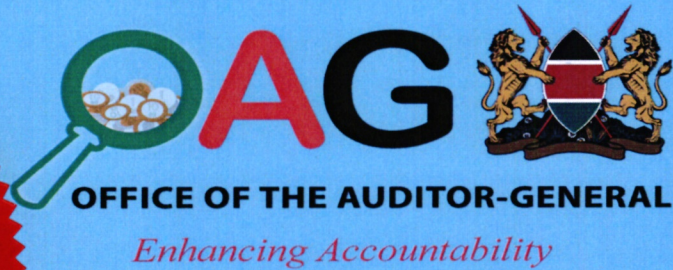


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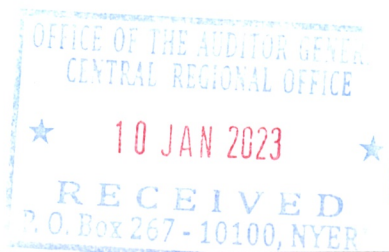
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THE AUDITOR-GENERAL

ON

**KIRINYAGA COUNTY EXECUTIVE STAFF
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**



**KIRINYAGA COUNTY EXECUTIVE
STAFF MORTGAGE SCHEME FUND**

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

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

!

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Table of Content

1. Key Entity Information and Management	iii
2. The Board of Trustees (or any other governing body for the Fund)	v
3. Management Team	vi
5. Report of The Fund Administrator	viii
6. Statement of Performance Against the County Fund's Predetermined Objectives	ix
7. Corporate Governance Statement	xi
8. Management Discussion and Analysis	xii
9. Environmental and Sustainability Reporting	xiii
10. Report of The Trustees	xiv
11. Statement of Management's Responsibilities	xv
12. Report of The Independent 2,003,084 Auditor	xvi
13. Statement of Financial Performance For The Year Ended 30th June 2022	1
14. Statement of Financial Position As At 30 June 2022	2
15. Statement Of Changes in Net Assets for the year ended 30 th June 2022	4
16. Statement Of Cash Flows For The Year Ended 30 June 2022	5
17. Statement Of Comparison of Budget and Actual Amounts For The Period	7
18. Notes to the Financial Statements	8
19. Progress On Follow Up Of Prior Year Auditor's Recommendations	37

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

1. Key Entity Information and Management

a) Background information

Executive Mortgage Fund is established by and derives its authority and accountability from Public Finance Management Act, 2012. The Fund is wholly owned by the County Government of Kirinyaga and is domiciled in Kenya.

The Fund's principal activity is to provide a loan scheme for the purpose of personal use by a member to purchase, development, renovation or repair of property by a member prescribed by the salaries and remuneration commission

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide;

A loan scheme for members of the scheme

Refinancing loan schemes

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	N/A	
2		
3		
4		
5		

d) Key Management

Ref	Name	Position
1	Chairman- Mortgage & Car Loan Fund	Jacqueline W. Njogu
2	Fund Administrator	James M. Kimaru- Economist
3	Fund Accountant	Benson Gachiri
4		
5		

(Include all positions regarded as top management for the Fund).

e) Registered Offices

P.O. Box 260
County Headquarters
Kutus, KENYA

f) Fund Contacts

Telephone: +254 - 202-8010181
E-mail: kirinyaga.go.ke
Website: www.kirinyaga.go.ke

g) Fund Bankers

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

Bingwa Sacco Ltd
P.O BOX 434-10300
Kerugoya

...

h) Independent Auditors

Auditor General
Office of the Auditor General
Nyeri, Kenya

i) Principal Legal Adviser

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

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

2. The Board of Trustees (or any other governing body for the Fund)

Name	Details of qualifications and experience
1. N/A	N/A
2.	
3.	
4.	
5. Etc.	

