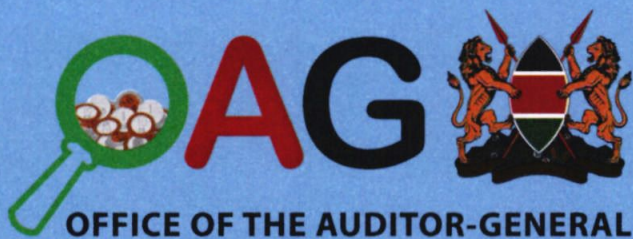


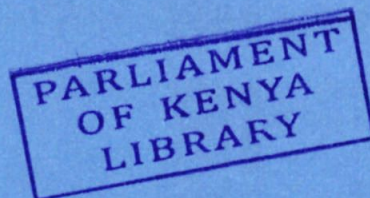
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

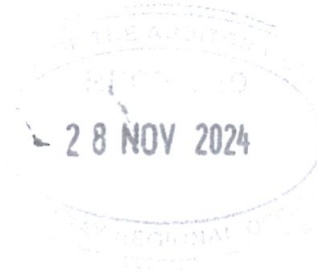
ON

**KISII COUNTY LOANS AND
MORTGAGES FUND**

FOR THE YEAR ENDED

30 JUNE, 2024

DATE	6/3/2025
TABLED BY	Dep Maj Whip
COMMITTEE	
CLERK AT THE TABLE	Maalim



KISII COUNTY LOANS AND MORTGAGE FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024

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

***Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024***

Table of Content

1. Acronyms and Glossary Of Terms	ii
2. Key Entity Information and Management	iii
3. The Kisii County Loans and Mortgage Fund Committee	vi
4. Management Team	viii
5. Fund Chairperson's Report	x
6. Report of The Fund Administrator	xi
7. Statement of Performance Against The County Fund's Predetermined Objectives	xii
8. Corporate Governance Statement	xiii
9. Management Discussion and Analysis	xv
10. Environmental and Sustainability Reporting	xvi
11. Report Of The Trustees	xvii
12. Statement Of Management's Responsibilities	xviii
13. Report Of The Independent Auditor On The Financial Statements For Kisii County Loans And Mortgage Fund For The Year Ended June 30,2024	xix
14. Statement of Financial Performance For The Year Ended 30 th June 2024	1
15. Statement of Financial Position As At 30 June 2024	2
16. Statement of Changes In Net Assets For The Year Ended 30 th June 2024	3
17. Statement of Cash Flows For The Year Ended 30 June 2024	4
18. Statement of Comparison Of Budget And Actual Amounts For The Period 2024	5
19. Notes to The Financial Statements	6
20. Annexes	20

1. ACRONYMS AND GLOSSARY OF TERMS

a) Acronyms

BOM	Board of Management
CECM	County Executive Committee Member
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KCG	Kisii County Government
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SRC	Salaries and Remuneration Commission
KDIC	Kenya Deposit Insurance Corporation
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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***Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024***

2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kisii County Loans and Mortgage Fund is established by and derives its authority and accountability from Section 116 (2) of the PFM Act, 2012 on 7th January, 2016. The Fund is wholly owned by the County Executive of Kisii and is domiciled in Kenya.

The fund's objective is to advance loans and mortgages to the county executive committee members and employees of the County Government of Kisii.

b) Principal Activities

The fund's objective is to advance Loans and mortgage to the county executive committee members and employees of the County Government of Kisii.

c) Fund Administration Committee

Ref	Name	Position
1	Ms. Grace Nyarango	Chairperson
2	Mr Vincent Okioma (wef 27 th May 2024)	Fund Administrator
3	Ms. Fanise Ombongi	Member
4	Mr. Henry Monyancha	Member
5	Mr. Johnes Nyakebati	Fund Accountant
6	Dr. Erick Kiage Mobegi (retired 26 th May 2024)	Fund Administrator

d) Key Management team

Ref	Name	Position
1	Ms. Grace Nyarango	CECM- Lands and Physical Planning
3	Mr. Vincent Okioma	Chief Officer Finance and Accounting Services
4	Mr. Johnes Nyakebati	Fund Accountant

*Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024*

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	CPA Nicodemous Karori
2	Fund Committee Chairman	Ms. Grace Nyarango
3	Fund Accountant	CPA Johnes Nyakebabi
4	Fund Administrator	Mr. Vincent Okioma

f) Registered Offices

P.O. Box 4550-40200
Municipal Building
Kisii-Keroka RD
Kisii, KENYA

g) Fund Contacts

Telephone:(254) 582030005
E-mail: info@kisii.go.ke
Website: www.kisii.go.ke

h) Fund Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

Kenya Commercial Bank
SBM Bank
Kisii branch
Telephone: 0202774150
Kisii

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024

Key Entity and Management (Continued)

i) Independent Auditors

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

j) Principal Legal Adviser

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



k) County Attorney

Office of the County Attorney
Kisii Municipal Building
P.O Box 4550
GOP 40200
Kisii, Kenya

