

REPUBLIC OF KENYA



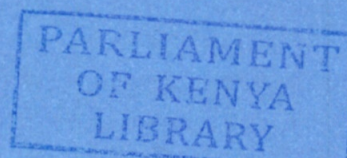
OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

PAPERS LAID	
DATE	9/5/2024
TABLED BY	Sen. Orwobg
COMMITTEE	—
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OF



THE AUDITOR-GENERAL

ON

**NAKURU COUNTY EXECUTIVE
MORTGAGE (STAFF) SCHEME FUND**

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



NAKURU COUNTY EXECUTIVE MORTGAGE (STAFF) SCHEME FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
ECL	Expected Credit Loss
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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2. Key Entity Information and Management

a) Background information

Nakuru County Executive Mortgage (Staff) Scheme Fund is established by and derives its authority and accountability from The Public Finance and Management (Nakuru County Mortgage (Staff) scheme fund) regulations, 2018 Act on 11th May, 2018. The Fund is wholly owned by the County Government of Nakuru and is domiciled in Kenya.

Initially the fund was operated as Car and Mortgage (Staff) Scheme Fund but on 17th Sept 2021 it was split and now each Fund is operating on its own. It now operates as Nakuru County Executive Mortgage (Staff) Scheme Fund.

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

b) Principal Activities

The principal activity of the Fund is to provide loans to the scheme members for purchase, development, renovation or repair of residential property by members of the Scheme Capital Funds.

c) Fund Administration Committee

Ref	Name	Position
1	Joseph Kiuna	Chairman(1st July 2022, 14th December 2022)
2	Mr Stephen Iribe Njogu	Chairman (15th December 2022-30th June 2023)
3	Mr Joseph Mutua Malinda	Ex-official member/ Secretary
4	Mr Wilson Mungai	Member
5	Mr Charles Koech	Member
6	Mr Dan Odundo	Member
7	Mr James Katiwa	Member

d) Key Management team

Ref	Name	Position
1	Mr Samuel Mwaura	County Secretary
2	Mr Joseph Mutua Malinda	Fund Administrator
3	Mr Wilson Mungai	Fund Accountant



Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	Mr Timothy Njoroge Mbatia
2	Staff car Mortgage and car Loan Advisory Committee	County Assembly Of Nakuru

f) Registered Offices

P.O. Box 2870-20100
New Town Hall Building
Moi Road
Nakuru, Kenya.

g) Fund Contacts

Telephone (051)2214142/(051)2216379/80
E-mail: info@nakuru.go.ke
Website: www.nakuru.go.ke

h) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Family Bank Ltd. Head Office,
Family Bank towers
P.O Box 74145-00200
Nairobi, MuindiMbingu Street
Tel: 020 325 2000 Cell: +254 703 095 000
Email: info@familybank.co.ke, www.familybank.co.ke

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

The County Attorney
New Town Hall Office
Moi Road
P.O. Box 2870 20100
Kenyatta Avenue
Nakuru, Kenya

3. Fund Administration Committee

Name	Details of qualifications and experience
 <p>1. Stephen Iribe Njogu Fund Chairman D.O.B: 20Th June 1983</p>	<p>Mr S. Iribe Njogu holds an Associate degree of Science from Kwame Nkuruma University of Science & Technology in Business Administration</p> <p>He also holds a Diploma in Applied Biology from Mombasa Polytechnic University College.</p> <p>He is a former Managing Director at XPD Limited Accra. Former CEO Soft Ventures East African Limited; Nakuru, Nairobi, Kampala.</p> <p>He has over 10 years' experience in private sector.</p> <p>He is currently the CECM Finance and Economic Planning.</p>
 <p>2. Joseph M. Malinda Fund Administrator D.O.B: 27/12/1969</p>	<p>Mr Joseph Malinda Holds a Master's Degree in Business Management from Kenyatta University, A Bachelors of Law Degree from University Of Nairobi, Diploma in-Law from Kenya School of Law.</p> <p>He is a Certified Public Secretary (CPS (K) and an Advocate of the High Court of Kenya.</p> <p>He has served the County Assembly of Nakuru as Clerk and Secretary to the County Assembly Service Board. He has previously service various Defunct Local Authorities as the Chief Executive/ Clerk to Council, Kenya Anti-Corruption Authority as an Attorney and Office of the Attorney General as a State Counsel (Public Prosecutions).</p> <p>He currently is the Chief Officer – Finance</p>
 <p>3. Mr Wilson Mungai Fund Accountant D.O.B: 01/01/1965</p>	<p>Mr Wilson Mungai holds a Masters Degree from KEMU university and a Bachelor of Arts Degree from the University of Nairobi.</p> <p>He is a Certified Public Accountant {CPA(K)} and Certified Public Secretary (CS).</p> <p>He was previously the treasurer of Municipal Council of Naivasha and Ag. Chief Officer Finance, Nakuru County from August 2022 to Dec 2022.</p> <p>Currently he is the Director of Finance Nakuru County, a position he has held from 2013 to date.</p>

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4. Mr Charles Koech
Member
 D.O.B: 12/12/1968

Mr Charles Koech holds an Education degree from University of Nairobi, a diploma in education from Kisii University.