3. Management Team

Name	Details of qualifications and experience
1. HON, JACQUELINE NJOGU	Chair /CEC Member Finance and Economic Planning Academic Qualifications Master of Philosophy- Environmental Planning & Management B.Sc. Environmental Science & Landscaping Experience: Over 15 years
2. JAMES MUGUKU KIMARU	Fund Administrator- Mortgage & Car Loan Scheme Fund Academic Qualifications Bachelor of Science- Economics & Mathematics Experience: Over 10 years
3. BENSON GACHIRI	Accountant Academic Qualifications CPA K Bachelor in Business Administration in Accounts Experience: 10Years Accountant
<p><i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i></p>	

4. Board/Fund Chairperson's Report

I have the pleasure of presenting the Annual Report and Financial Statements for Kirinyaga County Executive Mortgage Scheme Fund for the period ending 30th June, 2022. These annual financial reports have been prepared in accordance with the Generally Accepted Accounting Principles (GAAPs), the International Accounting Standards (IAS), the International Public Sector Accounting Standards (IPSAS) accrual basis, and Section 116 of the Public Finance Management Act, 2012.

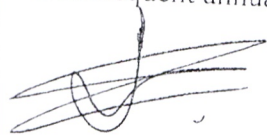
Kirinyaga County Executive Mortgage Scheme Fund was established by an Act of Kirinyaga County Assembly. This Act is in compliance with the provisions of the Public Finance Management Act (Cap412). The Fund used Bingwa Sacco Ltd during the period to help the Fund Administrator to administer the Fund.

The approved allocation in the FY2021-2022 Annual Budget was Kshs 31,300,000. The County endeavoured to abide by the Public Finance Management procedures and regulations, which included; Procurement and Disposals Act, Public Finance Management Act, 2012 just to mention a few to ensure optimal utilisation of the County Resources and achieve value for money as enshrined in the Constitution of Kenya 2010.

In the period under review, the Fund was faced with various challenges which include;

- The delay in disbursements of funds to County Governments by the National Treasury which has persisted since inception of County Governments. The County Government therefore had inconsistent cash flow thereby hurting timely implementation of the budget during the period under review.
- The demand for mortgage among county staff is high compared to how much we can allocate in the budget due to other county needs and necessary functions. The county has been doing disbursements in phases due to the above challenge.
- The borrowers who cease to be county staff without fully repaying the loans have been defaulting on monthly repayments. Since we are not able to deduct on check off basis we are forced to engage auctioneers to do recoveries once they default.

Further the fund management will engage the county Assembly committee in charge of the department with an aim of showing the importance of the fund in order to get additional allocations in subsequent annual budgets.



HON. Jacqueline W. Njogu
C.E.C.M- Finance and Economic Planning

5. Report of The Fund Administrator

Kirinyaga County Executive mortgage fund was established to provide a loan scheme for the purchase, development, renovation or repair of residential property to members of staff. The fund caters for county executive officers who are either on permanent employment or on contract. The fund operates as a revolving fund.

During the Financial Year 2021/2022 the fund disbursed mortgage worth Kshs 44,267,290 to staff members against an allocation of Kshs 31,300,000 in our annual budget thereby increasing home ownership and supporting affordable Housing Pillar of the Governments Big 4 Agenda. Cumulatively since inception of the Mortgage Scheme Fund, the fund has disbursed Kshs 209,020,000. The Fund continues to operate within approved guidelines for the mortgage scheme fund, however the fund had the following challenges;

- Inconsistent cash flow occasioned by the delayed disbursements of funds to County Governments from the National Treasury contributed to poor implementation of work plans thus affecting objectives achievement.
- The approved budget by the County Assembly has not provided for a day to day administrative line budget for the Fund and hence expenditures can only be incurred from interest accruing.
- The demand for the mortgage & car loans is always high compared to the available resources. This leads to a prolonged application process where the applicants have to wait for long periods before disbursements are made. Disbursement is done subject to availability of funds.

It is also important to note the Auditor General's Report for the period ending 30th June, 2021 recommended separation of the Mortgage & Car Loan Scheme Fund which were being operated, managed and reported as one Fund. We have implemented the recommendation and this Financial Statement is for the Mortgage Scheme Fund.