3. THE KISII COUNTY LOANS AND MORTGAGE FUND COMMITTEE

Name	Details of qualifications and experience
<p data-bbox="260 477 507 510">Ms. Grace Nyarangi</p> 	<p data-bbox="651 477 1404 1178">Grace is the county executive committee member of Lands, Physical Planning, Housing, and Urban Development. She holds a Master's degree in Business Administration (MBA) from Middlesex University, United Kingdom (UK), and a Bachelor's Degree in Economics and Management, from Spicer Memorial Pune. She has extensive experience in public sector management, having served as Deputy Director of Pensions at the National Treasury. She was a component manager under the Public Financial Management Sector Reform (PFMR) Programme under the pensions Department. She worked at the regional level as a consultant at the East African Community under the World Bank Financial Sector Development regionalization project. As a Pension Specialist, she was in charge of the East African Community (EAC) Partner states in matters of regional policy to facilitate the EAC Integration process. Additionally, has vast knowledge in public policy development/formulation and implementation. She is the chair Loans and Mortgage committee</p>
<p data-bbox="260 1216 507 1249">Mr. Vincent Okioma</p> 	<p data-bbox="651 1187 1404 1520">Mr. Vincent - Chief Officer of Finance and Accounting services prior to that he served as the chief officer Infrastructure, Roads & Public works in Kisii County Government. He also worked at the Parliamentary Service commission as a constituency manager for Dagoretti North Constituency. He Holds a Bachelors of Arts in International Relations from the Kenya Methodist University. Has a vast of skills in administration, community mobilization, Budget and financial management as well as Project management. Hes is the Secretary to the committe.</p>
<p data-bbox="260 1529 531 1563">CPA Johnes Nyakebati</p> 	<p data-bbox="651 1529 1404 1928">Johnes is the A.G. Chief Finance Officer, Kisii County. Before his appointment, he served as a Deputy Chief Finance officer. He holds a Master In Business Administration –Finance from Kenyatta University and, a Bachelor of Arts in Education from the University of Nairobi. He has vast experience in Budget formulation and execution, reporting, Financial Management, and policy formulation. He is a member of the Institute of Certified Public Accountants of Kenya and the Fund accountant.</p>



***Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024***

<p>Ms. Fanise Ombongi</p> 	<p>Fanise is the deputy director of Human resource management Kisii County government, previously she has served as a principal Human resource management officer and an administrative assistant.</p> <p>She holds a master of business administration in Human relations and a bachelor of Arts in Business Administration.</p> <p>She is a member of the Institute of Human Resource Management.</p>
<p>Dr. Erick Mobegi</p> 	<p>Dr. Mobegi K. Erick - Chief Officer of Finance, Accounting, and Revenue Management. Prior to his appointment, Dr. Mobegi was a Lecturer of Analytical Chemistry and Forensic Science at the Department of Chemistry and Biological Sciences at Kisii University. He has a long-standing career in academics and research spanning over 10 years. He has also served as a Lecturer at the Kenya Water Institute (KEWI) teaching aspects of Water Quality and Water Chemistry. Additionally, Dr. Mobegi has taught at Daystar University in the School of Science and Engineering. He holds a PhD in Chemistry (Applied Analytical Chemistry), and an MSc. Applied analytical chemistry from Kenyatta University and BSc. Industrial Chemistry from the University of East Africa, Baraton. Served as secretary to the committee until 26th May 2024.</p>

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>Ms. Grace Nyarango</p> 	<p>Grace is the county executive committee member of Lands, Physical Planning, Housing, and Urban Development. She holds a Master's degree in Business Administration (MBA) from Middlesex University, United Kingdom (UK), and a Bachelor's Degree in Economics and Management, from Spicer Memorial Pune. She has extensive experience in public sector management, having served as Deputy Director of Pensions at the National Treasury. She was a component manager under the Public Financial Management Sector Reform (PFMR) Programme under the pensions Department. She worked at the regional level as a consultant at the East African Community under the World Bank Financial Sector Development regionalization project. As a Pension Specialist, she was in charge of the East African Community (EAC) Partner states in matters of regional policy to facilitate the EAC Integration process. Additionally, has vast knowledge in public policy development/formulation and implementation. She is the chair Loans and Mortgage committee</p>
<p>Mr. Vincent Okioma</p> 	<p>Mr. Vincent - Chief Officer of Finance and Accounting services prior to that he served as the chief officer Infrastructure, Roads & Public works in Kisii County Government. He also worked at the Parliamentary Service commission as a constituency manager for Dagoretti North Constituency. He Holds a Bachelors of Arts in International Relations from the Kenya Methodist University.</p> <p>Has a vast of skills in administration, community mobilization, Budget and financial management as well as Project management. He is the secretary and Fund administrator for the Loans and Mortgage Committee</p>

***Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024***

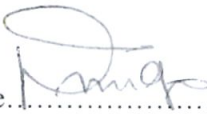
<p>CPA. Johnes Nyakebati</p> 	<p>Johnes is the A.G. Chief Finance Officer, Kisii County. Before his appointment, he served as a Deputy Chief Finance officer. He holds a Master In Business Administration –Finance from Kenyatta University and, a Bachelor of Arts in Education from the University of Nairobi.</p> <p>He has vast experience in Budget formulation and execution, reporting, Financial Management, and policy formulation.</p> <p>He is a member of the Institute of Certified Public Accountants of Kenya and the Fund accountant</p>
<p>Dr. Erick Mobegi</p> 	<p>Dr. Mobegi K. Erick - Chief Officer of Finance, Accounting, and Revenue Management. Prior to his appointment, Dr. Mobegi was a Lecturer of Analytical Chemistry and Forensic Science at the Department of Chemistry and Biological Sciences at Kisii University. He has a long-standing career in academics and research spanning over 10 years. He has also served as a Lecturer at the Kenya Water Institute (KEWI) teaching aspects of Water Quality and Water Chemistry. Additionally, Dr. Mobegi has taught at Daystar University in the School of Science and Engineering. He holds a PhD in Chemistry (Applied Analytical Chemistry), and an MSc. Applied analytical chemistry from Kenyatta University and BSc. Industrial Chemistry from the University of East Africa, Baraton. Served as secretary to the committee until 26th May 2024.</p>

5. FUND CHAIRPERSON'S REPORT

Kisii County Government established the Kisii County loans and Mortgage fund in the financial year 2015/2016. The fund was established pursuant to Salaries and Remuneration (SRC) Guidelines to enable staff acquire residential housed and motor vehicles at favourable interest rates.

The Governance and management of the fund is set out in Kisii County Loans and Mortgage Fund regulation,2015 (Revised 2023) as per guidelines issued by the SRC. This legislative framework has provided the necessary foundation to enhance the Fund's operations and deliver on its objectives.

Finally, the fund extends its appreciation to the Kisii County Government, and all our stakeholders for their invaluable guidance and support. Their collective efforts have been instrumental in actualizing the objectives of the Fund, ensuring its sustainability, and positively impacting the lives of our beneficiaries. We remain committed to fulfilling the goals of the Fund, and we look forward to continued collaboration with all stakeholders as we strive to deliver even greater outcomes in the years ahead.

Ms. Grace Nyarango Signature  Date 27TH NOVEMBER, 2024

Chairperson of Fund Administration Committee

6. REPORT OF THE FUND ADMINISTRATOR

The primary objective of the Kisii County Loan and Mortgage Fund is to provide loan facilities for the purchase and development of residential houses, as well as for the purchase of motor vehicles for personal use. During the year, the Fund received a budgetary allocation of Ksh 40,000,000, which enabled us to facilitate seventeen (17) loan applications successfully, processed by our Fund Manager. This achievement reflects our commitment to providing meaningful financial support to the members of the Fund.

To enhance the efficiency of fund management, the Fund has partnered with SBM Bank Kenya, which has been entrusted with the administration and oversight of the Fund's financial activities. This collaboration ensures that we maintain the highest standards of financial management and service delivery.

I am pleased to report that all beneficiaries have been diligent in servicing their loans as per the scheduled agreements. This reflects not only the financial discipline of our members but also the robust mechanisms we have put in place to monitor and support loan repayment.

In administering the Fund, we have implemented comprehensive financial management controls designed to uphold principles of compliance, transparency, and accountability. These controls are integral to ensuring that the Fund operates with integrity and continues to meet its objectives effectively, while safeguarding the interests of both the beneficiaries and the County.

We remain committed to enhancing our service delivery and ensuring the long-term sustainability of the Fund.

Mr. Vincent Okioma Signature.......... Date... 27/11/2024

Fund Administrator

*Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024*

**7. STATEMENT OF PERFORMANCE AGAINST THE COUNTY FUND'S
PREDETERMINED OBJECTIVES**

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government Entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key objective of the fund is to:

- a. Provide loan facility for purchase and development of residential houses
- b. Provide loan facility for purchase of Motor vehicles for personal use.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above fund objectives to specific sectors, all the objectives were made specific, measurable, achievable, realistic and time bound (SMART) and converted into fund outcomes. Attended indicators were identified for reasons of tracking progress and for performance measurement.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of staff	To provide loan facility for purchase and development of residential houses, and purchase of motor vehicles for personal use	Number mortgages successfully applied	No of staff advanced loan to facilitate purchase or develop residential houses	During ,FY 2023/2024,17 Members of staff accessed the facility to purchase or develop residential houses.

8. CORPORATE GOVERNANCE STATEMENT

a. Introduction

Kisii County Loans and Mortgages Fund is established by and derives its authority and accountability from Section 116 (2) of the PFM Act, 2012 on 7th January, 2016.

The purpose and objective of the fund is provided for in section 4 of the Kisii county loans and mortgage fund regulations, 2023.

The object and the purpose of the Fund shall be to provide funds for granting car loans and mortgages to the County Executive Committee members and the employees of Kisii County Government as may be prescribed from time to time by the Salaries and Remuneration Commission.

