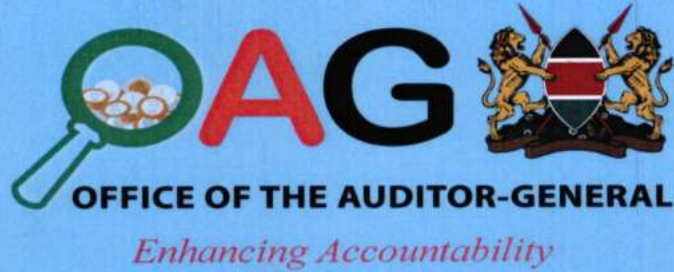
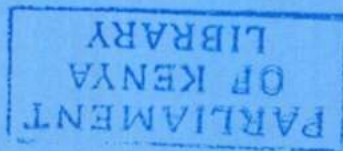


REPUBLIC OF KENYA



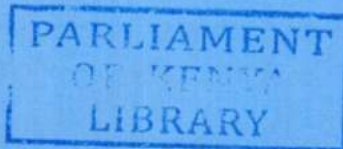
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COMMITTEE	_____
CLERK AT THE TABLE	Ms ANGELA MACHARIA

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

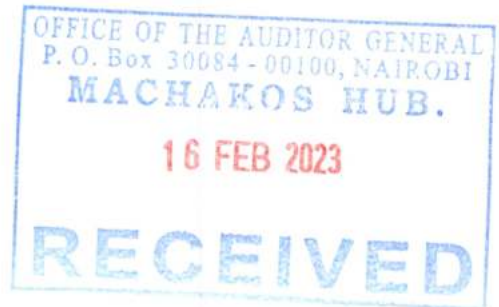


**ON**

**KITUI COUNTY ASSEMBLY CAR  
LOAN AND MORTGAGE (MEMBERS)  
SCHEME FUND**

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

Revised 30th June 2022



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COUNTY GOVERNMENT OF KITUI  
KITUI COUNTY ASSEMBLY CAR LOAN AND MORTGAGE (MEMBERS) SCHEME  
FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2022

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

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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**1. Key Entity Information and Management**

**a) Background information**

Kitui County Assembly Car & Mortgage (Members) Schemes Fund is a revolving fund established on 17<sup>th</sup> March 2015. The fund's authority and accountability is driven from the Public Finance Management (PFM) Act 2012. The Fund is wholly owned by the County Government of Kitui and is domiciled in Kenya.

The fund's objective is to provide Members of County Assembly (MCAs) with an opportunity to access affordable car loans for purchase of a motor vehicles or mortgages for purchase, development, renovation or repair of residential properties. The principal activity of the fund is to provide car loans and mortgages to Members of County Assembly.

The fund was operationalized pursuant to the Salaries and Remuneration Commission (SRC) Circular Number SRC/ADM/CIR/1/13 Vol. III (128) of 14<sup>th</sup> February 2014. This necessitated the County Assembly to legislate regulations governing its operations and provide a legal administration framework as advised by the SRC and in line with the PFM regulations 2014. Accordingly, in compliance with regulation 16 of the said regulations, the board also approved the management of the fund to be outsourced from a competent institution under supervision by the Clerk of Assembly. In the year under review, the fund was managed by Family Bank within the agreed Terms of Reference.

**b) Principal Activities**

The principal activity of the fund is to provide car loans and mortgages to Members of the County Assembly.

**Vision**

“The fund of choice for Members of County Assembly.”

**Mission**

“To provide affordable, accessible and sustainable car loans and mortgages to Members of the County Assembly.”

**Core Values**

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

**c) Fund Administration Committee**

Ref	Name	Position
1	Hon. Nicholas Mwalali	Chairperson of the Committee
2	Hon. Peter M. Kilonzo	Member
3	Hon. Stephen M. Musili	Member
4	Hon. Alex Nganga	Member
5	Hon. David Thuvi	Member
6	Hon. Boniface Katumo	Member
7	Hon. Mary Ndumbu	Member
8	Ms. Gladys K. Mwendwa	Senior Legal Counsel
9	Mr. Charles N. Nyaga	Senior Fiscal Analyst
10	Mr. Elijah M. Mutambuki	Fund Administrator (ex-officio)

