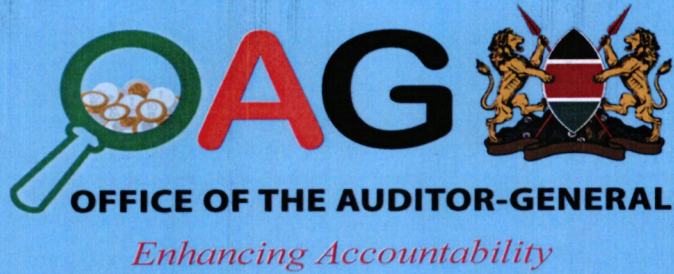
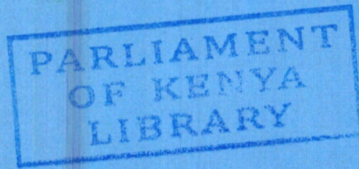


REPUBLIC OF KENYA



REPORT



OF

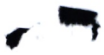
PAPERS LAID	
DATE	22/03/2023
TABLED BY	SML (Marian)
COMMITTEE	
CLERK AT THE TABLE	David

THE AUDITOR-GENERAL

ON

**MACHAKOS COUNTY EXECUTIVE
COMMITTEE AND CHIEF OFFICERS'
CAR LOAN AND MORTGAGE SCHEME**

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



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

02 DEC 2022

RECEIVED

Revised 30th June 2022



**MACHAKOS COUNTY EXECUTIVE COMMITTEE AND CHIEF
OFFICERS' CAR LOAN AND MORTGAGE SCHEME**

**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)

(Leave this page blank)

***Machakos County Executive Committee and Chief Officer's Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022***

Table of Content

1. Key Entity Information and Management	iii
2. The Board of Trustees (or any other governing body for the Fund)	vi
3. Management Team	vii
5. Report of The Fund Administrator	ix
6. Statement of Performance Against the County Fund's Predetermined Objectives	xi
7. Corporate Governance Statement	xiii
8. Management Discussion and Analysis	xv
9. Environmental and Sustainability Reporting	xvi
10. Report of The Trustees	xvii
11. Statement of Management's Responsibilities	xviii
12. Report of The Independent Auditor	xix
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

***Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022***

1. Key Entity Information and Management

a) Background information

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme was established by the County Executive Committee Member for Finance and Economic Planning and derives its authority from the Legal Notice No. 1 of 2015 (Machakos County Executive Committee and Chief Officers Car Loan and Mortgage Scheme) *Regulations*, 2015. The Fund is wholly owned by the County Government of Machakos and is domiciled in Kenya. The object and purpose of the scheme is to provide affordable loan for the purchase, development, renovation or repair of property with the aim of motivating, attracting and retaining state and public officers in the public service of the County Government of Machakos.

The scheme's principal activity is to manage all funds disbursed from the County Treasury to the fund.

b) Principal Activities

The principal mandate of the scheme is to provide Mortgage and Car Loan services to Machakos County Executive Committee members and Chief Officers in accordance to the Machakos County Executive Committee and Chief Officers Car Loan and Mortgage Scheme *regulations*, 2015 and within Public Finance Management (PFM) Act 2015.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Dr. Consolata Mutisya	CECM Public Service/Chairperson
2	Onesmus Muia Kuyu	CECM Finance & Economic Planning/Alt. Chairperson
3	Philip Mutua Kilonzo	CECM Energy, Lands & Housing/Member
4	Dr. Muya Ndambuki	County Secretary/Fund Administrator
5	Dr. Elijah Kimeu	Ag. CO Public Service /Member
6	Jacinta M. Masila	CO County Treasury/Member
8	Joshua Sitienei	Ag. CO Housing & Urban Development/Member
9	Peninah Mbaluka	Ag. CO Lands & Physical Planning/Member

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022

d) Key Management

Ref	Name	Position
1	Dr. Muya Ndambuki	Fund Administrator
2	Cynthia Mutheu Ngui	Fund Accountant

***Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022***

e) Registered Offices

P.O. Box 1996-90100
Off Machakos-Nairobi Highway
Machakos, Kenya

f) Fund Contacts

Telephone: (254) 726-583-172
E-mail: info@machakosgovernment.co.ke
Website: www.machakosgovernment.co.ke

g) Fund Bankers

SBM Bank-Machakos Branch
MACHAKOS EXECUTIVE CAR LOAN AND MORTGAGE ACCOUNT
0342375723001-Machakos
[Tel:-2544420246](tel:-2544420246)