He has been an Education Administrator, Principal with 15 of years' experience and 13 years' experience as a teacher in various levels.

He currently is the Chief Officer Administration & Devolution



5. James Katiwa
Member
 Date of Birth: 22/11/1975



Mr James Katiwa holds a master's degree in business Administration and a Bachelor's degree in Education Specializing in Accounting & Economics both from the university of Nairobi.

He is Certified Public Accountant of Kenya with over fifteen years' experience in internal Audit and finance.

He is also a member of Certified Public Accountants of Kenya (ICPAK).

He is currently the Deputy Director in Charge Financial Reporting and financial management of Health facilities.

4. Management Team

Name	Details of qualifications and experience
 <p>1. Dr Samwel Mwaura County Secretary Date of birth : 08/07/1985</p>	<p>Dr Samuel Mwaura is a pharmacist by training and a holder of Master of Business Administration (MBA) degree and he is currently a PhD candidate. He has worked with the Ministry of Health and Kenya Medical Supplies Authority (KEMSA). He was the pioneer Chief Officer for Health in the County Government of Nakuru between 2013 and 2018. He was instrumental in the design and execution of the facilities improvement fund (FIF), which has won national and global accolades for its transformative contribution to health services in Nakuru County.</p> <p>During his tenure as Chief Officer of Health, as acting county secretary, Dr. Mwaura has institutionalized accountability in project management and focus on service delivery.</p>
 <p>2. Mr. Joseph M. Malinda Fund Administrator Date of Birth: 27/12/1969</p>	<p>Mr Joseph Malinda Holds a Master’s Degree in Business Management from Kenyatta University, A Bachelors of Law Degree from University Of Nairobi, Diploma in-Law from Kenya School of Law.</p> <p>He is a Certified Public Secretary (CPS (K) and an Advocate of the High Court of Kenya.</p> <p>He has served the County Assembly of Nakuru as Clerk and Secretary to the County Assembly Service Board. He has previously service various Defunct Local Authorities as the Chief Executive/ Clerk to Council, Kenya Anti-Corruption Authority as an Attorney and Office of the Attorney General as a State Counsel (Public Prosecutions).</p> <p>He currently is the Chief Officer – Finance</p>



3. Mr Wilson Mungai
Fund Accountant
Date of Birth: 1/1/1965

Mr Wilson Mungai holds a Masters Degree from KEMU university and a Bachelor of Arts Degree from the University of Nairobi.

He is a Certified Public Accountant {CPA(K)} and Certified Public Secretary (CS).

He was previously the treasurer of Municipal Council of Naivasha and Ag. Chief Officer Finance, Nakuru County from August 2022 to Dec 2022.

Currently he is the Director of Finance Nakuru County, a position he has held from 2013 to date.



5. Fund Chairperson's Report

I am pleased to present to you the Chairman's report for the financial year 2022-2023. During the year, the fund was managed by two chairmen namely Mr Joseph Kiuna (1st July 2022- 15 Dec 2022) and Mr Stephen Njogu Iribe (15 Dec 2022- 30 June 2023).

Nakuru County Executive Mortgage (Staff) Scheme Fund was initially combined with Nakuru County Executive (staff) Car Loan Scheme Fund. The two operated as one fund from May 2018.

In accordance with The Public Finance And Management (Nakuru County Executive Mortgage (Staff) scheme fund) regulations, 2018, they were separated in 17th September 2021. This 2022-2023 financial year, the Fund is operating on its own.

Fifty members have benefited from Nakuru County Executive Mortgage (Staff) Scheme Fund since inception of this Fund. Out of the 50 members, 20 were male while 30 were female.

Loan disbursed for this year was Kshs 20,500,000 against Kshs 24,050,000 of last financial. This was occasioned by non-disbursement of funds by the county treasury.

During the financial period 2022-2023, the following members benefited from the Fund;

1. Asinah Ashiku Wanga	4,700,000
2. Caleb Bichanga Nyamwange	4,800,000
3. Stephen Mucheru Chege	6,500,000
4. John Gachunga Kamau	<u>4,500,000</u>
	<u>20,500,000</u>

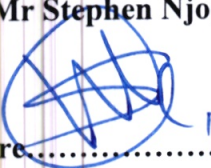
The fund accounts for the period ended 30th June 2023 showed a surplus of **Ksh. 3,466,855**. This financial year we have noted an increase of **Kshs. 728,802** from the previous period, an indicator of improvement in the performance of the fund.

The total revenue earned during the year was **Kshs 5,416,762** an increase from **Kshs 4,565,265** in the financial year 2021-2022.

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

The committee continue to view the year ahead with confidence and hope that the fund will continue to grow and be able to disburse funds to more members.

Name: Mr Stephen Njogu Iribe

Signature  Date 8-12-23

Chairperson of the Fund

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

6. Report of the Fund Administrator

I wish to present to you my report as the fund administrator of Nakuru County Executive Mortgage (Staff) Scheme Fund for the financial year ended 30th June 2023. I will start by highlighting the formation and activities of the fund.