The fund is committed to complying with the set out corporate governance regulations.

b. Appointment of fund committee members

The Committee shall comprise of a Chairperson nominated by the County Governor, the County Chief Officer responsible for matters of staff welfare; the County Chief Officer responsible for matters of finance who shall be the Secretary of the Committee, the County Director responsible for matters of finance; the head of human resources in the County or his nominee appointed in writing; and the Secretary of the County Public Service Board or his or her nominee in writing.

The Committee may co-opt any person to attend any of its meetings for purposes of assisting or advising the Committee but any such person so co-opted has no right to vote on any decision.

c. Roles and function of the fund committee

Section of 8 of the KCG loans and mortgage regulations ,2023 states that the roles of the committee which include but not limited to:

- i. To make recommendations with respect to the conditions under which a loan or a mortgage shall be granted or repaid under these regulations
- ii. To formulate sound policies for regulating the management of the Fund;
- iii. To raise and solicit for funds and other assistance to promote the functions of the Committee;
- iv. To receive any gifts, donations, grants or endowments made to the Fund and to make legitimate disbursements therefrom;
- v. To establish links with financial institutions for the furtherance of the purposes for which the Fund is established;
- vi. To grant loans and mortgages, as the Committee may deem fit to eligible applicants upon recommendation of the Appraisal Committee;
- vii. To consider appeals from any applicant against any decision of the Loans Appraisal Fund Committee; and
- viii. To perform and exercise all other functions and powers conferred to the Committee by

*Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024*

these Regulations or any other law.

- ix. The Committee shall be responsible for submitting names of all applicants to the Fund Manager for appraisal where the loans appraisal committee is not established.

d. Attendance and fund committee meetings

The committee meets regularly as required in order to deliberate on staff request and monitor performance of the fund and achieve of planned objectives. The committee plays an oversight role over the funds activities.

e. Conflict of interest

Members of the fund committee are required to declare any conflict of interest at the start of every meeting.

f. Audit

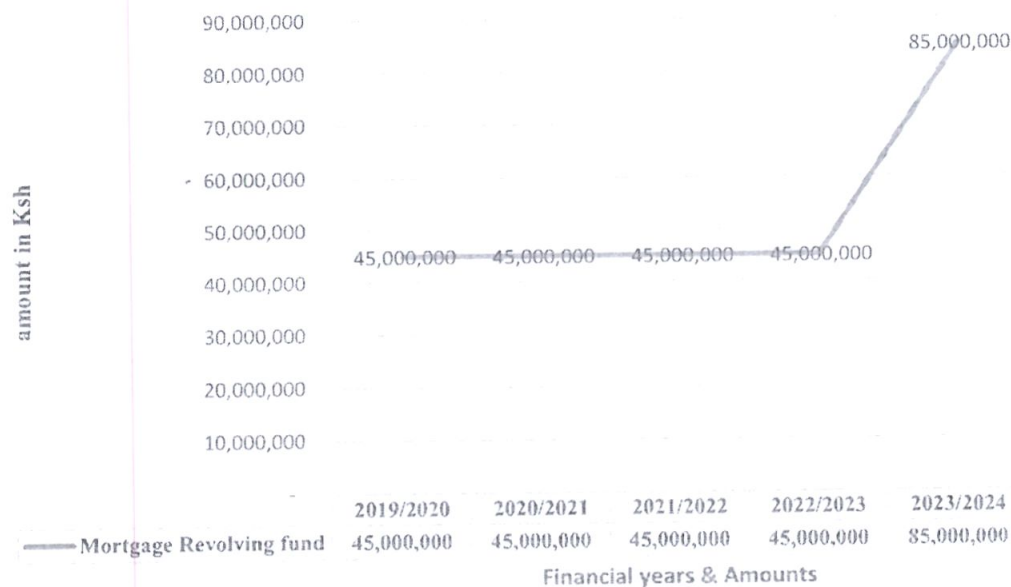
The fund is audited by the Internal Audit Unit within the county and the office of the Auditor General

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024

9. MANAGEMENT DISCUSSION AND ANALYSIS

a. Operational and financial performance of the fund during the period

This section provides an over view of the fund’s financial position as at the close of financial year 2023/2024



The Kisii county loans and mortgage fund was operationalized in FY 2018/19. The mortgage fund has grown from its initial investment of Ksh 45,000,000 to the current accumulated fund of Ksh 85,000,000. The source of funding is from the county executive through appropriations by the county assembly.

b. Funds key Projects and investments

The fund earns interest from fixed deposit account with the bank where surplus funds are deposited.

c. Number of Loans issued and status at the end of the period

No. of loans issued	Amount issued	Loan Outstanding	Loan Repaid
17	67,500,000	59,987,940	7,512,060

d. Funds compliance with statutory requirements

The fund made efforts to comply with the necessary statutory requirements in administration and management of the fund.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

1. Sustainability Strategy and profile

The Kisii County Loan and Mortgage Fund, under the stewardship of top management, continues to prioritize sustainability as a core aspect of its operations by emphasizes the need to integrate sustainable efforts into the Fund's financial and operational strategies. Current political and macroeconomic trends, including the global shift toward sustainable financing and climate-responsive policies, have influenced our sustainability priorities. The Fund is committed to aligning with international best practices in sustainability reporting, focusing on transparency, inclusivity, and accountability.