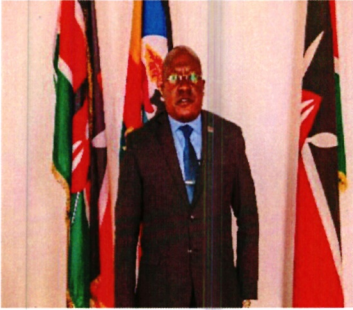
h) Independent Auditors

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



i) Principal Legal Adviser

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

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

Name	Details of qualifications and experience
 <p data-bbox="188 757 480 837">Dr. Consolata Mutisya Fund Chairperson</p>	<p data-bbox="651 409 1374 701">Born in 1971, Dr. Consolata Mutisya is an experienced results-driven professional with a passion for management. She has 25 years of experience in both the Kenyan Private and Public sector mainly in the higher education training sector. She holds a Doctorate and a Master's Degree in Information and Communication Studies both from the University of Nairobi. She also holds a Bachelor's Degree in Education.</p> <p data-bbox="651 712 1394 898">Dr. Consolata is passionate about Community Empowerment with a special focus on Women Empowerment and Rural Development. Telling community stories through the media focusing on peoples struggles and successes.</p> <p data-bbox="651 949 1390 1128">She currently serves in the Board of Management Tala High School and St. Josephs Kwa Kathule Secondary School where she chairs the Academic Sub Committee in both capacities. She is also the Patron of Mitaboni Parish Choir.</p>
 <p data-bbox="188 1514 456 1594">Dr. Muya Ndambuki Fund Administrator</p>	<p data-bbox="651 1149 1410 1626">Dr. Muya Ndambuki is an expert strategic planning, strategy alignment and implementation, research, training and has a special interest in policy planning and implementation. Dr. Ndambuki has served as the Co-coordinator of Master of Science degree programs (Department of Business Administration) and Head of Research and Conferences at the Faculty of Business and Management Sciences, University of Nairobi. He has served as a lecturer University of Nairobi since 2003 alongside being an Adjunct Professor in Lunar College, Ethiopia and PAC University, Kenya. He has also served as the Training Manager at the Kenya Institute of Management.</p> <p data-bbox="651 1682 1410 1861">He holds a Ph D in Business Administration, an MBA and a Bachelor of Commerce Degree from the University of Nairobi. He is a member of the Kenya Institute of Management (MKIM) and the Marketing Society of Kenya (MMSK)</p> <p data-bbox="651 1872 1321 1906">He is also a Board Member at Keaa Primary School.</p>

3. Management Team

Name	Details of qualifications and experience
 <p data-bbox="236 786 504 864">Dr. Muya Ndambuki Fund Administrator</p>	<p data-bbox="772 421 1406 965">Dr. Muya Ndambuki is an expert strategic planning, strategy alignment and implementation, research, training and has a special interest in policy planning and implementation. Dr. Ndambuki has served as the Co-coordinator of Master of Science degree programs (Department of Business Administration) and Head of Research and Conferences at the Faculty of Business and Management Sciences, University of Nairobi. He has served as a lecturer University of Nairobi since 2003 alongside being an Adjunct Professor in Lunar College, Ethiopia and PAC University, Kenya. He has also served as the Training Manager at the Kenya Institute of Management.</p> <p data-bbox="772 1021 1406 1200">He holds a Ph D in Business Administration, an MBA and a Bachelor of Commerce Degree from the University of Nairobi. He is a member of the Kenya Institute of Management (MKIM) and the Marketing Society of Kenya (MMSK)</p> <p data-bbox="772 1211 1406 1279">He is also a Board Member at Keaa Primary School.</p>
 <p data-bbox="193 1621 727 1653">Cynthia Mutheu Ngui – Fund Accountant</p>	<p data-bbox="772 1301 1398 1559">Cynthia Mutheu Ngui holds a Master's Degree in Business Management (Finance Option) from Kenyatta University and a Bachelor's Degree in Business Administration from Moi University. She is also a Certified Public Accountant of Kenya registered under ICPAK Member Number 19155.</p>

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme Annual Report and Financial Statements for the year ended June 30, 2022

4. Board/Fund Chairperson's Report

The County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme was established pursuant to the Salaries and Remuneration Circular no SRC/TS/WB/3/14 of 14th February 2014. For proper management of the Fund as advised by the Salaries and Remuneration Commission in the Circular under reference, Machakos County Government adopted *The County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme Regulations 2015* to guide operationalization of the Scheme.