This scheme was established through The Public Finance and Management (Nakuru County Executive Mortgage (Staff) Scheme Fund) regulations, 2018. The sole objective of the fund is advancing loan to staff members of the Nakuru County Executive at a negotiated interest rate of the 3% p.a. The fund is administered through Family Bank who are the Bankers and controller of the fund.

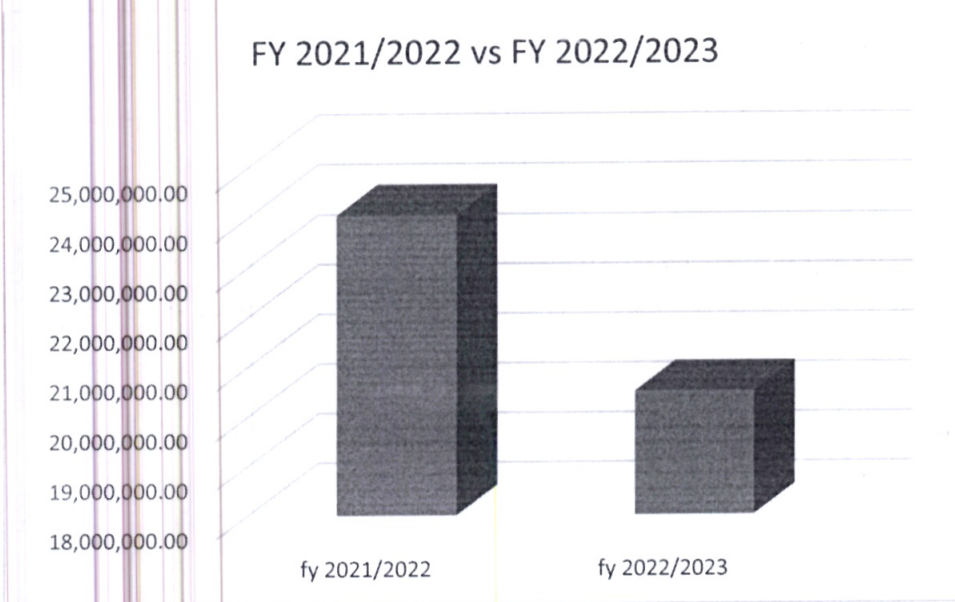
The fund is managed by a fund management committee which comprise of the following

Ref	Name	Position
1	Mr Stephen Iribe Njogu	Fund Chairman
2	Mr Joseph Mutua Malinda	Fund administrator
3	Mr Wilson Mungai	Fund accountant
4	Mr Charles Koech	Member
5	Mr James Katiwa	Member

Before any loan is disbursed to the beneficiary, the committee ensure that all the requirements have been met by the applicant. There is a mortgage form to be filled by the applicant thereafter the fund committee determines who qualifies. This financial year many people applied but we experienced a shortage of funds. Due to this, more funds are needed and each department was advised to allocate more money for the fund. In the next financial period, hopefully more funds will be available.

The fund accounts for the period ended 30th June 2023 showed a surplus of Ksh. 3,466,855. This financial year we have noted an increase of Kshs. 728,802 from the previous period, an indicator of improvement in the performance of the fund.

Loan disbursed for this year was Kshs 20,500,000 against Kshs 24,050,000 of last financial. This was occasioned by non-disbursement of funds by the county treasury.



It is the responsibility of the committee to ensure that the Act adhered to.

Finally, I wish to assure all members that we are committed in ensuring that the fund in managed in a transparent and accountable manner.

Signed:.....

Mr Joseph M. Malinda
Fund Administrator

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 entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board which includes a statement of the county government entity’s performance against predetermined objectives.

The key development objectives of the Fund as per the strategic plan for 2022-2023 Financial Year are to:

- a) Purchase of residential property by members of the Scheme Capital Funds.
- b) Development of residential property by members of the Scheme Capital Funds.
- c) Renovation of residential property by members of the Scheme Capital Funds.
- d) Repair of residential property by members of the Scheme Capital Funds.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
<i>Nakuru County Executive Mortgage (Staff) Scheme Fund</i>	To ensure all staff have access to Mortgage facilities for purchase, development, renovation or repair of residential property by members of the Scheme Capital Funds.	Provision of staff members with good condition residential property	Built a house for member	In this period four successful applicants have habitable homes

8. Corporate Governance Statement

- a) Succession plan of Committee members is laid down by The Public Finance and Management (Nakuru County Executive Mortgage (Staff) scheme fund) regulations, 2018 Act governing it and comes with office held, the county executive committee member for finance (chairperson), chief officer treasury (Fund Administrator), chief officer public service management (Member), county attorney office (member) and any other member specified by the Act.
- b) The Act also indicates that the County Secretary appoints other committee members i.e. two directors appointed and the two chief officers.
- c) Roles and functions of the committee is to supervise and control the day to day administration of the fund, may appoint such other staff to attend its meeting, may appoint a financial institution to administer the fund on behalf of the committee, determine and regulate interest charged on the mortgage, approve all housing developments and financing proposals, enter into agreements with persons or legal entities for the purposes of providing services to the fund, develop equitable criteria for the beneficiaries of the fund, establish management guidelines and engage such staff as may be necessary for the discharge of its functions and such other duties as may be directed by the chairperson for the proper management of the fund.
- d) Remuneration: members are paid allowances and disbursements for expenses as approved by the salaries and remuneration commission on the advice of the county executive committee member.
- e) The committee managed to hold two meetings this financial year.

