been able to grant Mortgage loans to fourteen members of staff and a car loan to one staff member.

The revolving fund is in its formative stages and in subsequent periods it will be able to disburse more loans to eligible staff members.

The Commission for University Education Staff Car Loan and Mortgage Scheme has two (2) strategic pillars and two (2) objectives. These strategic pillars are as follows:

Pillar 1: Affordable housing

Pillar 2: Affordable car loan

The Commission for university education staff car loan and mortgage scheme based its activities on the above two (2) pillars. Assessment of the Commission's staff car loan and mortgage performance against its annual work plan is done on a quarterly basis. The Commission staff car loan and mortgage has achieved its performance targets set for the FY 2021/2022 period for its two (2) strategic pillars, as indicated in the diagram below:

Key Result Areas	Strategic Objectives	Activities	Key Performance Indicators	Achievements
Car loan and mortgage	To disburse funds for car loan and mortgage	Approve applications for car loan	Approved car loan application	No of car loans disbursed
		Approve applications for mortgage	Approved mortgage application	Number of mortgages approved

7. Corporate Governance Statement

The Commission staff car loan and mortgage scheme board is responsible for the overall management of the scheme. The members of the trustee of the scheme are committed to achieving the highest standards of good governance. In this regard, the members of the trustees and management have committed to work honestly and diligently and have put policies and strategies to ensure compliance with the law and highest standards of best practice in good governance and business ethics.

Number of trustee meetings held and the attendance to those meetings by members

The Commission staff car loan and mortgage scheme holds quarterly meetings while special meetings are called when it is deemed necessary to do so.

The scheme held the following meetings during the year:

No.	Date	MEMBERS IN ATTENDANCE
1	xxxxxxxxxxxx	xxxxxxxxxxxxxxxx

8. Management Discussion and Analysis

During the year under review, the Commission for university Education staff car loan and mortgage scheme raised a revenue of Ksh. 2,552,064

against an expenditure of Ksh. 1,778,687 and made a deficit of Ksh.(732,703)

Car loan and Mortgage scheme/fund management committee received a funding of Kshs.84,515,037. The fund generated total revenue of Kshs . 2,552,064 from the interest charged on every loan at three percent per annum. (3% p.a).

Car Loan.

The Fund management committee disbursed car loan to a member of staff. The loan was disbursed as per the Salaries and remuneration Commission Circular and in line with the Commission Car loan and Mortgage Scheme/Fund policy.

Mortgage Loan.

The Fund Management Committee disbursed loan to fifteen Members of staff of the Commission for the purchase, development, renovation or repair of residential property and purchase of motorvehicle. The loans were disbursed as per the Salaries and Remuneration Commission Circular guidelines (SRC) and in line with the Commission for University Education Car loan and Mortgage scheme/fund Policy.

Statutory Requirements & Risks

During the year the fund did not remit taxes on fringe benefit. The Commission's staff car loan and mortgage is exposed to a number of risks that may hamper smooth operations. The fund is faced with liquidity risk due to inability to recover loan repayment especially if a staff member leave the Commission services. Staff who may exit service of the commission may affect recoverability of the mortgage repayment. Environmental and Sustainability reporting
The Commission for university Education staff car loan and mortgage scheme carried out Environmental and sustainability activities when various staff were constructing in the various sites. The approvals were sought from various authorities.

9. Report of The Trustees/ Fund Administration Committee

The Trustees/Fund Administration Committee submits their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund is to provide staff car loan and Mortgage scheme fund loan facilities to staff for purchase of a car or residential house or undertake construction/extension of a residential house.

Performance

The performance of the Fund for the year ended June 30, 2022, is set out on page

Trustees

The members of the Board of Trustee / *Administration Committee* who served during the year are shown on page vi and vii.