The Scheme eventually began its operations in the financial year 2019/2020. The fund is managed externally by the SBM Bank (formerly Chase Bank) as stated in the memorandum of understanding between the County Executive and the SBM bank which has been running the fund effectively and with the professionalism required.

This being the third financial year of running the scheme, the uptake of the loans by qualified members has been relatively low owing to the loans term duration which most qualified members feel it doesn't match the remaining period of their employment term contracts. However, the future outlook of the fund is promising as we have already submitted an amendment proposal to the County Assembly for approval for the fund to adopt all members of the County Government of Machakos Staff to benefit from this scheme. As we begin the third term of devolution, we expect that all the future staff to the County Government of Machakos will eventually get to benefit from this scheme at an early stage of their service.

I would like to thank the management team and the technical staff who worked well to enable the smooth running of the scheme and ensure prudence in the use and administration of public funds.

Signed: _____



Hon. Dr. Consolata Mutisya
Scheme Chairperson

5. Report of The Fund Administrator

Pursuant to PFM Act 2012 section 116 (1) the County Executive Member for Finance and Revenue Collection established the Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme under the department of Public Service with the objective of providing affordable loans for the purchase, development, renovation or repair of property with the aim of motivating, attracting and retaining state and public officers in the public service of the County government of Machakos at the Cabinet and the Chief Officers' level.

Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of Annual Financial Statements in formats prescribed by the Public Sector Accounting Standards Board and submission of the entity's financial statements within three months after the end of each financial year to the Auditor General with copies delivered to the County Treasury, Controller of Budget and Commission on Revenue Allocation.

The financial statements for Machakos County Executive Committee and Chief Offices' Car Loan and Mortgage Scheme for the FY 2021/2022 have been prepared to comply with relevant Accounting Standards as prescribed by the Public Sector Accounting Standards Board of Kenya.

The scheme has received a total of Kshs 96,000,000/- from its date of establishment from the County Treasury that was deposited with SBM Bank at the onset of the 2019/2020 financial year. A cumulative total of Kshs. 15,285,000/- has been loaned to five members up to date. This is a revolving fund and as at the end of the 2021/2022 financial year, four out of five loans were still active as repayment was not yet completely paid off. A total of Ksh. 3,209,487/- remained unpaid but were all scheduled to be completely paid off by end of October 2022.

The committee cancelled all outstanding unprocessed Car loans and mortgages as at 30th June 2022 as the had all been placed on hold by the applicants and with their terms coming to an end, they all had been rendered in applicable by time.

There has been a challenge of loan uptake by the officers as specified by the terms of the scheme because all of these officers are on a limited term contract which does not allow a favourable

***Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022***

repayment period that aligns well with asset or property acquisition. The Committee has been working towards expanding the scheme to include all members of Staff and has forwarded a proposal of the amendment to the County Assembly.

Signed: 

Dr. Muya Ndambuki

Fund Administrator

**Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022**

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

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

The key objectives of the Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme is to provide affordable loans for the purchase, development, renovation, or repair of property with the aim of motivating, attracting and retaining state and public officers in the public officers in the public service of the County Government of Machakos. The Scheme which is a revolving fund has received a total of Kshs. 96,000,000/- from the County Treasury since its establishment. Up to date, the fund has approved and disbursed loans of Kshs. 15,285,000/- tabulated as below;

MACHAKOS COUNTY EXECUTIVE COMMITTEE AND CHIEF OFFICERS' CAR LOAN AND MORTGAGE FACILITIES					
AS AT 30TH JUNE 2022					
S.N O	EXECUTIVE MEMBER	FACILITY	AMOUNT	OUTSTANDING LOANS- 30.06.2022	STATUS
1	H.E Francis Wambua Maliti	Mortgage	6,000,000	1,669,615	To be Cleared by September 2022
2	Jacinta Mwelu Masila	Mortgage	2,730,000	702,168	To be Cleared by October 2022
3	Catherine Ngarachu	Mortgage	2,250,000	579,947	To be Cleared by September 2022
4	James Musango Kathili	Car Loan	2,505,000	0	Loan Completely paid off
5	Edson Joseph Ochwada	Car Loan	1,800,000	257,757	To be cleared by August 2022
	TOTAL		<u>15,285,000</u>	<u>3,209,487</u>	