2. Environmental Performance

The Kisii County Government follows a comprehensive environmental policy aimed at minimizing environmental impacts which, guides the organization's efforts in managing environmental concerns by: Implementation of energy-saving measures in office buildings to reduce carbon emissions and Waste reduction efforts, with a focus on recycling office waste.

3. Employee Welfare

Kisii county Government adheres to equitable hiring practices that promote gender diversity and inclusion. Stakeholder engagement is a key part of our human resource policy, and we periodically review our policies to ensure alignment with best practices.

Our safety policy strictly adheres to the Occupational Safety and Health Act of 2007 (OSHA), ensuring that our work environment is compliant with national safety standards.

4. Market place Practices

a) Responsible Competition Practices

The Fund is committed to fair competition and adheres to anti-corruption regulations. We engage in responsible political involvement and promote ethical business practices. We maintain transparency in our financial dealings and respect our competitors within the financial services sector.

b) Product stewardship

We are dedicated to safeguarding the rights and interests of our clients by ensuring that our loan and mortgage products are structured transparently, with full disclosure of terms and conditions.

***Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024***

11. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to

- a) provide loan facility for purchase and development of residential houses
- b) Provide loan facility for purchase of Motor vehicles for personal use

Results

The results of the Fund for the year ended June 30, 2024 are set out on page 1 to 6

Trustees

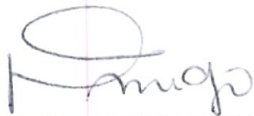
The members of the Fund Administration committee who served during the year are shown on page vi. The changes in the Board during the financial year are as shown below:

S/NO	Incoming	Position	Outgoing
1.	Vincent Okioma	Fund Administrator/Secretary	Dr. Erick Mobegi

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 Fund Administration Committee

Date: 27TH NOVEMBER, 2024

12. STATEMENT OF MANAGEMENT’S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of Kisii County Loans and Mortgage Fund established by section 3(1) of the Public Finance – Kisii County Loans and Mortgage Fund Regulations, 2023 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (Kisii county loans and mortgage fund regulations, 2023). 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, 2024, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. OR

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

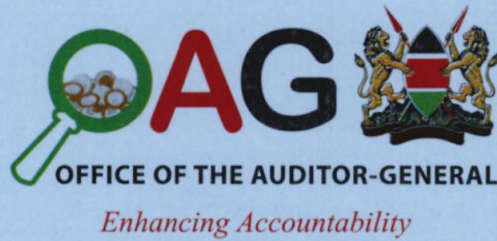
The Fund’s financial statements were approved by the Board on 27/11/2024 2024 and signed on its behalf by:


.....

Administrator of the Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 KISII COUNTY LOANS AND MORTGAGES FUND FOR THE YEAR ENDED 30 JUNE, 2024

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 intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisii County Loans and Mortgages Fund set out on pages 1 to 20, which comprise of the statement of financial

position as at 30 June, 2024, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kisii County Loans and Mortgages Fund as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance (Kisii County Loans and Mortgage Fund) Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Receivable from Non-Exchange Transaction

The statement of financial position reflects long term receivables from non-exchange transactions balance of Kshs.6,750,000 owed by Kenya Deposit Insurance Corporation (KDCIC) that had not been transferred to the Fund. Review of records revealed that the Fund Management opened a bank account with Chase Bank in the financial year 2014/2015 for the operation of car and mortgage loans to the County Executive Committee Members (CECM) and staff members of the County. However, on 7 April, 2016, the bank was placed under receivership with Kenya Deposit Insurance Corporation (KIDC) as Receiver Managers, and the total funds held by the bank amounting to Kshs.30,000,000 placed under moratorium.

Further, information provided indicated that Management signed a Memorandum of Understanding with the bank as an Administrator of the Kisii County Loans and Mortgages Scheme on 9 April, 2018 after the bank had been placed in receivership. The bank transferred an amount of Kshs.7,250,000, being part of the funds under moratorium to KDIC, on 15 August, 2018. In the 2022/2023 financial year, Kshs.500,000 of the latter amount was released to the Fund, leaving a balance of Kshs.6,750,000 as at 30 June, 2024. However, no clear timelines on when the Kshs.6,750,000 would be accessible for lending to the Funds' beneficiaries were provided for audit.

In the circumstances, the accuracy and recoverability of the long-term receivables from non-exchange transactions balance of Kshs.6,750,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisii County Loans and Mortgages Fund 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. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

One (1) of the three (3) prior year audit issues remained unresolved as at 30 June, 2024. Management has not provided satisfactory reasons for the delay in resolving this prior year audit issue. Further, as indicated in the Progress on Follow Up of Auditor's Recommendations section of the financial statements, two (2) of the prior year audit matters were resolved. However, Management has not provided evidence of how the issues were resolved.