9. Management Discussion and Analysis

This scheme was established through The Public Finance and Management (Nakuru County Executive Mortgage (Staff) Scheme Fund) regulations, 2018. With the objective of advancing loan to members of the staff of the Nakuru County Executive at a negotiated interest rate of the 3%. The fund is administered through Family Bank who are the Bankers controller of the fund.

This financial period, the fund managed to have a surplus of **Ksh. 3,466,855**.

Fifty members have benefited from Nakuru County Executive Mortgage (Staff) Scheme Fund so far. Out of the 20 members are men while 30 women. This particular period four members of the fund benefited as follows,

1. Asinah Ashiku Wanga	4,700,000
2. Caleb Bichanga Nyamwange	4,800,000
3. Stephen Mucheru Chege	6,500,000
4. John Gachunga Kamau	<u>4,500,000</u>
	<u>20,500,000</u>

Before any loans are disbursed to the beneficiary the committee ensure that all the requirements have been met by the applicant. There is a mortgage form to be filled by the applicant thereafter the fund committee will to determine who is qualified to be awarded the fund.

This financial year many people applied but we experienced a shortage of funds. Due to this, more funds are needed and each department was advised to allocate more money for the fund. In the next financial period, hopefully more funds will be available.

It is the responsibility of the committee to ensure that the fund is well managed and the funds advanced are properly accounted for.

10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile -

Housing has an important role in the socio-economic development of the county as a powerful source of a comprehensive effect on stimulating related industries, generating the resource-saving effect using eco-technologies, solving social problems, and expanding the investment opportunities of the population. The particularity of housing construction as a type of investment activity determines the features of its sources, forms, and methods of financing, among which mortgage lending occupies a central place.

Mortgage Fund has allowed members to get residential houses within the county of Nakuru thereby helping them to sustain effective living within the community.

Support continuous improvement of sustainability best practices and our values of integrity and accountability, the Fund is committed to:

- Promoting and explaining our sustainability procedures to all members.
- Embedding sustainability considerations into our disciplined investment processes and policies so that they are understood and applied by the entire team.
- Working with borrowers to measure, target and monitor our sustainability integration performance and portfolio environmental footprint
- Reporting on progress in implementing our commitments to create greater transparency

2. Environmental performance

The Fund seeks to improve the health and welfare of tenants, residents, and the communities in which we invest by encouraging borrowers to:

- Ensure properties meet or exceed all health and safety, and workplace violence and harassment regulation
- Require sustainable and responsible contracting principles to be used by property management and their suppliers.
- Foster community involvement and support.

3. Employee welfare

Nakuru County Executive Mortgage (Staff) Scheme Fund is established by and derives its authority and accountability from The Public Finance and Management (Nakuru County Executive Mortgage (Staff) scheme fund) regulations, 2018 Act on 11th May, 2018.



The committee members' appointments are laid down in the Act. The committee members are paid allowances of attending meetings as per the salaries and remuneration commissions directives.

The employees are given mortgage loan at an interest rate of 3% on a reducing balance method which is lower than a market rate of 12.5%. This is 9.5% lower thereby ensuring that their welfare is well taken care of.

4. Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The fund has been awarded to the employees in well organised manner and employees are required to apply by filling the application form. The awarding of the fund is done in a free and fair environment and no issues of corruption has been reported.

b) Responsible Supply chain and supplier relations

The fund administration usually gives beneficiaries loans in a good manner and payments are processed in the right time.

c) Responsible marketing and advertisement-

Ethical practices are always maintained and documents of the beneficiaries are always safeguarded.

d) Product stewardship

The funds are under the stewardship of the Fund administration committee and family bank appointed to be the Fund Administrators.

The fund has provided employees with the Mortgage and now beneficiaries have homes.

5. Corporate Social Responsibility / Community Engagements

There was no Social Responsibility undertaken during the financial year 2022-2023. The committee is looking forward undertaking one in a near future.

11. Report of the Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to provide a loan scheme for purchase, development, renovation or repair of residential property by members of the Scheme Capital Funds.

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1-7

Committee

The members of the Board of Committee who served during the year are shown on page iv-x. The changes in the Board during the financial year are as shown below:

From 1/7/2022 to 14/12/2022	From 15/12/2022 to 30/6/2023
Benjamin Njoroge – County Secretary	Samwel Mwaura – County Secretary
Joseph Kiuna - Chairman	Stephen Iribe Njogu - Chairman
Joseph Muchina – Fund Administrator	Joseph M Malinda – Fund administrator
Dominic Nyabuto – Fund Accountant	Wilson Mungai – Fund Accountant

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 Committee

Date: 8-12-23



12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by The Public Finance and Management (Nakuru County Executive Mortgage (Staff) Scheme Fund) regulations, 2018 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Public Finance and Management (Nakuru County Executive Mortgage (Staff) scheme fund) regulations, 2018.