Further, a total of Ksh. 33,650,000/- that had approved but not disbursed due to varied reasons as provided below in the financial year 2020/2021 were all cancelled by the Funds' Administration Committee as follows;

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme Annual Report and Financial Statements for the year ended June 30, 2022

MACHAKOS COUNTY EXECUTIVE COMMITTEE AND CHIEF OFFICERS' CAR LOAN AND MORTGAGE SCHEME FACILITIES					
S/NO	EXECUTIVE MEMBER	FACILITY	AMOUNT	STATUS	REASONS
1	H.E Dr. Alfred Nganga Mutua	Mortgage	20,000,000	Approved but not disbursed	Disbursement on hold as per client's request.
2	Jackson Wambua Muthini	Car loan	2,000,000	Approved but not disbursed	Client cancelled the facility later after approval.
3	Kimeu Mbithi Kimeu	Mortgage	4,400,000	Approved but not disbursed	Disbursement on hold as per client's request.
4	Catherine Syokau Mutwiwa	Mortgage	2,300,000	Approved but not disbursed	Disbursement on hold as per client's request.
5	Timothy James Gutetah	Mortgage	1,950,000	Approved but not disbursed	Disbursement on hold as per client's request.
6	John Kilonzo Muthama	Mortgage	3,000,000	Pending Approval	Process on hold.
	TOTAL		<u>33,650,000</u>		

The biggest challenge faced in administering the scheme and making sure that it benefits as many members as possible was the members' length of employment contracts all of which expires between August 2022 and October 2022. To many members, the repayment period required does not align with their terms of contract duration and therefore not suitable to many.

The Committee resolved to amend the Scheme to include all officers in the County Government of Machakos. The proposal to amend the scheme was forwarded to the County Assembly of Machakos in March 2022 but had not been approved as at June 2022.

8. Corporate Governance Statement

During the year the Loans Management Committee held four meetings whose attendance met the required quorum of the Chairperson and any other four members as per the regulations. The succession plan is envisaged in law as to when one can become a member of the Loan Management Committee.

As per the fund regulations the composition of the Committee is comprised of the following members;

- a) The County Executive Committee Member for Public Service who shall be the Chairperson;
- b) The County Executive Committee Member for the time being responsible for Finance and Revenue Collection who shall be the Alternate Chairperson;
- c) The County Executive Committee Member for the time being responsible for Housing;
- d) The County Executive Committee Member for the time being responsible for Lands;
- e) The County Secretary who shall be the Secretary to the Committee and the Officer Administering the Scheme and;
- f) The Chief Officers in the portfolios in (a), (b), (c) and (d) above.

The Scheme is administered by the County Secretary who sits in the Scheme's Committee and the management of the Scheme.

This means that the management committee is appointed immediately persons assume the above mentioned portfolios. Removal from office is automatic when a member ceases to hold either of the above mentioned offices.

The role of the Committee is to:

- a) Process applications for loans in accordance with the set out regulations and attendant guidelines provided by the SRC;

***Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022***

- b) May appoint or liaise with a bank, housing company and financial institutions to set up a revolving fund for the disbursement of loans; and
- c) Supervise the day to day running of the scheme.

The meetings of the committee are convened by the Chairperson or in the absence of the Chairperson, by the alternate Chairperson and shall be convened at such times as may be necessary for the discharge of the Committee's functions provided that the Committee shall not meet less than four (4) times within a financial year.

The quorum for a meeting of the Committee shall be the Chairperson and any four (4) members.

The members of the Committee are inducted upon joining. They have participated in the committee activities and have shown ethical conduct in their transaction with the fund. The audit is conducted by the office of the Auditor General in line with the law.

No allowances paid for the sittings during the period.

9. Management Discussion and Analysis

The Machakos County Executive Committee and Chief Officers' Car loan and Mortgage Scheme has received a total of Ksh. 96,000,000/- from the county treasury paid directly to SBM Bank to date. The Committee has successfully approved and disbursed 5 loans to its members totalling to Kshs. 15,285,000/- against an application of eleven members. Four out of five loans were yet to be completely paid off as at the end of June 2022 with an unpaid balance of Kshs. 3,209,487/- which is expected to be completely cleared by 31st October 2022.

10. Environmental and Sustainability Reporting

This is a Car Loan and Mortgage fund held by the county as a revolving fund for the benefit of staff.