Other Information

The Management is responsible for the other information set out on page iii to xviii which comprises Key Entity Information and Management, Kisii County Loans and Mortgages Fund Committee, Management Team, Chairperson's Report, Report of the Fund Administrator, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environment and Sustainability Reporting, Report of the Trustees and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit of the Kisii County Loans and Mortgages Fund financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness

and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. The Regularity of Loan Disbursements

The statement of financial position, and as disclosed in Note 6 to the financial statements, reflects long term receivables from exchange transaction balance of Kshs.59,987,940 which represents the loan balances owed by seventeen (17) County Executive Committee members and staff of the County Executive of Kisii. However, copies of the charges of loans disbursed to seventeen (17) beneficiaries amounting to Kshs.67,500,000 were not provided for audit, contrary to Clause 4.6 of the agreement on the obligation of the committee, which requires the committee to facilitate the registration of the charge and/or chattels mortgage in favor of Kisii County Government (KCG) prior to disbursement of the funds to the qualifying beneficiaries.

Further, review of the Fund's two bank accounts revealed no direct loan disbursements to specific loan beneficiaries or the vendors of property purchased. This was contrary to Clause 10.1 of the Agreement on the disbursements of loans, which states that all approved loans shall be disbursed directly to the beneficiary in the mortgage or car purchase and equity release.

In the circumstances the Fund risks losing funds and not meeting its objective through loan disbursements which were not utilized in acquiring property. Further, Management was in breach of Clauses 4.6 and 10.1 of the Agreement.

2. Use of Public Funds as Collateral Instead of Charging the Assets Acquired

The statement of financial position reflects Long-term receivables from exchange transactions balance of Kshs.59,987,940. However, it was noted that the amount was not secured by charging the motor vehicles or properties acquired as no log books and title deeds in the names of the beneficiaries and Kisii County Government or the bank were provided for audit verification.

It was explained that the loans were secured by cash deposited by the County Government into the SBM bank account for loans and mortgages, which stood at Kshs.76,224,885 as at 30 June, 2024 as per the certificate of bank balance.

In the circumstances. The Fund risks losing funds in case the beneficiaries' default with no consequences to the beneficiaries. Further, prolonged holding of public funds in the contracted bank account as collateral may deny the Fund the resultant opportunity of realizable interest thus limiting the growth of the Fund.

3. Irregularities in Utilization of Interest Income

The statement of financial performance reflects use of goods and services amount of Kshs.929,678 which, as disclosed in Note 3 to the financial statements, includes

administration fees amount of Kshs.928,693 which is equal to interest income from mortgage loans reflected in Note 1 to the financial statements. This means that all interest income of Kshs.928,693 was utilized for administration fees. This exceeded Kshs.31,161, being 3% of the total budget of the Fund, by Kshs.897,532. This was contrary to Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015, which requires that the administration costs of the Fund shall be a maximum of three (3%) percent of the approved budgets of the Fund.

Further, the mortgage interest amounts were directly debited in the individual members loan management accounts and credited to the SBM bank account. However, the application, verification and recovery of the loans from beneficiaries was done by the County Government, meaning that the bank was earning for services rendered by the County Government using unfavorable Memorandum of Understanding (MOU) signed on 8 September, 2023.

In addition, it was noted that the Fund transferred Kshs.2,370,702 from the Mortgage and Loans account (holding account) to Administration Account (collection account) on 26 June, 2024, being Fund's administration cost. However, no documentary evidence was provided indicating how the amount was to be utilized.

In the circumstances, the propriety of the fund administration expenses of Kshs.928,693 could not be confirmed and the expenses incurred in excess of three (3%) percent of the approved budget amounting to Kshs.897,532 are irregular in nature. Further, the intended use for Kshs.2,370,701 transferred from the main account to the collection account could not be established.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit so as to obtain assurance as to whether processes and systems of internal control, risk management and overall governance was

maintained in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standard requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 December, 2024

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue From Exchange Transactions			
Interest Income	1	1,328,401	68,211
Other Income	2	59,305	-
Total Revenue		1,387,706	68,211
Expenses			
Use of goods and services	3	929,678	68,211
Total Expenses		929,678	68,211
Surplus/(Deficit) before tax		458,028	-
Taxation	4	54,006	-
Surplus/(Deficit) after tax		404,022	-

(The notes set out on pages 6 to 19 form an integral part of these Financial Statements)

.....
 Name: Vincent Okioma
 Administrator of the Fund

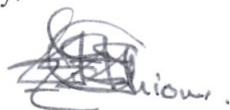
.....
 Name: Johnes Nyakebati
 Fund Accountant
 ICPAK Member Number: 11853

*Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024*

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	5	18,666,082	44,893,242
Current Portion of Long- Term Receivables From Exchange Transactions	6	17,751,228	-
Total current assets		36,417,310	44,893,242
Non-Current Assets			
Long Term Receivables from Exchange Transactions	6	42,236,712	106,758
Long term Receivables from Non exchange Transactions	7	6,750,000	-
Total Non-Current Assets		48,986,712	106,758
Total Assets		85,404,022	45,000,000
Net Assets		85,404,022	45,000,000
Represented By:			
Revolving Fund		85,000,000	45,000,000
Accumulated Surplus		404,022	-
Net Assets		85,404,022	45,000,000