**d) Key Management**

Ref	Name	Position
1	Mr. Elijah M. Mutambuki	Clerk of the Assembly /Fund Administrator
2	Mrs. Lucy N. Waema	Deputy Clerk of the Assembly
3	Mr. Augustus M. Kyenze	Principal Finance Officer
4	Mr. Mutua Mwendwa	Fund Accountant
5	Mr. Erastus Ndeleva	Principal Human Resource Officer
6	Mr. Mutetei Mutisya	Senior Communication Officer
7	Mr. Lawrence M. Kirigwi	Senior Sergeant-At-Arms
8	Mr. Kevin M. Ndeto	Senior ICT Officer
9	Mr. Teddy Matuku	Senior Hansard Officer
10	Mr. Cyrus K. Kiema	Senior Clerk Assistant
11	Mr. Harrison O. Ouma	Senior Administration Officer

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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**e) Registered Offices**

P.O. Box 694 – 90200, Kitui  
County Assembly of Kitui Chambers,  
Mutomo-Kibwezi Road,  
Kitui, KENYA

**f) Fund Contacts**

Telephone: 044-22914  
E-mail: [kituiassembly@gmail.com](mailto:kituiassembly@gmail.com)  
Website: [www.kituiassembly.go.ke](http://www.kituiassembly.go.ke)

**g) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Family Bank  
P.O. Box 1033-90200  
Kitui, Kenya

**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

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

**2. Fund Administration Committee**






Name	Details of qualifications and experience
<p>1. Hon. Nicholas Mwalali</p> 	<p>He was born in 1965 and possess commendable financial management having worked in senior positions in various companies. He holds a degree in Economics from University of Nairobi. He is a member of County Assembly and the current chairperson of the loans management committee.</p>
<p>2. Hon. Peter M. Kilonzo</p> 	<p>He was born in 1972. He holds MBA from University of Nairobi. He has wealth of experience in community development and finance having worked at KCA University. He is a member of County Assembly. He is the Leader of majority wing of the Assembly.</p>
<p>3. Hon Stephen M. Musili</p> 	<p>He was born in 1978. He holds a Degree from University of Nairobi. He is a member of County Assembly and the majority whip of the Assembly.</p>
<p>4. Hon. Alex Nganga</p> 	<p>He was born in 1977. He holds a Diploma from Kenya Polytechnic. He is a member of County Assembly. He is the Leader of Minority wing of the Assembly.</p>
<p>5. Hon. David Thuvi</p> 	<p>He was born in 1963. He holds a degree in Bachelor of Business Administration. Has wealth of experience having worked in senior positions at Kenya Commercial Bank. He is a member of County Assembly.</p>
<p>6. Hon. Mary Ndumbu</p>	<p>She was born in 1954. She is a member of County Assembly. She is a nominee of the County Assembly Service Board in the loans management committee.</p>

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**







	
<p>7. Hon. Boniface Katumo</p> 	<p>He was born in 1978. He is the minority whip of the Assembly. He is a member of County Assembly.</p>
<p>8. Elijah M. Mutambuki</p> 	<p>He was born in 1964 and has a wealth of experience in Human Resource management, policy making and an accomplished administrator having held several positions in government. He is the Clerk of Assembly /Secretary to the County Assembly Service Board. He holds a Master of HRM from Balarat University, Australia. He is the secretary to the loans management committee.</p>
<p>9. Gladys K. Mwendwa</p> 	<p>She was born in 1983 and is holder of Bachelor of Law LLB from Nairobi University and a Diploma in law from Law Society of Kenya. She has commendable exposure in matters of law. Currently she is the head of legal department.</p>
<p>10. Charles N. Nyaga</p> 	<p>He was born on 1976. He holds Masters in Finance from KCA University. Currently he is the Fiscal Analyst and a secretariat member to the loans committee.</p>