The fund has great potential to provide services to its members which can only be achieved if adequate funding is provided. I would like to thank the Mortgage Advisory Committee for the support they have provided through the period being reported.

Signed: _____



James Muguku Kimaru
Fund Administrator

6. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

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

Strategic development objectives

The County's 2018-2022 CIDP has identified key strategic development objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's "Big Four", NIUPLAN, SDGs and the MTP III.

The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key development objectives of the Kirinyaga County's 2018-2022 CIDP are to:

- a. To Increase agricultural and Livestock productivity.
- b. To Provide and maintain an integrated road network and infrastructure that is functional and reliable to encourage social and economic development
- c. To Facilitate improvement of livelihoods of the people of Kirinyaga County through efficient Land resource management, Equitable Access, secure Tenure and Sustainable housing.
- d. To offer an efficient and high-quality health care system that is accessible, equitable and affordable.
- e. Regulating, facilitating and promoting economic growth through markets development, tourism development and promotion, industrialization promotion and development.
- f. To provide, promote and co-ordinate lifelong education, training and research for sustainable development.

- g. To co-ordinate and facilitate the delivery of quality development services with special emphasis on youth economic empowerment, recreational facilities development.
- h. To promote the socio-economic development of the community through cultural services development, Gender and social services development
- i. To promote, conserve and protect the environment and biodiversity in order to spur sustainable development as well as facilitate sustainable management and development of water resources for county development

Progress on Attainment of Development Objectives from Annual Development Plan

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Public Finance Management	To Give Accurate And Cost-Effective Stewardship Of All Assets And Resources Used In Providing Services.	Prudent financial management	Audit opinion	Disclaimer opinion in FY2020/2021 due to lack of separation of Mortgage and Car Loan Fund. The Mortgage & Car Loan Scheme Funds have been separated in the FY 2021/2022

7. Corporate Governance Statement

Kirinyaga County Executive Staff Mortgage Scheme Fund is established pursuant to section 116 of the Public Finance Management Act, 2012. The Approved County Executive Staff Mortgage Scheme Fund Regulations of 2016 by the County Assembly establishes the Executive Staff Mortgage Advisory Committee. The committee consists of the following members;

- a) The county Executive Committee Member of finance who shall be the chairperson
- b) The county executive committee member for Lands
- c) The Chief Officer Finance
- d) The County Secretary or his nominee
- e) County Executive Member for Health

The Advisory Committee shall be supported by a secretariat consisting of

- a) Director Administration
- b) County Attorney
- c) Two County Treasury nominee nominated by the County Head of Treasury

The meetings of the committee shall be convened by the chairperson or in absence of chairperson, by a member designated by the chairperson and shall be convened at such times as may be necessary. The officer administering the fund in accordance with PFM Act 2012 shall;

- a) Supervise and control the administration of the fund
- b) Utilize the interest accruing there to defray operating expense and may impose any reasonable restrictions or other requirements
- c) Keep book of accounts and other records

8. Management Discussion and Analysis

It has been six (6) financial year since the introduction of the Kirinyaga County Mortgage Scheme Fund. To date we have disbursed Kshs 209,020,000 mortgages to members of staff which is a good progress compared to the limited available resources mainly received through the annual budgetary allocation and salaries recoveries. Though the Fund may enter into a viable financing and development partnership with a legal entity for the purpose of achieving the objectives of the Fund, the fund has never exercised this power to borrow.

The Fund continues to operate within approved guidelines for the Mortgage Scheme Fund, we are keen on loan repayment time frames. The guidelines adopted requires, among other matters, the Management to obtain a valuation of all properties that are taken as security, and thereafter register a charge for any property financed under the Fund to effectively secure the loans.