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2024 and signed by:



.....
Name: Vincent Okioma
Administrator of the Fund



.....
Name: Johnes Nyakebati
Fund Accountant
ICPAK Member Number: 11853

Kisii County Loans and Mortgage Fund

Annual Report and Financial Statements for the year ended June 30, 2024

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2024

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
			Kshs	Kshs
Balance As At 1 July 2022	45,000,000	-	-	45,000,00
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Balance As At 30 June 2023	45,000,000	-	-	45,000,000
Balance As At 1 July 2023	45,000,000	-	-	45,000,000
Surplus/(Deficit) For the Period		-	404,022	404,022
Funds Received During the Year	40,000,000	-	-	40,000,000
Transfers	-	-	-	-
Balance As At 30 June 2024	85,000,000	-	404,022	85,404,022

*Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024*

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest received		1,328,401	68,211
Receipts from other operating activities		59,305	-
Total receipts		1,387,706	68,211
Payments			
Fund administration expenses		928,693	68,211
General expenses		54,991	-
Total payments		983,684	68,211
Net cash flows from operating activities	8	404,022	-
Cash flows from investing activities			
Proceeds from loan principal repayments		7,618,818	3,128,350
Loan disbursements paid out		(67,500,000)	-
Net cash flows used in investing activities		(59,881,182)	3,128,350
Cash flows from financing activities			
Blocked Funds at KDIC		(6,750,000)	
Proceeds from revolving fund receipts		40,000,000	-
Net cash flows used in financing activities		33,250,000	-
Net increase/(decrease) in cash & cash Equivalents		(26,227,160)	3,128,350
Cash and cash equivalents at 1 July		44,893,242	41,764,892
Cash and cash equivalents at 30 June	5	18,666,082	44,893,242

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Interest Income	1,028,693	-	1,028,693	1,328,401	299,708	129%
Other Income	10,000	-	10,000	59,305	49,305	593%
Total Income	1,038,693	-	1,038,693	1,387,706	349,013	
Expenses						
Fund Administration Expenses	928,693	-	928,693	928,693	-	100%
General Expenses	110,000	-	110,000	54,991	55,009	50%
Total Expenditure	1,038,693	-	1,038,693	983,684	55,009	
Surplus For the Period				404,022		
Capital Expenditure	90,000,000	(50,000,000)	40,000,000	40,000,000	-	100%

Budget notes

- a) Interest income: the performance was 29% above the budgeted amount because of increase in interest from fixed deposits which was not anticipated
- b) other income: Performance stood at 593% this was majorly due to increase in application fee and Miscellaneous income
- c) General Expenses: the performance stood at 50% because committee allowances were not paid during the period under review.
- d) Capital Expenditure: Decrease from Ksh, 90,000,000 to Ksh 40,000,000 was a s a result of supplementary budget during the financial year 2023/2034

19. NOTES TO THE FINANCIAL STATEMENTS

Significant Accounting Policies

1. General Information

Kisii County Loans and mortgage fund is established by and derives its authority and accountability from section 116(2) of the PFM Act, 2012 on 7th January, 2016. The entity is wholly owned by the Kisii County Government and is domiciled in Kenya. The entity's principal activity is Provide loan facility for purchase and development of residential houses and Provide loan facility for purchase of Motor vehicles for personal use.

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024

There were no new and amended standards issued in the financial year.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and	<i>Applicable 1st January 2025</i> The Standard requires,

Kisii County Loans and Mortgages fund
Annual Report and Financial Statements for the year ended 30th June 2024

Discontinued Operations	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: 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.
IPSAS 45- Property Plant and Equipment	Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	Applicable 1st January 2026 This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	Applicable 1st January 2026 The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.

Kisii County Loans and Mortgages fund
Annual Report and Financial Statements for the year ended 30th June 2024

IPSAS 49- Retirement Benefit Plans	Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

(i) Early adoption of standards

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

Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2023-2024 was approved by the County Assembly on June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

Summary of Significant Accounting Policies (Continued)

comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

a) Investment property

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

b) Provisions

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

Summary of Significant Accounting Policies (Continued)

reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

c) Social Benefits

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

d) Contingent liabilities

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

Contingent assets

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

e) Nature and purpose of reserves

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

f) Changes in accounting policies and estimates

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

Summary of Significant Accounting Policies (Continued)

g) Foreign currency transactions

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

h) Borrowing costs

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

i) Related parties

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

j) Cash and cash equivalents

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

k) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

6. Notes to The Financial Statements Continued

1. Interest income

Description	2023-2024	2022-2023
	Kshs	Kshs
Interest Income from Mortgage Loans	928,693	68,211
Interest Income From Car Loans	-	-
Interest Income On Bank Deposits	399,708	-
Total Interest Income	1,328,401	68,211

2. Other income

Description	2023-2024	2022-2023
	Kshs	Kshs
Application fee	20,000	-
Miscellaneous Income	39,305	-
Total Other Income	59,305	-