**3. Management Team**

Name and Passport Photo	Details of qualifications, experience, date of birth, work experience and responsibility
<p>Elijah M. Mutambuki</p> 	<p>He was born in 1964 and has a wealth of experience in Human Resource management, policy making and an accomplished administrator having held several positions in government. He is the Clerk of Assembly /Secretary to the County Assembly Service Board He holds a Master of HRM from Balarat University, Australia. He is the Fund Administrator.</p>
<p>Lucy N. Waema</p> 	<p>She was born in 1973 and brings along wealth of management experience having served in senior positions during the defunct local Authorities including being the clerk of municipal council. She is currently the Deputy Clerk of Assembly</p>
<p>Augustus M. Kyenze</p> 	<p>He was born in 1980 and holds Master in Business Administration from Nairobi University. He is experienced in public finance management having served in senior positions in finance at Moi Teaching and Referral Hospital. He is now the Principal Finance Officer</p>
<p>Erastus Ndeleva</p> 	<p>Born in 1971. He is a practitioner in Human Resource management and holds Master in Business Administration from Kenyatta University and Higher National Diploma in Human Resource from Institute of Human Resource Management. He is currently the Principal Human Resource Management Officer.</p>
<p>Mutetei Mutisya</p> 	<p>He was born in 1986. He has experience in public communication and project implementation. He is Head of Communication Department. He has a Bachelor of International Relations from Maseno University.</p>
<p>Lawrence M. Kirigwi</p>	<p>Born in 1973. Holds Bachelor of Arts Economics and Business Studies from Kenyatta University. He has wealth of experience in public Administration and</p>

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

	<p>security expert having served as a District Officer. Currently he serves as the Head Sergeant-at-arms</p>
<p>Kevin M. Ndeto</p> 	<p>He was born in 1988. Holds Bachelor of Science in Computers. Brings along wealth of experience in computer management. Currently he is the head of ICT Department.</p>
<p>Teddy Matuku</p> 	<p>Born in 1970 and holds Bachelor of Arts (Government and Philosophy) from University of Nairobi. He has 17 years of experience in journalism and Hansard reporting having worked in various positions in government in reporting docket. He is now Head of Hansard Department.</p>
<p>Harrison O. Ouma</p> 	<p>He was born in 1973 and is holder of Business Administration (Anthropology). He has wealth of experience in Public Administration. Currently he heads the Administration Department</p>
<p>Cyrus K. Kiema</p> 	<p>Born in 1973. Holder of Bachelor of Education. Experienced in school management and Assembly procedures. Head of Legislative Practice &amp; Procedure</p>
<p>Mutua Mwendwa</p> 	<p>Born in 1983. He has a degree in Business Administration Accounting from Maseno University, CPA (K) and a CFFE. He is experienced in public finance management having served in senior positions in finance. He is currently the Fund Accountant.</p>

#### **4. Fund Administration Committee Chairperson's Report**

On behalf of the Kitui County Assembly Car & Mortgage (Members) Schemes Fund Management Committee, I have the pleasure of presenting to you the annual report and financial statements for the year ended 30<sup>th</sup> June 2022.

#### **Board and Management Changes**

There were no changes in the board of management of the fund during the year

#### **Review of performance**

In the year under review, loans amounting to Kshs. 0.275 Million were disbursed. Revenue earned from interest was Kshs. 311,249.00 being a decrease of 90.0% compared to the previous year. This decrease can be attributed to the principle of reducing balance formula used to charge interest on the loans. The interest earned was shared equally between the County Assembly and Family Bank as per the terms of reference. The total expenditure during the year was Kshs. 312,301.00 consisting of; committees sitting allowances Kshs. 154,000.00, loans administration fee of Kshs. 155,661.00 (50% share of interest income recovered by Family Bank Ltd) and bank charges of Kshs. 2,640.00

#### **Future outlook**

The future of the Fund looks brighter and encouraging as the Assembly continue to empower the members. We shall focus immensely on improving the scheme in order to motivate the workforce for enhanced efficiency and effectiveness in the service delivery. In addition, we endeavour to continue receiving necessary support from the county government and development partners to enable the fund realize its objective.

#### **Challenges Faced**

There were few challenges encountered during the year which ranged from; lack of required lien to secure the loans, over committed payslips and delayed disbursements from the National Treasury. We appreciate the challenges since they gave the committee a learning experience on how to enhance the fund's performance in future.

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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**Conclusion**

The committee is fully committed to maximizing members' value and assisting the institution in fulfilment of Section 12 (7) of the County Governments Act 2012 while satisfying the spirit of the Salaries and Remuneration Commission of attracting, motivating and retaining skilled Members of County Assembly for better legislation, oversight and representation. Therefore, we endeavour to make the County Assembly of Kitui the best public institution mandated to legislate, oversight and represent people.



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**NICHOLAS N. MWALALI**  
**FUND CHAIRPERSON**

## **5. Report of the Fund Administrator**

It is with great honour that I present the annual report and financial statements of the Kitui County Assembly Car Loan and Mortgage (Members) Fund Schemes for the year 2021/2022.