Auditors

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

By Order of the Board



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

Prof Jackson Too

10. 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 established by *(The Fund should state the appropriate legislation establishing the 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 Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the 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 *(quote the applicable legislation establishing the Fund)*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, 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 Board on _____ 2022 and signed on its behalf by:



.....
Name: Prof. J. Too

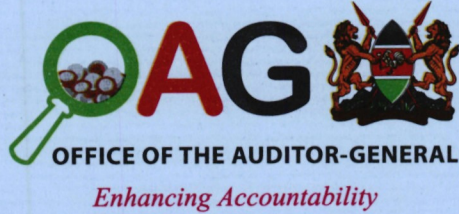
Chairman of the Fund

.....
Name: Ms. Margaret Kamoni

Secretary Fund Admin. Committee

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON COMMISSION FOR UNIVERSITY EDUCATION STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE TWENTY-ONE (21) MONTHS PERIOD ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Commission for University Education Staff Car Loan and Mortgage Scheme Fund set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2022, 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 period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Commission for University Education Staff Car Loan and Mortgage Scheme Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act (State Officers House Mortgage Scheme Fund) Regulation, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Inaccuracies in the Annual Report and Financial Statements

The annual report and financial statements prepared and presented for audit had the following presentation and disclosure errors: -

- i. The financial reporting framework has not been disclosed on the cover page;
- ii. The table of contents has excluded the Management Team, Corporate Governance Statement and Environmental and Sustainability Reporting;
- iii. The Management Team for the fund on page viii does not disclose their main areas of responsibility;
- iv. The Report of the Fund Administrator disclosed on page x has not been signed by the administrator;
- v. The date of approval of the financial statements on page xvi has not been indicated;
- vi. Environmental and Sustainability Report has not been disclosed;
- vii. The Fund Administrator has not approved the financial statements on page xvi;
- viii. The Corporate Governance Statement on page xii does not disclose the roles and functions of the administration committee members, the number of meetings held and the attendance to those meetings, the process of appointment and removal of the administration committee members;
- ix. Minutes approving the financial statements have not been provided;
- x. The date of approval has not been reflected on the statement of financial performance and statement of financial position.
- xi. The surplus for the year amounting to Kshs.732,703 in the statement of changes in net assets has been disclosed under the mortgage and car loan fund instead of the accumulated surplus;

- xii. Note 10 to the financial statements disclosed on the face of the statement of financial position could not be traced;
- xiii. Note 23 to the financial statements disclosed in the statement of cash flows could not be traced;
- xiv. Note 7 to the financial statements disclosed on the face of the statement of financial position reflects receivables from exchange transactions amounting to Kshs.9,157,842 while the note reflects interest income amounting to Kshs.2,552,064;
- xv. Note 8 to the financial statements disclosed in the statement of financial performance is bank charges amounting to Kshs.480 but note 8 reflects the use of goods and services amounting to Kshs.1,778,687;
- xvi. Note 11 to the financial statements disclosed on the face of the statement of financial position is trade and other payables amounting to Kshs.3,284,287. However, Note 11 to the financial statements reflects receivables from exchange transactions amounting to Kshs.81,369,872;
- xvii. Note 12 to the financial statements reflects trade and other payables amounting to Kshs.3,134,007 which could not be traced in the statement of financial position; and
- xviii. Note 16 to the financial statements reveals loan principal repayments amounting to Kshs.11,339,904. However, the statement of cash flows reflects loan principal repayments amounting to Kshs.7,746,351 resulting in an unexplained variance of Kshs.3,593,553.

In the circumstances, the annual report and financial statements as presented and disclosed are not fairly presented and disclosed in accordance with the International Public Sector Accounting Standards (IPSAS 1) on presentation of financial statements.

2.0 Lack of General Ledger

The Fund Management did not prepare a general ledger for the amounts and balances reflected in the financial statements. Further, the trial balance submitted for review reflects an unexplained deposit amounting to Kshs.397,721.

In the circumstances, the accuracy and completeness of the amounts and balances in the Fund's financial statements as at 30 June, 2022 could not be confirmed.