11. 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 activity of the Fund is to manage all funds disbursed from the County Treasury to the fund.

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 iii (*refer to the key entity information and management page*). The changes in the Board during the financial year are as shown below:

- a). CECM Finance, Revenue Collection and Economic Planning Francis Maliti to Naomi Mutie who replaced his position as CECM Finance, Revenue Collection and Economic Planning.
- b). After the end of their terms, all members were replaced after the end of the 2021/2022 financial year.

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 for the year ended June 30, 2022.

By Order of the Board



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

Date:

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MACHAKOS COUNTY EXECUTIVE COMMITTEE AND CHIEF OFFICERS' CAR LOAN AND MORTGAGE SCHEME 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 control, 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 Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme, set out on pages 1 to

Report of the Auditor-General on Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme for the year ended 30 June, 2022

37, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme 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 comply with the Public Finance Management Act, 2012 and the Public Finance Management (Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme) Regulations, 2015.

Basis for Qualified Opinion

1. Undisclosed Receivables Balance

The statement of financial position reflects nil current and long-term portions of receivables from exchange transactions. However, the statement of performance against County entity predetermined objectives, indicates that an amount of Kshs.3,209,487 was outstanding as at 30 June, 2022 out of the total loan amounts of Kshs.15,285,000 advanced by the Scheme.

In the circumstances, the accuracy and fair presentation of the reported nil current and long-term portions of receivables from exchange transactions balances could not be confirmed.

2. Unsupported Cash and Cash Equivalent Balance

The statement of financial position and Note 11 to the financial statements reflect cash and cash equivalents balance of Kshs.96,000,000. The balance was however not supported by bank reconciliation statement and certificate of bank balance as at 30 June, 2022.

In the circumstances, the accuracy and fair presentation of the reported cash and cash equivalents balance of Kshs. 96,000,000 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. 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 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 Audit issues

Various prior year audit issues remained unresolved as at 30 June, 2022. Management did not provide reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board revised reporting template issued vide The National Treasury's Circular Referenced AG.4/16/3 Vol.11 (66) of 6 July, 2022.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, 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. Non-Remittance of Fringe Benefit Tax

The Scheme had disbursed loans totaling to Kshs. 15,285,000 to five (5) beneficiaries since its inception as at 30 June, 2022. The loans were issued at interest rate of 3% which was below the market rate of 12.16% as at the time of issue. However, the applicable fringe benefit tax has not been levied on the beneficiaries and remitted to the Kenya Revenue Authority.

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

2. Unfavorable Terms in the Memorandum of Understanding

The statement of financial performance reflects interest income and fund administration expenses of Kshs. 211,892. A review of expenditure documents revealed that the interest income earned is applied for fund administration expenses by the administering bank. However, the criteria for determining amount of administration fees to be charged is not included in the Memorandum of Understanding (MOU). Instead, the entire income earned from the loans is channeled into the administration expenses. Further, the balance of the funds held by the bank and not loaned out did not earn any interest indicative that the MOU may be skewed against the Scheme.

In the circumstances, the prudence in the use of public funds is not safeguarded.

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, 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 overall 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

The Management is responsible for the preparation and fair presentation of the 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 Scheme's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Scheme 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 Scheme's financial reporting process, reviewing the effectiveness of how the entity 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 noncompliance. 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 Scheme '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 Scheme's ability 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 Scheme to cease 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 Scheme 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 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

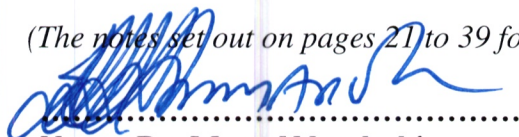
07 March, 2023

**Machakos County Executive Committee and Chief Officer's Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022**

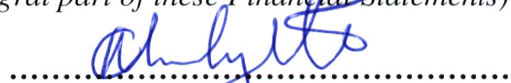
14. Statement of Financial Performance For The Year Ended 30th June 2022

	Not e	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	211,892.45	250,482.45
Other Income	5	-	-
		-	-
Total Revenue		<u>211,892.45</u>	<u>250,482.20</u>
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	211,892.45	250,482.45
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		<u>211,892.45</u>	<u>250,482.20</u>
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit) For The Period		-	-

(The notes set out on pages 21 to 39 form an integral part of these Financial Statements)