The fund was established on 17<sup>th</sup> March 2015 through guidelines and regulations as advised by the SRC circular and the PFM Act 2014. These fund regulations were passed in the same year and later on reviewed on 6<sup>th</sup> July, 2018.

### **a) Financial Performance**

#### **(i) Capital Fund**

The scheme has so far received a total Kshs. 195,005,000.00 from the County Treasury as revolving fund since inception in year 2014. However, the Salaries and Remuneration Commission issued a circular in the month of February 2021 approving payment of car grant to Members of County Assembly. This consequently led to approval of Kshs. 112 Million by the Kitui County Public Service Board for disbursement to members. These car grants were then disbursed from the revolving fund therefore reducing the revolving amount to Kshs. 83,005,000.00

#### **(ii) Revenue**

In the year under review, the fund earned gross interest of Kshs. 311,249.00. This brought the total gross revenue earned by the fund since inception to Kshs. 10,107,430.00. The interest earned was shared equally between the Assembly and the Family bank as per the terms of agreement. Therefore, each party has so far earned interest amounting to Kshs. 5,053,715.00

#### **(iii) Loans**

Every member is entitled to a maximum of five million shillings for purchase of either a car or a residential property. As at June 2022, the Assembly had disbursed to members a total of Kshs. 79,682,000.00 as car loans and Kshs. 97,726,800.00 as mortgages. Therefore, the cumulative loans disbursed amount to Kshs. 177,408,800.00

The principal loans recovered from both car loans and mortgages amount to Kshs. 177,378,442.00 and the outstanding balance as at 30<sup>th</sup> June 2022 being Kshs. 30,358.00. In addition, the family

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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**Report of the Fund Administrator (Continued)**

bank also owes the assembly Kshs. 163,191.00 being over recovered share of interest. Therefore, the debtors balance is Kshs. 193,550.00. The management closely monitors loan repayments to make sure that no loan falls outstanding after the expiry of the members' term.

**(iv) Cash flow**

There were few liquidity disruptions experienced during the year as a result of delays in receiving disbursements from the National Treasury. The Assembly mitigated this by ensuring proper recovery measures of the loans disbursed through the payroll.

**b) Program Performance**

The fund targeted only the Members of County Assembly whose responsibilities fall under Legislative and Oversight program. The intention was to facilitate all members with affordable car loans and mortgage facilities. In this year, 1 (one) Member of County Assembly benefited from the mortgage. There were no car loans disbursed during the year.

**c) Value for money achievements**

The Committee employed raft of measures in order to ensure proper utilization of the monies. These included; engaging qualified financial institution to manage the fund. This ensured that all mortgages and car loans disbursed were fully secured and a valuation report provided. These measures curbed misuse of the fund and ensured ultimately achievement of value for money.

**d) Implementation challenges**

There were a number of challenges faced while implementing the scheme. These ranged from; lack of required lien for the loans, over committed payslips of the officers, delay in disbursements and long period taken to perfect the securities due to bureaucratic procedures involved. Consequently, the committee employed a raft of measures to counter the challenges by forming a sub-committee to fasten the inspection of project and holding frequent meetings. The Assembly's strategy in achieving its agenda is to work closely with all members of county assembly to assist them handle possible challenges hindering their access of the loans. The strategy includes conducting training on personal budget and financial discipline to all members.

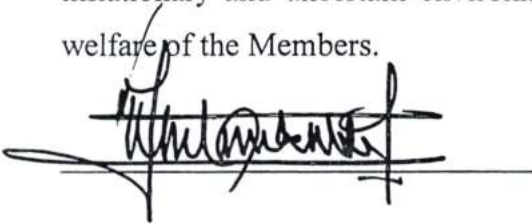
**e) Risk management strategies**

The highest risk attributed to the fund is default by members. However, the management employed proper loan recovery strategy whereby the loans were strictly recovered by the county payroll through the Integrated Personnel and Payroll Database (IPPD) system. This in deed minimized chances of loan default.

**f) Conclusion**

The year presented a number of significant challenges to the institution leading to low uptake of the loans. Indeed, these challenges acted as a learning experience for the institution hence energizing our efforts geared towards achieving the intended objectives.

As a team, we are still committed to serving public a little better every day, in this challenging, inflationary and uncertain environment. The focus is on future goals including improving the welfare of the Members.

A handwritten signature in black ink, appearing to read 'E.M.A Mutambuki', is written over a horizontal line. The signature is stylized and cursive.