3.0 Inaccuracies in the Statement of Cash Flows

Review of the statement of cash flows revealed the following misstatements: -

- i. The statement of cash flows reflects proceeds from loan principal repayments amounting to Kshs.7,746,351 as disclosed in Note 15 to the financial statements. However, the schedule provided reveals proceeds from loan principal repayments amount of Kshs.10,492,320 resulting in an unexplained variance of Kshs.2,745,969;

- ii. The statement of cash flows reflects an unreceipted deposit of Kshs.397,721 that does not have a disclosure note. However, the supporting documentary evidence was not provided for audit; and
- iii. The reconciliation of net cash flows from operating activities to surplus disclosed in Note 13 to the financial statements revealed a net cash flow from operating activities amounting to Kshs.75,534,000. However, the statement of cash flows reflects a net cash flow from operating activities amounting to Kshs.2,346,208 resulting in an unexplained variance of Kshs.73,188,272.

In the circumstances, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2022 could not be confirmed.

4.0 Misstatements in the Statement of Comparison of Budget and Actual Amounts

Review of the statement of comparison of budget and actual amounts revealed the following misstatements: -

- i. The reconciliation statement of actual amounts on a comparable basis and actual amounts in the financial statements has not been prepared as required by Paragraph 47(b) of the International Public Sector Accounting Standards (IPSAS 24) on the presentation of budget information in financial statements;
- ii. Management has not provided notes to the financial statements on the explanation of significant variances between the final budget and actual amounts. This was contrary to the requirement of Paragraph 14(c) of the International Public Sector Accounting Standards (IPSAS 24) on the presentation of budget information in financial statements in the following components; -

Component	Final Budget (Kshs.)	Actual Amounts (Kshs.)	Variance (Kshs.)
Transfers from Commission	250,000,000	84,515,037	165,484,963
Use of Goods and Services	5,000,000	1,356,040	3,643,960

- iii. The statement of comparison of budget and actual amounts when compared with the statement of cash flows had unreconciled items on operating activities as detailed below;

Component	Cash Flow Statement (Kshs.)	Statement of Comparison of Budget and Actuals (Kshs.)	Unreconciled Amount (Kshs.)
Interest Income	2,346,208	2,552,064	205,856
Use of Goods and Services	0	1,356,040	1,356,040
Loan Disbursements	88,910,366	0	88,910,366
Proceeds from Loan Principal Repayments	7,746,351	0	7,746,351

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

5.0 Unconfirmed Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.6,094,471 as disclosed in Note 9 to the financial statements. However, the balance was not supported with ledgers, monthly cashbooks and bank reconciliation statements.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.6,094,471 as at 30 June, 2022 could not be confirmed.

6.0 Unsupported Interest Income

The statement of financial performance reflects interest income amounting to Kshs.2,552,064 as disclosed in Note 7 to the financial statements. However, the computation schedule indicating the principal amounts and how the interest amount was arrived at was not provided for audit.

In the circumstances, the accuracy and completeness of interest income of Kshs.2,552,064 for the period ending 30 June, 2022 could not be confirmed.

7.0 Unsupported Fund Administration Costs

The statement of financial performance reflects use of goods and services amounting to Kshs.1,778,207 and referenced to Note 10 in the notes to the financial statements. However, Note 10 to the financial statements is in respect of cash and cash equivalents. This amount represents professional service costs which is 2% of the revolving fund. In the absence of the approved budget, it was not possible to confirm whether the administrative cost was within the maximum limit of 3% of the approved budget in accordance with Regulation 207(1)(d) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, the regularity of the administrative costs amount of Kshs.1,778,207 for the period ending 30 June, 2022 could not be confirmed.

8.0 Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.72,212,029 referenced to Note 10 in the financial statements. However, Note 10 in the financial statements is in respect of cash and cash equivalents. Further, the supporting Note 11 reflects a balance of Kshs.81,369,872 resulting in an unreconciled variance of Kshs.9,157,843. Review of the receivables from exchange transactions balance revealed the following misstatements: -

- i. Ledgers, account statements, and documents indicating details of the borrowers, respective balances owed, individual repayment schedules and loan status reports were not provided for audit;

- ii. Management did not separate the current portion to be recovered in the next twelve months from the non-current portion of the exchange receivables in accordance with Paragraph 76(c) of the International Public Sector Accounting Standards (IPSAS 1) on the presentation of financial statements; and
- iii. A former member of staff was granted a loan of Kshs.9,540,000 on May, 2021 and repaid Kshs.134,838 on September, 2021 leaving a balance of Kshs.9,405,162 the recovery of which is uncertain.