The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date.

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

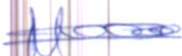
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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

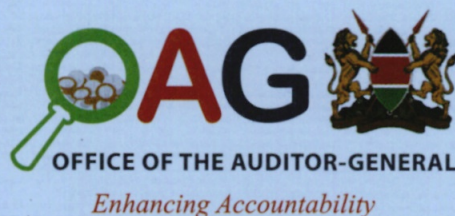
The Fund's financial statements were approved by the Board on 8-12-2023 and signed on its behalf by:



.....
Fund Administrator

REPUBLIC OF KENYA

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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 NAKURU COUNTY EXECUTIVE MORTGAGE (STAFF) SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nakuru County Executive Mortgage (Staff) Scheme Fund set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

Report of the Auditor-General on Nakuru County Executive Mortgage (Staff) Scheme Fund for the year ended 30 June, 2023

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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nakuru County Executive Mortgage (Staff) Scheme Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (Nakuru County Executive Mortgage (Staff) Scheme Fund) Regulations, 2018.

Basis for Qualified Opinion

Unsupported Long-Term Receivables from Exchange Transactions

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.153,763,384 as disclosed in Note 13 to the financial statements. However, supporting documents on the balance including an updated loans ledger, loan repayment schedule and aging analysis of the receivables were not provided for audit review. It was therefore not possible to establish whether there was need for provisions for bad and doubtful debts to be made.

In the circumstances, the accuracy, existence and fair statement of long-term receivables from exchange transactions balance of Kshs.153,763,384 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given any explanation

for the failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

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 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. Irregular Committee Meetings

The statement of financial performance reflects use of goods and services amounting to Kshs.1,949,907. The amount includes Committee allowances of Kshs.58,000 as disclosed under Note 7 to the financial statements. Review of the committee minutes provided for audit revealed that only two (2) meetings were held during the year. This is contrary to Regulation 7 (2) of the Public Finance Management (Nakuru County Executive Mortgage (Staff) Scheme Fund) Regulations, 2018 which states that the Committee shall meet at least four (4) times a year.

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

2. Failure to Review Cashbook and Bank Reconciliations Statements

The statement of financial position reflects cash and cash equivalents balance of Kshs.37,171,762 as disclosed in Note 12 to the financial statements. Review of the cashbook and bank reconciliation statements revealed that they were not reviewed by a senior official. This is contrary to Section 7.6 (5) of the County Financial Accounting and Reporting Manual which states at the end of every month a bank reconciliation statement is prepared for every cash book and reviewed by a senior official.

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

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a total income and expenditure final budget amounting to Kshs.5,416,762 and Kshs.1,949,907 respectively which is imbalanced. This is contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires the budget revenue and expenditure appropriations to be balanced.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAI) 4000. The standard requires that I comply with ethical

requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 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 the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

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

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

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

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

Report of the Auditor-General on Nakuru County Executive Mortgage (Staff) Scheme Fund for the year ended 30 June, 2023

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 April, 2024

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

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

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

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

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 April, 2024

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1		-
Transfers From the County Government	2		-
Fines, Penalties and Other Levies	3		-
			-
Revenue From Exchange Transactions			
Interest Income	4	5,298,622	4,460,785
Other Income	5	118,140	104,480
Total Revenue		5,416,762	4,565,265
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	1,949,907	1,827,212
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		1,949,907	1,827,212
Other Gains/Losses			-
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
Surplus/(Deficit) for the Period		3,466,855	2,738,053

(The notes set out on pages 19 to 40 form an integral part of these Financial Statements)

.....
Name: Joseph M Malinda
Administrator of the Fund

.....
Name: Wilson Mungai
Fund Accountant
ICPAK Member Number: 7241

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

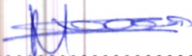
15. Statement of Financial Position as at 30 June 2023

Description	Note	2022-2023 Kshs	2021-2022 Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	12	37,171,762	33,934,161
Current Portion of Long- Term Receivables From Exchange Transactions	13	15,585,948	15,955,480
Prepayments	14		-
Inventories	15	-	-
Investments in financial assets	16	-	-
Total current assets		52,757,710	49,889,641
			-
Non-Current Assets			-
Property, Plant and Equipment	17		-
Intangible Assets	18	-	-
Long Term Receivables from Exchange Transactions	13	153,763,384	151,214,690
Investment Property	19		-
Total non- current assets		153,763,384	151,214,690
Total Assets		206,521,094	201,104,332
			-
Liabilities			-
Current Liabilities			-
Trade and Other Payables from Exchange Transactions	20	3,323,151	1,373,244
Current Portion of Borrowings	21		
Employee Benefit Obligations	22	-	-
Social benefit liabilities	23	-	-
Total current liabilities		3,323,151	1,373,244
Non-Current Liabilities			
Long Term Portion of Borrowings	21		-
Non-Current Employee Benefit Obligation	22	-	-
Social benefit liabilities	23	-	-
		-	
Total Liabilities		3,323,151	1,373,244