3. Use of Goods and Services

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Loan Processing Costs	-	-
Administration Fees	928,693	68,211
Committee Allowances	-	-
Bank Charges	985	-
Total	929,678	68,211

4. Taxation

Description	2023-2024	2022-2023
	Kshs	Kshs
Interest Income from SBM Bank	360,040	
Withholding tax 15%	54,006	-

Kisii County Loans and Mortgages fund
Annual Report and Financial Statements for the year ended 30th June 2024

Notes to The Financial Statements Continued

5. Cash and cash equivalents

Description	2023-2024	2022-2023
	Kshs	Kshs
Kisii County loans and Mortgage Account	16,236,945	44,893,242
Administration Account	2,429,137	-
Total Cash And Cash Equivalents	18,666,082	44,893,242

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

Financial Institution	Account number	2023-2024	2022-2023
		Kshs	Kshs
a) Holding Account			
SBM Bank	0252322396001	16,236,945	44,893,242
Sub- Total		16,236,945	44,893,242
b) Administration Account			
SBM Bank	0252322396004	2,429,137	-
Sub- Total		2,429,137	-
Grand Total		18,666,082	44,893,242

6. Receivables from exchange transactions

Description	2023-2024	2022-2023
	Kshs	Kshs
Current Receivables		
Current Loan Repayments Due	17,751,228	-
Less: Impairment Allowance	-	-
Total Current Receivables	17,751,228	-
Non-Current Receivables		
Long Term Loan Repayments Due	42,236,712	106,758
Total Non- Current Receivables	42,236,712	106,758
Total Receivables From Exchange Transactions	59,987,940	106,858

*Kisii County Loans and Mortgages fund
Annual Report and Financial Statements for the year ended 30th June 2024*

Notes to The Financial Statements Continued

7. Receivables from Non Exchange transactions

Description	2023-2024	2022-2023
	Kshs	Kshs
Non-Current Receivables		
Blocked Funds at KDIC	6,750,000	-
Total Receivables From Non Exchange Transactions	6,750,000	-

Chase bank was placed under receivership with KDIC as receiver managers, and the funds were placed under moratorium on 15th August 2018.

8. Cash generated from operations.

Description	2023-2024	2022-2023
	Kshs	Kshs
Surplus/(Deficit) For the year Before Tax	458,028	-
Adjusted For:	59,987,940	-
Tax	(54,066)	-
Working Capital Adjustments	404,022	-
Net Cash Flow From Operating Activities	404,022	-

Notes to The Financial Statements (Continued)

9. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	2023-2024	2022-2023
	Kshs	Kshs
Transfers From Related Parties'	40,000,000	-
Total	40,000,000	-

10. Financial risk management

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

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

a) Credit risk

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

of the value of any collateral obtained is made up as follows:

*Kisii County Loans and Mortgages fund
Annual Report and Financial Statements for the year ended 30th June 2024*

Notes to The Financial Statements (Continued)

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2024				
Receivables From Exchange Transactions	59,987,940	59,987,940	-	-
Receivables From Non-Exchange Transactions	6,750,000	6,750,000	-	-
Bank Balances	18,666,082	18,666,082	-	-
Total	85,404,022	85,404,022	-	-
At 30 June 2023				
Receivables From Exchange Transactions	106,758	106,758	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	44,893,242	44,893,242	-	-
Total	45,000,000	45,000,000	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from xxxx

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

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

c) Market risk

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

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

Notes to The Financial Statements (Continued)

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

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

i. Foreign currency risk

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

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

d) Capital risk management.

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

Kisii County Loans and Mortgages fund
Annual Report and Financial Statements for the year ended 30th June 2024

Notes to The Financial Statements (Continued)

Description	Current FY	Comparative FY
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	85,000,000	45,000,000
Accumulated surplus	404,022	-
Total funds	85,404,022	45,000,000
Total borrowings	-	-
Less: cash and bank balances	(18,666,082)	(44,993,242)
excess cash and cash equivalents	18,666,082	44,993,242
Gearing	0%	0%

11. Events after the reporting period

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

12. Ultimate and Holding Entity

The entity is a County Public Fund established by the Kisii County loans and mortgage regulations under the Ministry of Finance. Its ultimate parent is the County Government of Kisii.

13. Currency

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

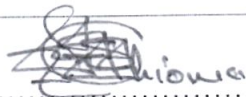
Kisii County Loans and Mortgages fund
Annual Report and Financial Statements for the year ended 30th June 2024

20. ANNEXES

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

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

Referen ce No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status:	Timeframe
	Unconfirmed cash and cash equivalents	Management has made a follow up with the Kenya Deposit Insurance Corporation to recover the funds	Not resolved	June 30,2025
	Budgetary control and performance	During the year the fund received ksh 40,000,000 funding from the county executive	Resolved	
	Failure to maintain a check-off system for Loan deductions	The issue has been addressed, all the loans issued in the year under review repayments are through the check-off system	Resolved	



.....
Fund Administrator

Date.....