In the circumstances, the accuracy, completeness and recoverability of receivables from exchange transactions balance of Kshs.72,212,029 as at 30 June, 2022 could not be confirmed.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Late Submission of Financial Statements

The financial statements for the Scheme Fund for the year ending 30 June, 2022 were submitted on 17 March, 2023 five months after the statutory deadline. This was contrary to Section 84(3) of the Public Finance Management Act, 2015 which requires financial statements to be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

2.0 Non-remittance of Fringe Benefit Tax

The Fund Management did not deduct and remit to Kenya Revenue Authority fringe benefits tax accrued from the low-interest loans extended to its members during the period amounting to Kshs.1,123,270. This was in contravention of Section 12B of the Income Tax Act which provides that tax to be known as fringe benefits tax shall be payable

by every employer in respect of a loan provided at an interest rate lower than the market interest rate, to an individual who is a director or an employee or is a relative of a director or an employee, by virtue of his position as director or his employment or the employment of the person to whom is related.

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

3.0 Lack of An Approved Budget

The Fund did not have an approved budget for the period under review. This was contrary to Section 68(2)(h) of the Public Finance Management Act, 2012 which requires the Accounting Officer of an entity to prepare estimates of revenue and expenditure of the entity in conformity with the strategic plan. Further, the Commission's request for budgetary provisions to the National Treasury amounting to Kshs.84,515,037 to operationalize the scheme was not provided for audit.

In the circumstances, Management was in breach of law.

4.0 Failure to Register Charges on Securities

The Fund Management did not provide for audit review title deeds, logbooks and insurance cover for the loans issued amounting to Kshs.88,910,366 to confirm that the Fund had charged the assets bought through the car loans and mortgages. This was contrary to Regulation 139 (1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of a national government entity to ensure that proper control systems exist for assets and preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

In the circumstances, Management was in breach of law.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 3000 and 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, based on the audit procedures performed, I confirm 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 (ISSAI's) 2315 and 2330. The standard requires 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 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing Fund's ability to sustain services, disclosing, as applicable, matters related to the 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.

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

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

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


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

report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

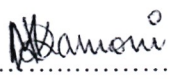
06 June, 2023

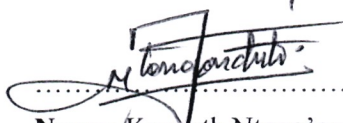
12. Statement of Financial Performance for the year ended 30th June 2022.


Description	Note	2021/22	2020/21
		Kshs.	Kshs.
Revenue from exchange transactions			
Interest income	7	2,552,064	-
Other income	8	-	-
Total revenue		2,552,064	-
Expenses			
Employee costs	9		
Use of goods and services	10	1,778,207	-
Finance cost/bank charges	8	480	-
Total expenses		1,778,687	-
Surplus/Deficit before Tax		773,377	-
Withholding tax	9	(382,810)	
Fringe benefits tax	9	(1,123,270)	
Surplus/Deficit after Tax		(732,703)	

(The notes set out on pages 7 to 47 form an integral part of these Financial Statements).

The financial statements were approved onby:


.....
Name: Ms. Margaret Kamoni
Secretary/Fund Administrator



.....
Name: Kenneth Ntong' ondu
Fund Accountant
ICPAK M/No 6142

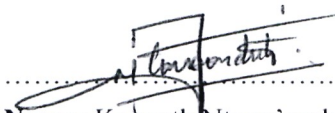

.....
Name: Prof. J. Too
Chairperson of the Board/Fund


13. Statement of Financial Position as at 30th June 2022

Description	Note	2021/22	2020/21
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	9	6,094,471	
Receivables from exchange transactions	7	9,157,842	-
Total Current Assets		15,252,313	-
Non-current assets			
Receivables from exchange transactions	10	72,212,029	-
Total assets		87,464,343	-
Liabilities			
Trade and other payables	11	3,284,287	-
Un-receipted deposit		397,721	-
Total Current Liabilities		2,175,928	-
Total liabilities		3,682,008	-
Net assets		83,782,335	-
Car loan & Mortgage revolving fund	6	84,515,037	-
Accumulated surplus		(732,703)	-
Total net assets and liabilities		83,782,334	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on _____ 2022 and signed by:


Name: Ms. Margaret Kamoni
Secretary/Fund Administrator


Name: Kenneth Ntong'ondu
For: Fund Accountant

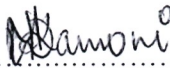

Name: Prof. J. Too
Chairperson of the Board/Fund


ICPAK M/No. 6142


14. Statement of Changes in Net Assets for the year ended 30th June 2022

Description	Mortgage & Car Loan Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
As at 1 July 2019		-	-
Surplus/(deficit) for the period	-	-	-
Funds received during the year	-	-	-
Transfers	-	-	-
As at 30 June 2020	-	-	-
Balance as at 1 July 2020	-	-	-
Surplus/(deficit) for the period	(732,703)	-	(732,703)
Funds received during the year	84,515,037	-	84,515,037
Transfers	-	-	-
As at 30 June 2022	83,782,334	-	83,782,334

Disbursement from the sponsor (Commission for university Education) is done on requests basis upon confirmation of successful application(s) from eligible staff members.

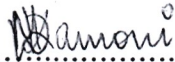

.....
Name:Ms. Margaret Kamoni
Secretary/Fund Administrator


.....
Name: Kenneth Ntong'onde
For: Fund Accountant
ICPAK M/No. 6142

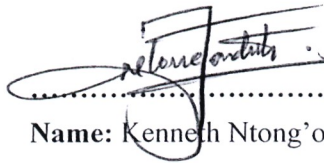

.....
Name: Prof. J. Too
Chairperson of the Board/Fund

15. Statement of Cash Flows for the year ended 30th June 2022

Description	Note	2020/21 Kshs.	2019/20 Kshs.
Cash flows from operating activities			
Receipts			
Transfers from other Parent Ministry/ SC/SAGA			-
Interest received	7	2,346,208	-
Other income			-
Total receipts		2,346,208	-
Payments			
Employee costs			-
Use of goods and services		0	-
Finance cost		(480)	-
Total payments		(480)	-
Net cash flow from operating activities	23	2,345,728	-
Cash flows from investing activities			
Purchase of PPE and intangible assets			-
Proceeds from sale of PPE			-
Proceeds from loan principal repayments	15	7,746,351	-
Loan disbursements paid out	15	(88,910,366)	-
Net cash flows used in investing activities		(81,164,015)	-
Cash flows from financing activities			
Receipts into the mortgage revolving fund	6	84,515,037	-
Receipts into the car loan revolving fund			-
Un-receipted deposit		397,721	
Net cash flows used in financing activities		84,912,758	-
Net increase/(decrease) in cash and cash equivalents		6,094,471	-
Cash and cash equivalents at 1 July		-	-
Cash and cash equivalents at 30 June 2022	10	6,094,471	-



.....
Name:Ms. Margaret Kamoni
Secretary/Fund Administrator



.....
Name: Kenneth Ntong' ondu
Fund Accountant
ICPAK M/No. 6142



.....
Name: Prof. J. Too
Chairperson of the Board/Fund

16. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2022

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

	Original budget 2021-2022 Kshs	Adjustments 2021-2022 Kshs	Final budget 2021-2022 Kshs	Actual on comparable basis 2021-2022 Kshs	Performance difference 2021-2022 Kshs	Percentage Utilization
Revenue						
Transfer from CUE	250,000,000		250,000,000	84,515,037	-165,484,963	34%
Interest Income				2,552,064	2,552,064	100%
Total revenue				87,067,101	87,067,101	
Expenses					-	
Use of goods and services	5,000,000		5,000,000	1,356,040	3,643,960	27%
Total expenses	5,000,000		5,000,000	1,356,040	3,643,960	
Surplus/ (deficit) for the period	245,000,000		245,000,000	85,711,061	159,288,939	
Capital expenditure						

17. Notes to the Financial Statements

1. General Information

Commission for university Education car loan and Mortgage Scheme/fund is established by and derives its authority and accountability from Public Finance Management Act 2012. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to provide a lone scheme for the purchase, development, renovation or repair of residential property by members of the scheme, and also provide loan for purchase

2. 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 Fund's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Fund*.