To enhance the performance of the Fund, the Management appointed Bingwa Sacco as the Financial Institution to Administer the Fund for the period reported. The Functions of the Financial Institution are;

- (a) operate individual accounts for each borrower, and provide details of recoveries of the loan;
- (b) charge security on properties acquired through loans from the Fund and act as a custodian of such charges;
- (c) transfer funds for newly approved loans to borrowers after the necessary documentation is provided;
- (d) pay all outgoings and issue demand notices to defaulting borrowers through the officer administering the Fund;
- (e) upon repayment of the loan, interest and other expenses which may be outstanding, discharge the charge and release the security documents to the borrower;
- (f) and perform such other duties as may be assigned from time to time.

The Fund has been achieving its objectives over the six financial years since its establishment even with the limited resources available to operate.

9. Environmental and Sustainability Reporting

Executive county Mortgage fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on pfm act pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile -

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

3. Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices

d) Product stewardship- outline efforts to safeguard consumer rights and interests

5. Community Engagements-

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community

10. Report of The Trustees

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

Principal activities

The principal activities of the Fund are *found on page 3*

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 6

Trustees

The members of the Board of Trustees who served during the year are shown on page 3. The changes in the Board during the financial year are as shown below:

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. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board



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

Date: 06/01/23

11. 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 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

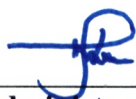
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i)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

The Administrator of the 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 Kirinyaga County Staff Mortgage Scheme Fund Regulations, 2016 and Kirinyaga County Staff Car mortgage Scheme Fund Regulations, 2016. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2022, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund’s financial statements were approved by the Board on _____ 2022 and signed on its behalf by:



Fund Administrator
James Muguku Kimaru

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KIRINYAGA COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kirinyaga County Executive Staff Mortgage Scheme Fund set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of

Report of the Auditor-General on Kirinyaga County Executive Staff Mortgage Scheme Fund for the year ended 30 June, 2022

comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kirinyaga County Executive Staff Mortgage Scheme Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Kirinyaga County Public Finance Management (Executive Staff Mortgage Scheme Fund) Regulations, 2016.

Basis for Adverse Opinion

Inaccuracies in the Financial Statements

Review of the financial statements prepared and presented for audit revealed the following anomalies:

- i The statement of financial position reflects total net assets and liabilities balance of Kshs.178,594,539 while the re-calculated totals amount to Kshs.152,745,919 resulting to unexplained and unreconciled difference of Kshs.25,848,620.
- ii The statement of financial position reflects revolving fund opening and closing balance of Kshs.150,360,736 and Kshs.151,376,232 respectively which were not supported by any analysis or documentary evidence.
- iii The statement of cash flows reflects opening cash and cash equivalents balance of Kshs.16,882,355, which was not supported by cashbook, bank reconciliation statement and bank certificate.
- iv The statement of changes in net assets reflects the opening balance as at 1 July, 2021 of Kshs.16,882,855 in respect to accumulated surplus that was not supported by any analysis or supporting documents.
- v The statement of changes in net assets reflects balance of Kshs.49,552,542 for the year ended 30 June, 2022, while the statement of financial position reflects net balance of Kshs.178,594,539 resulting to unexplained and unreconciled variance of Kshs.129,041,997.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kirinyaga County Executive Staff Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial

statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, 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 issues were raised under Basis for Disclaimer of Opinion. However, the Management has not resolved the issues or given any explanation for failure to resolve the issues. Further, the unresolved issues are not disclosed under the progress on auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

In the circumstances, the matters are considered unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Default on Loan Repayments

The statement of financial position reflects Kshs.160,341,997 in respect to long-term receivables from exchange transactions as disclosed in Note 12 to the financial statements. This balance includes outstanding mortgage loan of Kshs.13,519,214 accrued from the principal loan balance of Kshs.14,990,000 advanced to ten members of the County Assembly who had so far defaulted on loan repayment.