Name: Dr. Muya Ndambuki
Administrator of the Fund



Name: Cynthia Mutheu Ngui
Fund Accountant
ICPAK Member Number: 19155

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme Annual Report and Financial Statements for the year ended June 30, 2022

15. Statement of Financial Position As At 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	96,000,000	96,000,000
Current Portion of Long- Term Receivables From Exchange Transactions	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
		96,000,000	96,000,000
Non-Current Assets			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	-	-
		-	-
Total Assets		96,000,000	96,000,000
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		-	-
Revolving Fund		96,000,000	96,000,000
Reserves		-	-
Accumulated Surplus		-	-
Total Net Assets and Liabilities		96,000,000	96,000,000

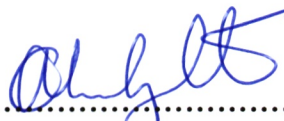
Note that the Ksh. 96,000,000 is a revolving fund budget on FY 2018/19

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
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 29/09/ 2022 and signed by:



.....
Name: Dr. Muya Ndambuki
Administrator of the Fund



.....
Name: Cynthia Mutheu Ngui
Fund Accountant
ICPAK Member Number: 19155

Machakos County Executive Committee and Chief Officer's Car Loan and Mortgage Scheme Annual Report and Financial Statements for the year ended June 30, 2022

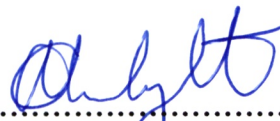
16. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	95,993,760	-	-	95,993,760
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Prior Year Adjustment	6,240			6,240
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	<u>96,000,000</u>	-	-	<u>96,000,000</u>
Balance As At 1 July 2021	96,000,000	-	-	96,000,000
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	<u>96,000,000</u>	-	-	<u>96,000,000</u>

***The prior year adjustment is reversed bank charges for FY 2019/2020 credited to the bank account in the FY 2020/2021.



Name: Dr. Muya Ndambuki
Administrator of the Fund



Name: Cynthia Mutheu Ngui
Fund Accountant
ICPAK Member Number: 19155

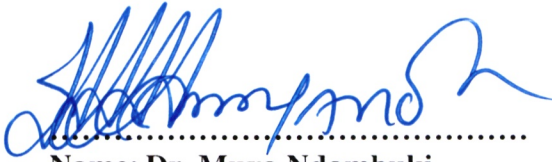
Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022

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

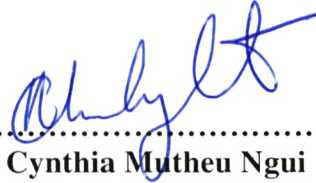
	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		211,892.45	250,482.20
Receipts from other operating activities		-	-
Total receipts		211,892.45	250,482.20
Payments			
Fund administration expenses		211,892.45	250,482.20
General expenses		-	-
Finance cost		-	-
Other payments		211,892.45	250,482.20
Net cash flows from operating activities	21	-	-
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		-	-
Cash and cash equivalents at 1 july	11	96,000,000	96,000,000
Cash and cash equivalents at 30 june	11	96,000,000	96,000,000

***Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022***

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)



.....
Name: Dr. Muya Ndambuki
Administrator of the Fund



.....
Name: Cynthia Mutheu Ngui
Fund Accountant
ICPAK Member Number: 19155

18. 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
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Public Contributions And Donations	-	-	-	-		
Transfers From County Govt.	96,000,000	-	96,000,000		96,000,000	0
Interest Income	-	-	-	211,892.45	211,892.45	100
Other Income	-	-	-	-		
Total Income	96,000,000		96,000,000	211,892.45	96,211,892.45	0
Expenses						
Fund Administration Expenses	-	-	-	(211,892.45)	(211,892.45)	100
General Expenses	-	-	-	-		
Finance Cost	-	-	-	-		
Total Expenditure	-	-	-	(211,892.45)		
Surplus For The Period	<u>96,000,000</u>		<u>96,000,000</u>	=	<u>96,000,000</u>	<u>0</u>

Budget notes

1. There was no additional budget towards the fund during the FY2021/22.
2. The revolving Budget of Kshs 96,000,000 was provided for in the FY 2018/19.
3. Interest Income was utilized as fund administration expenses by the bank.

19. Notes to the Financial Statements

1. General Information

Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme entity is established by the County Executive Committee Member for Finance and Economic Planning and derives its authority from the Legal Notice No. 1 of 2015 (Machakos County Executive Committee and Chief Officers Car Loan and Mortgage Scheme) *Regulations*, 2015. The entity is wholly owned by the Machakos County Government and is domiciled in Kenya. The scheme's principal activity is to manage all funds disbursed from the County Treasury to the fund.