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Net Assets			
Revolving Fund		192,825,487	192,825,487
Reserves			
Accumulated Surplus		10,372,456	6,905,601
Total Net Assets and Liabilities		206,521,094	201,104,332

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 31/2/2023 and signed by:



Name: Mr Joseph M. Malinda
Administrator of the Fund



Name: Mr Wilson Mungai
Fund Accountant
ICPAK Member Number: 7241

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement of Changes in Net Assets for the Year Ended 30th June 2023

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	163,325,487	-	4,167,548	167,493,035
Surplus/(Deficit) For the Period		-	2,738,053	2,738,053
Funds Received During the Year	29,500,000			29,500,000
Transfers		-	-	-
Revaluation Gain				
Balance As At 30 June 2022	192,825,487	-	6,905,601	199,731,088
Balance As At 1 July 2022	192,825,487	-	6,905,601	199,731,088
Surplus/(Deficit) For the Period		-	3,466,855	3,466,855
Funds Received During the Year	-	-	-	-
Transfers	-		-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2023	192,825,487		10,372,456	203,197,943

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations			-
Transfers from the county government			-
Interest received	4	5,298,622	4,460,785
Receipts from other operating activities	5	118,140	104,480
Total receipts		5,416,762	4,565,265
Payments			
Fund administration expenses	7	1,942,347	1,817,908
General expenses	7	7,560	9,304
Finance cost			-
Other payments			-
		1,949,907	1,827,212
Net cash flows from operating activities	25	5,998,711	2,621,177
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets			-
Proceeds from sale of property, plant & equipment			-
Proceeds from loan principal repayments		18,211,000	15,109,373
Loan disbursements paid out		-20,500,000	(24,050,000)
Net cash flows used in investing activities		-2,289,000	(8,940,627)
Cash flows from financing activities			
Proceeds from revolving fund receipts			29,500,000
Additional borrowings			-
Repayment of borrowings			-
Net cash flows used in financing activities			29,500,000
Net increase/(decrease) in cash & cash Equivalents		3,237,601	23,180,550
Cash and cash equivalents at 1 July 2022	12	33,934,161	10,753,611
Cash and cash equivalents at 30 June 2023	12	37,171,762	33,934,161

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

18. Statement of Comparison of Budget and Actual Amounts for the Period

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						
Public Contributions and Donations						
Transfers From County Govt.						
Interest Income	5,298,622	-	5,298,622	5,298,622	0	100
Other Income	118,140	-	118,140	118,140	0	100
Total Income	5,416,762		5,416,762	5,416,762	0	100
Expenses						
Fund Administration Expenses	1,891,907	-	1,891,907	1,891,907	0	100
General Expenses	58,000	-	58,000	58,000	0	100
Finance Cost (Bank Charges)	7,560		5,560	7,560	0	100
Total Expenditure	1,949,907	-	1,949,907	1,949,907	0	100
Surplus For the Period	3,466,855	-	3,466,855	3,466,855	0	100
Capital expenditure	-		-	-	-	

Budget notes

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)



19. Notes to the Financial Statements

1. General Information

Nakuru County Executive Mortgage (Staff) Scheme Fund entity is established by and derives its authority and accountability from The Public Finance and Management (Nakuru County Executive Mortgage (Staff) Scheme Fund) regulations, 2018 Act. The entity is wholly owned by the Nakuru County Government and is domiciled in Kenya. The entity’s principal activity is to provide affordable Mortgage loans facilities to its member staff.

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 2023*

Standard	
<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 an Entity’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;

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>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 Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></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>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the</p>

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact:
	results of discontinued operations to be presented separately in the statement of financial performance.

(iii) Early adoption of standards

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

3. 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.

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2022-2023 was approved by the County Assembly on 29 June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations of 50,000,000 on the FY 2021-2022 budget following the governing body's approval.

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

Summary of Significant Accounting Policies (Continued)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13 of these financial statements.

c) Property, plant and equipment

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

d) Intangible Assets

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

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

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(entity to amend appropriately)* 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.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The 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 significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

g) Inventories

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

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

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

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

h) Provisions

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

i) 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.

Summary of Significant Accounting Policies (Continued)

j) 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.

k) Nature and purpose of reserves

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

l) 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.

m) Employee benefits – Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) 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.

q) 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.

r) 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.

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

1. Public contributions and donations

Description	2022-2023	2021-2022
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

2. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
Unconditional Development grants	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2022-2023	2021-2022
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income from Mortgage Loans	5,298,622	4,460,785
Interest Income From Car Loans		
Interest Income From Investments in financial assets		
Interest Income On Bank Deposits		

**Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Total Interest Income	5,298,622	4,460,785
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This is the interest earned as a result of the mortgage given to the members. It is charged at 3% annually on reducing balance.