In view of the above observation, the recoverability of the loan balance totalling Kshs.13,519,214 is doubtful. This is contrary to Regulation 18(1) of the Public Finance Management (Kirinyaga County Executive Staff Mortgage Scheme Fund) Regulations, 2016 which states that where a borrower defaults in the repayment of the loan for a period of three consecutive months, the administrator of the fund shall possess and sell the property by public auction or private treaty.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue 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 comply with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors

compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 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 the Fund's 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 the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


03 February, 2023


**Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

13. Statement of Financial Performance For The Year Ended 30th June 2022

	Note	2021-2022	2020-2021
		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	4,466,440	3,481,019
Other Income	5		
Total Revenue		4,466,440	3,481,019
Expenses			
Employee Costs	6		
Use of goods and services	7	3,096,753	2,465,523
Depreciation and Amortization Expense	8		
Finance Costs	9		
Total Expenses		3,096,753	2,465,523
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10		
Surplus/(Deficit) For the Period		1,369,687	2,465,523

(The notes set out on pages 19 to 38 form an integral part of these Financial Statements)

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Name:
Administrator of the Fund

.....

Name: **BENSON GIACHA**
Fund Accountant
ICPAK Member Number:

14. Statement of Financial Position As At 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	18,252,542	16,882,355
Current Portion of Long- Term Receivables From Exchange Transactions	12		
Prepayments	13		
Inventories	14		
Non-Current Assets			
Property, Plant and Equipment	15		
Intangible Assets	16		
Long Term Receivables from Exchange Transactions	12	160,341,997	134,493,877
Total Assets		178,594,539	151,376,232
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17		
Provisions	18		
Current Portion of Borrowings	19		
Employee Benefit Obligations	20		
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20		
Long Term Portion of Borrowings	19		
Total Liabilities			
Net Assets		178,594,539	151,376,232
Revolving Fund		151,376,232	150,360,736
Reserves			
Accumulated Surplus		1,369,687	1,015,496
Total Net Assets and Liabilities		178,594,539	151,376,232

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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 _____ 2022 and signed by:



.....

Name:

Administrator of the Fund



.....

Name: **Benson Gichiri**

Fund Accountant

ICPAK Member Number:

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

15. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020				
Surplus/(Deficit) For the Period	-	-		
Funds Received During the Year		-		
Transfers			()	
Revaluation Gain	-		-	
Balance As At 30 June 2021			16,882,855	16,882,855
Balance As At 1 July 2021			16,882,855	16,882,855
Surplus/(Deficit) For the Period		-	1,369,687	1,369,687
Funds Received During the Year		-	31,300,000	31,300,000
Transfers			()	
Revaluation Gain	-		-	
Balance As At 30 June 2022			49,552,542	49,552,542



.....
Name:
Administrator of the Fund



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Name: **BENSON GACHIRI**
Fund Accountant
ICPAK Member Number:

**Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

16. Statement Of Cash Flows For The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations			
Transfers from the county government	2		
Interest received	4	4,466,440	3,481,019
Receipts from other operating activities			
Total receipts		4,466,440	3,481,019
Payments			
Fund administration expenses			
General expenses	7	3,096,753	2,465,523
Finance cost			
Other payments			
		3,096,753	2,465,523
Net cash flows from operating activities	21	1,369,687	1,015,496
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			
Loan disbursements paid out			
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from revolving fund receipts			
Additional borrowings			
Repayment of borrowings			
Net cash flows used in financing activities			
Net increase/(decrease) in cash & cash Equivalents		1,369,687	1,015,496
Cash and cash equivalents at 1 july	11	16,882,855	15,866,859
Cash and cash equivalents at 30 june	11	18,252,542	16,882,355



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Name:

Administrator of the Fund



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Name:

Fund Accountant

PERSON FACITR

ICPAK Member Number:

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

17. Statement Of Comparison of Budget and Actual Amounts for The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Public Contributions and Donations						
Transfers From County Govt.						
Interest Income	4,466,440		4,466,440	4,466,440	-	100%
Other Income						
Total Income	4,466,440		4,466,440	4,466,440	-	100%
Expenses						
Employee Cost						
Use of Goods and services	4,466,440		4,466,440	3,096,753	1,369,687	69.3%
Finance Cost						
Total Expenditure	4,466,440		4,466,440	3,096,753	1,369,687	69.3%
Surplus For the Period				1,369,687		

Budget notes

The fund utilized only 69.3% of the budget. This was due to separation of car and mortgage loan into different funds

18. Notes to the Financial Statements

1. General Information

entity is established by and derives its authority and accountability from Act. The entity is wholly owned by the County Government and is domiciled in Kenya. The entity's principal activity is .