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption Of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to the Financial Statements (Continued)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<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 a Fund’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 an Fund’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 Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p>

Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the Fund;</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 Fund'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> <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>

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 cash flows of the Fund. 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 on such assets to cease and: 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>

iii. Early adoption of standards

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

4. 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 Fund 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 2021/22 was approved on xxx (Date). 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 Fund upon receiving the respective approvals in order to conclude the final budget.

The Fund'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 approved budget, is then presented in

Significant Accounting Policies (Continued)

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 xxx of these financial statements.

c. 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.

d. 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

Significant Accounting Policies (Continued)

and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Fund 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 Fund 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 taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Significant Accounting Policies (Continued)

Impairment of financial assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a Fund of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act. A financial asset of the Fund is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (*an incurred 'loss event'*) and that loss event has an impact on the estimated future cash flows of the Fund that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the Fund 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 Fund 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.

Significant Accounting Policies (Continued)

e. Contingent liabilities

The Fund 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.

f. Contingent assets

The Fund 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 Fund 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.

g. Nature and purpose of reserves

The Fund is a revolving fund maintained for the purposes of staff mortgage and Car loans disbursement to eligible staff member only.

h. Changes in accounting policies and estimates

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

i. 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.

Significant Accounting Policies (Continued)

j. Related parties

The Fund 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 Fund, or vice versa. Members of key management are regarded as related parties and comprise the Directors/Trustee, the Fund Managers, and Fund Accountant.

k. 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.

l. Comparative figures

There are no comparative figures for the previous financial year, the year ended 30th June 2022 being the first financial year presentation.

m. Events after the reporting period

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

n. Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act under the Commission for university Education. Its ultimate parent is the Government of Kenya.

o. Currency

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

Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

The preparation of the Fund'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 Fund. 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:

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

Notes to the Financial Statements

6. Transfers from the Parent Ministry/SC/SAGA

Description	2021/22	2020/21
	Kshs.	Kshs.
Transfers from CUE- KCB Current Account-1108031625	84,515,037	
Total	84,515,037	

7. Interest income

Description	2021/22	2020/21
	Kshs.	Kshs.
Interest Income From Mortgage	2,254,665	-
Interest Income From Car Loan	91,543	-
Sub Total	2,346,208	-
Accrued interest income	205,857	-
Total Interest Income	2,552,064	-

8. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
Provision for Administration fees	1,778,207	-
Bank charges	480	-
Total	1,778,687	-

Notes to the Financial Statements continued

9. Taxation

Description	2021/22	2020/21
	Kshs.	Kshs.
Tax Charged On Interest Income	382,810	-
Fringe benefits tax	1,123,270	-
Income Tax expense	1,506,080	-

10. Cash and cash equivalents

Description	2021/22	2020/21
	Kshs.	Kshs.

CUE Car Loan/ Mortgage Account	6,094,471	-
Fixed Deposits Account		-
On – Call Deposits		-
Current Account		-
Others (<i>Specify</i>)		-
Total Cash and Cash equivalents	6,094,471	-

Notes to the Financial Statements continued

9a) Detailed analysis of the cash and cash equivalents in banks approved by National Treasury in line with Section 28 of the PFM Act are as follows:

		2021/22	2020/21
Financial Institution	Account number	Kshs.	Kshs.
Family Bank Account	48000018388	6,094,471	-
Total		6,094,471	-

(Provide the average effective interest rate to the fixed deposit as at the time of investment in respect of the period).