Notes to the Financial Statements Continued

5. Other income

Description	2022-2023	2021-2022
	Kshs	Kshs
Insurance Recoveries		
Income from Sale of Tender Documents		
Bad debts recovered		
Miscellaneous Income	118,140	104,480
Total Other Income	118,140	104,480

This is income received as ledger fees on members monthly instalments

6. Employee Costs

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

7. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs	Kshs
General Office Expenses		
Loan Processing Costs		
Professional Services Costs		
Administration Fees	1,884,347	1,587,908
Committee Allowances	58,000	230,000
Bank Charges	7,560	6,024
Electricity And Water Expenses		

Nakuru County Executive Mortgage (Staff) Scheme Fund
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Description	2022-2023	2021-2022
	Kshs.	Kshs.
Fuel And Oil Costs		
Insurance Costs		
Postage And Courier		
Printing And Stationery		
Rental Costs		
Security Costs		
Telephone And Communication Expenses		
Cheque books		3,280
Audit Fees		
Provision For Doubtful Debts		
Other (<i>Specify</i>)		
Social benefit expenses*		
Total	1,949,907	1,827,212

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42

8. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

9. Finance costs

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
Total	-	-

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

10. Gain/(loss) on disposal of assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

11. Gain/ (loss) on Fair Value Investments

Description	2022-2023	2021-2022
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
Total Gain	-	-

12. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Xxx Car Loan Account		
Nakuru County Executive Mortgage (Staff) Scheme Fund account	37,171,762	33,934,161
Fixed Deposits Account		
On – Call Deposits		
Current Account		
Others (<i>Specify</i>)		
Total Cash And Cash Equivalents	37,171,762	33,934,161

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements Continued

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

Financial Institution	Account number	2022-2023	2021-2022
		KSh	KSh
a) Fixed Deposits Account			
Kenya Commercial Bank			
Equity Bank, Etc.			
Sub- Total			
b) On - Call Deposits			
Kenya Commercial Bank			
Equity Bank - Etc.			
Sub- Total			
c) Current Account			
FAMILY BANK	019000048967	37,171,762	33,934,161
Bank B			
Sub- Total		37,171,762	33,934,161
d) Others(Specify)			
Cash In Transit			
Cash In Hand			
Sub- Total			
Grand Total		37,171,762	33,934,161

13. Receivables from exchange transactions

	2022-2023	2021-2022
	KSh	KSh
Current Receivables		
Interest Receivable	86,547	187,799
Current Loan Repayments Due	15,585,948	15,767,681
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
Total Current Receivables	15,672,495	15,955,480
Non-Current Receivables		
Long Term Loan Repayments Due	153,763,384	151,214,690

Nakuru County Executive Mortgage (Staff) Scheme Fund
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Total Non- Current Receivables	153,763,384	151,214,690
Total Receivables From Exchange Transactions	169,435,879	167,170,171

Notes to the Financial Statements Continued

Additional disclosure on interest receivable

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	-	
Accrued interest receivable from of long-term loans of previous years		87,895
Interest receivable from current portion of long-term loans issued in the current year	86,547	99,904
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	
Current portion of long-term loans issued in the current year	15,585,948	15,767,681

14. Prepayments

Description	2022-2023	2021-2022
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (<i>Specify</i>)	-	-
Total	-	-

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

15. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
Total Inventories at The Lower of Cost and Net Realizable Value	-	-

Notes to the Financial Statements Continued

16. Investments in financial assets

Description	2022-2023	2021-2022
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b. Investment with Financial Institutions/ Banks		
Bank x	-	-
Bank y	-	-
Sub- total	-	-
c. Equity investments (specify)		
Equity/ shares in Entity xxx	-	-
Sub- total	-	-
Grand total	-	-

(Entity should disclose whether the fixed investment financial assets are measured at amortised cost or at fair value through changes in net assets/ equity) Investments in equity should be measured at fair value through surplus or deficit. Other information to be disclosed includes: the interest rates, maturity dates, valuation methodology, and impairment of these investments.

Movement of Equity Investments

Impairment allowance/provision	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	-	-
Gain/(loss) in fair value of investments through surplus or deficit	-	-
At the end of the year	-	-

Nakuru County Executive Mortgage (Staff) Scheme Fund
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e) Shareholding in other entities

For investments in equity share listed above, list down the equity investments under the following categories:

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Kshs	Kshs	Kshs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

Nakuru County Executive Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

17. Property, plant and equipment

	Land and buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KSh	KSh	KSh	KSh	KSh
At 1st July 2021	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
At 1st July 2023					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2023	-	-	-	-	-
Depreciation And Impairment					
At 1 st July 2022	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
At 1st July 2023					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June 2023	-	-	-	-	-
Net Book Values					
At 30 th June 2022	-	-	-	-	-
At 30 th June 2023	-	-	-	-	-

Notes To The Financial Statements (Continued)

18. Intangible assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Cost		
At Beginning of The Year	-	-
Additions	-	-
At End of The Year	-	-
Amortization And Impairment		
At Beginning of The Year	-	-
Amortization	-	-
At End of The Year	-	-
Impairment Loss	-	-
At End of The Year	-	-
NBV	-	-

19. Investment Property

Description	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-
At end of the year	-	-

(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should not be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.). Entity should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.