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) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<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><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.

**Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact
	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<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> <p><i>State the impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 43</p>	<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>

**Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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

(iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on x. 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 recorded additional appropriations of xx 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.

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 of these financial statements.

Summary Of Significant Accounting Policies (Continued)

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) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Summary Of Significant Accounting Policies (Continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Summary Of Significant Accounting Policies (Continued)

f) 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.

g) 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.

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.

Summary Of Significant Accounting Policies (Continued)

Contingent assets

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

h) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

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

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

k) Foreign currency transactions

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

Summary Of Significant Accounting Policies (Continued)

l) Borrowing costs

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

m) Related parties

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

n) Cash and cash equivalents

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

o) Comparative figures

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

p) Events after the reporting period

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

q) Ultimate and Holding Entity

The entity is a County Public Fund established by Act (*state the legislation establishing the Fund*) under the Ministry of . Its ultimate parent is the County Government of .

r) Currency

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

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 .

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.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

6. Notes To The Financial Statements

1. Public contributions and donations

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners		
Contributions From The Public		
Total		

2. Transfers from County Government

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	31,300,000	
Payments By County On Behalf Of The Entity		
Total	31,300,000	

3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties		
Fines		
Total		

(Provide brief explanation for this revenue)

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	4,466,440	3,481,019
Interest Income From Car Loans		
Interest Income From Investments		
Interest Income On Bank Deposits		
Total Interest Income	4,466,440	3,481,019

Auxiliary interest of 332,028 received on 31st Dec 2021

Notes to the Financial Statements Continued

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

5. Other income

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries		
Income From Sale Of Tender Documents		
Miscellaneous Income		
Total Other Income		

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

6. Employee Costs

Description	2021-2022	2020-2021
	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	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	865,700	2,465,523
Loan Processing Costs		
Professional Services Costs	290,000	
Administration Fees	986,000	
Committee Allowances		
Bank Charges	27,299	
Electricity And Water Expenses		
Fuel And Oil Costs		
Insurance Costs	770,473	
Postage And Courier		
Printing And Stationery		
Description	2021/22	2020/21
	Kshs.	Kshs.

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Rental Costs		
Security Costs		
Telephone And Communication Expenses		
Bank Charges		
Auctioneer Fees	157,281	
Provision For Doubtful Debts		
Other (<i>Specify</i>)		
Total	3,096,753	2,465,523

8. Depreciation and Amortization Expense

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment		
Intangible Assets		
Total		

9. Finance costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest On Bank Overdrafts		
Interest On Loans From Banks		
Total		

10. Gain/(loss) on disposal of assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant And Equipment		
Intangible Assets		
Total		

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Car Loan Account		
County Mortgage Account	18,252,542	16,882,855
Fixed Deposits Account		
On – Call Deposits		
Current Account		
Others		
Total Cash And Cash Equivalents	18,252,542	16,882,855

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
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			
Kenya Commercial Bank			
Bingwa sacco		18,252,542	16,882,855
Sub- Total			
d) Others(Specify)			
Cash In Transit			
Cash In Hand			
Sub- Total		18,252,542	16,882,855
Grand Total		18,252,542	16,882,855

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable		
Current Loan Repayments Due		
Other Exchange Debtors		
Less: Impairment Allowance	0	0
Total Current Receivables		
Non-Current Receivables		
Long Term Loan Repayments Due	160,341,997	134,493,877
Total Non- Current Receivables	160,341,997	134,493,877
Total Receivables From Exchange Transactions	160,341,997	134,493,877