11. Receivables from exchange transactions

Description	2021/22	2020/21
	Kshs.	Kshs.
Current Receivables		
Interest Receivable(accrued)	205,857	-
Current Loan Repayments Due	8,951,986	-
Total Current Receivables	9,157,842	-
Non-Current Receivables		
Long Term Loan Repayments Due	72,212,029	-
Total Non- Current Receivables	72,212,029	-
Total Receivables From Exchange Transactions	81,369,872	

12. Trade and other payables

Description	2021/22	2020/21
-------------	---------	---------

	Kshs.	Kshs.
Trade payables	1,778,207	0
Other payables-taxes	1,506,080	-
Total trade and other payables	3,134,007	0

Notes to the Financial Statements continued

13. Net cash flows from operating activities

	2021/22	2020/21
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	773,377	
Adjusted for:		
Interest income	2,552,064	
Finance cost/bank charges	-480	
Working capital adjustments		
Increase in receivables	-81,369,872	
Increase in payables	3,284,287	
Net cash flow from operating activities	-75,534,000	-

Other Disclosures

14. 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 Fund'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 Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

15. Loan principal repayments and loan disbursements

	2021/22	2020/21
	Kshs.	Kshs.
Principal repayments	7,746,351	-
Loan disbursements	88,910,366	-
		-

16. Schedule of principal loan repayment

Principal repayments	Monthly	Annual
Dorcas Omukhulu	87,865	1,054,380
Alice Kande	25,921	311,052
Arnold Musanga	24,222	290,664
Caroline Muthoni	49,497	593,964
Doris Kiende	28,994	347,928
Elizabeth Onyango	55,854	670,248
Getrude Lukela	37,743	452,916
Hezron Ndung'u	26,518	318,216
Jayne Wanjiku	53,915	646,980

*Commission for University Education- Staff Car loan/Mortgage fund
Annual Report and Financial Statements for the year ended 30th June 2022*

Linah Kiptoo	143,173	1,718,076
Millicent Keta	104,012	1,248,144
Prof Jackson Too	134,838	1,618,056
Valeria Onsando	49,250	591,000
Zachary Waweru	67,336	808,032
Andrian Mugambi	55,854	670,248
	944,992	11,339,904

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2022				
Receivables From Exchange Transactions- Car loans and mortgages	81,369,872	81,369,872	-	-
Bank Balances	6,094,471	6,094,471	-	-
Total	87,464,343	87,464,343	-	-
At 30 June 2022				
Receivables From Exchange Transactions- Car loans and mortgages	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the Fund's statement of financial position).

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 Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from default.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the Fund's short, medium, and long-term funding and liquidity management requirements. The Fund 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

Other Disclosures Continued

In the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	1,778,207
At 30 June 2022			1,778,207	1,778,207
Trade Payables				
Total			1,778,207	1,778,207
At 30 June 2022			-	-
Trade Payables			-	-
Total			-	-

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund 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 Fund'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 the Audit and Risk Management Committee*) and for the day-to-day implementation of those policies.

There has been no change to the Fund'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 Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

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

Sensitivity analysis

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

e) 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 Fund capital structure comprises of the following funds:

Description	2021/22	2020/21
	84,515,037	Kshs.
Revolving fund	84,515,037	
Accumulated surplus (<i>Reserves</i>)	-732,703	
Total funds	83,782,334	
Less: cash and bank balances	6,094,471	
Net debt/(excess cash and cash equivalents)	0	
Gearing	100%	

Other Disclosures Continued

17. Financial period

These financial statements covers a period of 18 months from October 2020 to 30th June 2022

These were the first financial accounts for the mortgage hence no comparative figures

18. 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) Fund administration Committee
- b) Commission for university education board;
- c) Commission for University Education (Sponsor).

b) Related party transactions

- i. Transfers from related parties-Commission for university education main account.

Description	2021/22	2020/21
	Kshs.	Kshs.
Transfers from related parties-CUE	84,515,037	-

ii. Key management remuneration

Description	2021/22	2020/21
	Kshs.	Kshs.
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

18. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

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

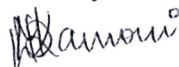
Guidance Notes:

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

Fund Manager/Accounting Officer/Fund Administrator

Ms. Margaret Kamoni.

Secretary/Fund Administrator



Date.....