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	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.

**Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an 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</p>	<p>Applicable: 1st January 2023:</p>

**Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
resulting from IPSAS 41, Financial Instruments	<p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
IPSAS 43	<p>Applicable 1st January 2025</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</p>

**Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>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> <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 30th June 2021. 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 Kshs 0 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 17 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.

a) 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)

b) 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.

c) 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.

d) 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.*

e) 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.

f) 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.

g) Foreign currency transactions

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

Summary Of Significant Accounting Policies (Continued)

h) Borrowing costs

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

i) Related parties

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

j) Cash and cash equivalents

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

k) Comparative figures

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

l) Events after the reporting period

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

m) Ultimate and Holding Entity

The entity is a County Public Fund established by the County Executive Committee Member for Finance and Economic Planning and derives its authority from the Legal Notice No. 1 of 2015 (Machakos County Executive Committee and Chief Officers Car Loan and Mortgage Scheme) *Regulations*, 2015. Its ultimate parent is the County Government of Machakos.

n) 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 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.

(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	-	-

(Provide brief explanation for this revenue)

2. Transfers from County Government

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

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	176,944.55	165,581.80
Interest Income From Car Loans	34,947.90	84,900.40
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	211,892.45	250,482.20

(Provide brief explanation for this revenue)

**Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022**

Notes to the Financial Statements Continued

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	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	211,892.45	250,482.20
Committee Allowances	-	-
Bank Charges	-	-
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-

**Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022**

Description	2021/22	2020/21
	Kshs.	Kshs.
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Bank Charges	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other (<i>Specify</i>)	-	-
Total	211,892.45	250,482.20

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	-	-

**Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
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
Machakos Executive and C.O 's Car Loan & Mortgage Account 0342375723001	96,000,000	96,000,000
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others	-	-
Total Cash And Cash Equivalents	96,000,000	96,000,000

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
a) Revolving Fund Account			
SBM Bank	0342375723001	96,000,000	96,000,000
		-	-
Sub- Total		96,000,000	96,000,000
b) Fixed Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) On-Call Deposits			
Kenya Commercial Bank		-	-
Bank B		-	-
Sub- Total		-	-
d) Current Accounts			
Kenya Commercial Bank		-	-
Bank B		-	-
Sub- Total		-	-
Grand Total		96,000,000	96,000,000

*Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2022*

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	-	-
Total Current Receivables		
Non-Current Receivables		
Long Term Loan Repayments Due	-	-
Total Non- Current Receivables	-	-
Total Receivables From Exchange Transactions	-	-

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	-	-

Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
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	-	-

Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
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	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Depreciation And Impairment					
At 1 st July 2020	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-

Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
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	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Net Book Values					
At 30th June 2021	-	-	-	-	-
At 30th June 2022	-	-	-	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

Annual Report and Financial Statements for the year ended June 30, 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	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End Of The Year (30.06.2022)	-	-	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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	-	-
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:

	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)

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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	2020-2022
	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	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	-	-
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)

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

Annual Report and Financial Statements for the year ended June 30, 2022

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 of Machakos;
- b) The Department of Public service;
- c) Key management;
- d) Board of Trustees;

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	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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 Xxx Against The Fund	-	-
Bank Guarantees	-	-
Total	-	-

(Give details)

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

Annual Report and Financial Statements for the year ended June 30, 2022

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	-	-	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

Annual Report and Financial Statements for the year ended June 30, 2022

Total	-	-	-	-
--------------	---	---	---	---

(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 no significant concentration of credit risk.

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	-	-	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

Annual Report and Financial Statements for the year ended June 30, 2022

Total	-	-	-	-
--------------	---	---	---	---

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:

		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)	-	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

Annual Report and Financial Statements for the year ended June 30, 2022

The Fund has no foreign exchange risk.

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

The fund has no interest rate risk.

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.

The fund has no interest rate risk.

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

Annual Report and Financial Statements for the year ended June 30, 2022

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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	96,000,000	96,000,000
Accumulated surplus	-	-
Total funds	96,000,000	96,000,000
Total borrowings	-	-
Less: cash and bank balances	(96,000,000)	(96,000,000)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	0%	0%

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

Annual Report and Financial Statements for the year ended June 30, 2022

20. 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.*