Notes To The Financial Statements (Continued)

20. Trade and other payables from exchange transactions

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Trade Payables	-		-	
Refundable Deposits	-		-	
Accrued Expenses	3,265,151		1,373,244	
Other Payables/committee allowance	58,000		-	
Total Trade and Other Payables	3,323,151		1,373,244	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

21. Provisions

Description	grave	joint	other	total
	provision	provision	provision	
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning Of The Year	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions				
Balance At The End of The Year	-	-	-	-

Notes To The Financial Statements (Continued)

22. Borrowings

Description	2022-2023	2021-2022
	KShs	KShs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
Balance At End of The Period	-	-

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

Description	2022-2023	2021-2022
	KShs	KShs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z Organization'	-	-
Domestic Borrowings		
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End of The Year	-	-

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

Description	2022-2023	2021-2022
	KShs	KShs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

(NB: the total of this statement should tie to note 22 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed). Borrowings should be measured at amortised cost as per IPSAS 41)

Notes To The Financial Statements (Continued)

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Insert Current FY	Insert Comparative FY
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

24. Social Benefit Liabilities

Description	2022-2023	2021-2022
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non-current social benefits	-	-
Total (tie to totals above)	-	-

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.

Notes To The Financial Statements (Continued)

25. Cash generated from operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	3,466,855	2,738,053
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	2,179,162	-33,588
Increase In Payables	352,694	-83,287
Net Cash Flow From Operating Activities	5,998,711	2,621,177

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

Notes To The Financial Statements (Continued)

26. 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	2022-2023	2021-2022
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

Description	2022-2023	2021-2022
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	2022-2023	2021-2022
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

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Other Disclosures Continued

e) Due to related parties

Description	2022-2023	2021-2022
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

27. Contingent assets and contingent liabilities

Contingent Liabilities	2022-2023	2021-2022
	Kshs	Kshs
Court Case Xxx Against the Fund	-	-
Bank Guarantees	-	-
Total	-	-

Notes To The Financial Statements (Continued)

28. 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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

Nakuru County Executive Mortgage (Staff) Scheme Fund

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Notes To The Financial Statements (Continued)

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

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

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

b) Liquidity risk management

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

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1	Between 1-3	Over 3	Total
	month	months	months	
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-

Notes To The Financial Statements (Continued)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

Description	Other currencies		Total
	Kshs	Kshs	Kshs
At 30 June 2023			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
(Current FY)			
Euro	-	-	-
USD	-	-	-
(Comparative FY)			
Euro	-	-	-
USD	-	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs xxx (2023: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 2,088(2022 – Kshs 208,821).

Nakuru County Executive Mortgage (Staff) Scheme Fund

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Notes To The Financial Statements (Continued)

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:

Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

29. Events after the reporting period

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

30. Ultimate and Holding Entity

Nakuru County Executive Mortgage (Staff) Scheme Fund is established by and derives its authority and accountability from The Public Finance And Management (Nakuru County Mortgage (Staff) scheme fund) regulations,2018 Act on 11thMay,2018. Its ultimate parent is the County Government of Nakuru.

31. Currency

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

Nakuru County Executive Mortgage (Staff) Scheme Fund

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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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
OAG/NKR/SMSSF /2021/2022/(16)	1.1.Casflows from investing activities	Amendment has been done	Resolved	
	1.2.Statement of comparison of budget and actual amounts	Amendment has been made	Resolved	
	1.3.Fund transfers	The amount in question was transferred to Mortgage account when the account was split	Resolved	
	1.4.The Funds Separation	Opening balances can be verified as from 1 st July 2021 to September 2021	Resolved	
	2. Lack of trial balance and supporting ledgers	Trial balance has been prepared	Resolved	
	3. Interest Income	Detailed Schedule of interest income has been provided	Resolved	
	4. Unsupported Professional Fees Expenditure	Payment voucher, name of payee and amount of	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		payment has been provided		
	5. Cash and Cash Equivalent 5.1. Bank Balance	Letter authorizing the transfer has been provided	Resolved	
	5.2. Maintenance of the cashbook	Cashbook will be reviewed by a senior officer a monthly basis	Resolved	
	6. Current Portion of Long-Term Receivables from Exchange Transaction	Schedule has been provided	Resolved	
	7. Non-Performing Loans	The Schedules have been provided	Resolved	
	REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES 1. Meetings of the Mortgage Fund Committee	The meetings were held approving the disbursement of Kshs 24,050,000	Resolved	
	2. Lack of approved budget	The budgets were discussed in meetings	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE	The management is in the process of coming up with the policy	Not Resolved	1/3/2024

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 Administrator

Date.....8-12-2023.....

Nakuru County Executive Mortgage (Staff) Scheme Fund

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Annex II: Inter-Fund Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary Fund]

[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by <i>[Insert name of beneficiary Fund]</i> as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (Kshs) as at 30 th June 2023				Amount Received by <i>[beneficiary Fund]</i> (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter– Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name SignDate

Nakuru County Executive Mortgage (Staff) Scheme Fund

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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Project Activities				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Nakuru County Executive Mortgage (Staff) Scheme Fund

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Annex IV: Reporting on Disaster Management Expenditure

Column I Programme	Column II Sub-programme	Column III Disaster Type	Column IV Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Column V Expenditure item	Column VI Amount (Kshs.)	Column VII Comments