Additional disclosure on interest receivable

Description	2021-2022	2020-2021
	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		
Interest receivable from current portion of long-term loans issued in the current year		
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		

13. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent		
Prepaid Insurance		
Prepaid Electricity Costs		
Other Prepayments (Specify)		
Total		

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

14. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores		
Spare Parts And Meters		
Catering		
Other Inventories (Specify)		
Total Inventories At The Lower Of Cost And Net Realizable Value		

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2020					
Additions				-	
Disposals	0	0	-	-	0
Transfers/Adjustments		0		0	0
At 30th June 2021					
At 1st July 2021					
Additions				-	
Disposals	0	-	-	-	0
Transfer/Adjustments	0			0	0
At 30th June 2022					
Depreciation And Impairment					
At 1 st July 2020	0	0	0	0	0
Depreciation	0	0	0	0	0
Impairment	0	-	-	-	0
At 30th June 2021					
At 1st July 2021					
Depreciation	0	0	0	-	0
Disposals		-	-	-	
Impairment	0	0	-	-	0

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer/Adjustment		0	0		
At 30th June 2022					
Net Book Values					
At 30th June 2021					
At 30th June 2022					

Notes To The Financial Statements (Continued)

16. Intangible assets

Description	2021-2022	2020-2021
	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		

17. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables		
Refundable Deposits		
Accrued Expenses		
Other Payables		
Total Trade And Other Payables		

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)				
Additional Provisions				
Provision Utilised	0	0	0	0
Change Due To Discount And Time Value For Money	0	0	0	0
Transfers From Non -Current Provisions				
Balance At The End Of The Year (30.06.2022)				

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

19. Borrowings

Description	2021-2022	2020-2021
	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	0	0
Repayments Of Domestic Borrowings During the Period	0	0
Balance At End of The Period		

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

	2021-2022	2020-2021
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organisation'		
Sterling Pound Denominated Loan From 'Y Organisation'		
Euro Denominated Loan from Z Organisation'		
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	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)		
Long Term Borrowings		
Total		

(NB: the total of this statement should tie to note 18 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)

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation					
Non-Current Benefit Obligation					
Total					

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax		
Adjusted For:		
Depreciation		
Amortisation		
Gains/ Losses On Disposal Of Assets	0	0
Interest Income	0	0
Finance Cost		
Working Capital Adjustments		
Increase In Inventory	0	0
Increase In Receivables	0	0
Increase In Payables		
Net Cash Flow From Operating Activities		

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

Other Disclosures

22. 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

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'		
Transfers To Related Parties		

c) Key management remuneration

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees		
Key Management Compensation		
Total		

d) Due from related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry		
Due From County Government		
Total		

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures Continued

e) Due to related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry		
Due To County Government		
Due To Key Management Personnel		
Total		

23. Contingent assets and contingent liabilities

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Case Against The Fund		
Bank Guarantees		
Total		

(Give details)

Other Disclosures Continued

24. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions				
Receivables From Non-Exchange Transactions				
Bank Balances				
Total				
At 30 June 2021				
Receivables From Exchange Transactions				
Receivables From Non Exchange Transactions				
Bank Balances				
Total				

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the 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 x

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade Payables				
Current Portion Of Borrowings				
Provisions				
Employee Benefit Obligation				
Total				
At 30 June 2021				
Trade Payables				
Current Portion Of Borrowings				
Provisions				
Employee Benefit Obligation				
Total				

c) Market risk

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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:

		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial Assets			
Investments			
Cash			
Debtors/ Receivables			
Liabilities			
Trade And Other Payables			
Borrowings			
Net Foreign Currency Asset/(Liability)			

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2022			
Euro	10%		
USD	10%		
2021			
Euro	10%		
USD	10%		

ii. Interest rate risk

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

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 (2022: KShs). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs (2021 – KShs)

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:

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

	2021-2022	2020-2021
	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	xx%	xx%

19. 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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

Guidance Notes:

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