**E.M.A MUTAMBUKI  
CLERK OF ASSEMBLY**

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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**6. Statement of Performance against the County Fund’s Predetermined Objectives**

**Introduction**

Section 164 (2) (f) of the Public Finance Management Act 2012 requires that, the Accounting officer shall include a statement of the county government entity’s performance against predetermined objectives when preparing financial statements at the end of each financial year. The same should be done in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The key development objectives of the Kitui County Assembly Car & Mortgage (Members) Schemes Fund are to:

- a) Facilitate the Members of County Assembly with affordable mortgage facilities in order to acquire decent residential houses.
- b) Facilitate the Members of County Assembly with affordable car loans in order to acquire motor vehicles.

**Progress on attainment of Strategic development objectives**

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Legislative Department	To facilitate the Members of County Assembly with affordable loans to acquire motor vehicles.	Increased efficiency in MCAs reporting to job	0.00% of Members of County Assembly have benefited from the car loan scheme	In FY 2021/2022 - None of the Members of County Assembly received the car loans.
Legislative Department	To facilitate the Members of County Assembly with affordable loans to acquire decent residential houses	Increased Members of County Assembly morale	1.9% of members of Assembly benefited from the mortgage scheme	In FY 2021/2022 - One (1) Member of County Assembly received mortgage.



## **7. Corporate Governance Statement**

### **The Fund's Committee**

The scheme is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the Loans Management Committee at its apex. The structure is designed to ensure an informed decision-making process based on accurate reporting. The Committee provides direction with a focus on consistent operation of the fund in an atmosphere of transparency and accountability. It retains full control, monitors implementation of the plans and strategies.

Section 6 (1) of the Regulations established a loans management committee known as the Members Car and Mortgage Loans Management Committee. It is the body mandated to oversee the implementation of this scheme. Its membership consist of:-

- a) The Vice –chairperson of the County Assembly Service Board who is the chairperson of the committee.
- b) Leader of Minority
- c) The chairperson of Members' welfare committee of the County Assembly
- d) Majority whip of the County Assembly
- e) Minority whip of the County Assembly
- f) County Executive Member for Finance /her nominee
- g) Two members appointed by the Board

Section 6 (6) of these regulations provides the loans management committee with mandate to consider and approve disbursements of loan applications presented by the funds administrator. The process of appointing and removing a committee member is well covered by the regulations.

### **The Committee Meetings**

The meetings of the Committee were convened by the chairperson or in the absence of the chairperson; the vice-chair person or a member designated by the chairperson at such times as may be necessary for the discharge of the its functions. The members are given appropriate and timely

**Statement of Corporate Governance (Continued)**

information on key activities of the committee. Specifically, they are provided with all the available information in respect of items to be discussed at a meeting prior to availing themselves. The committee met 1 time to execute its mandate during the year where only 1 application was considered and approved for disbursement. Members' attendance was commendable since most of the times the meeting was full house.

**Committee Allowances**

Members of the loan management committee earned sitting allowance as per Ministry of Devolution and Planning Circular Ref. No. MSPS.2/1AVOL.XLVIII/ (119) dated 2<sup>nd</sup> August 2013. These allowances were paid only upon holding a successful meeting.

**Statement of Compliance**

The committee confirms that the fund complied with statutory and regulatory requirements throughout the year. It was managed in accordance with the principles of good corporate governance.

**Ethics and Conduct**

The members of the committee exercised highest standards of honesty and integrity as per chapter six of the Kenya Constitution 2010 and in accordance with the principle of good governance. They ensured ethical behaviour and complied with relevant laws, regulations, audit, accounting principles, corporate policies, procedures and code of ethics while performing their duties.

**Conflict of Interest**

The committee is under fiduciary duty to act with honesty in the best interest of the fund. Any business transacted was at arm's length and fully disclosed. Members promoted diversity across the organisation with regards to age, gender, ethnic and the cultural background amongst committee members and employees. In dispensing their duties, members could not discriminate any loan applicant based on the above aspects.

**Internal Control Framework**

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Processes and controls are interrogated on an ongoing basis. We occasionally carry out a risk-based audit, which provides assurance over key processes, operational and financial risks facing the fund.

**Succession plan**

The fund has a well laid succession plan as elaborated by the regulations.

**Service charter**

The fund does not have any service charter so far

**Induction and training**

The fund did not carry any training during the year.

**Internal Audit**

The internal audit considered significant control matters raised by management and both the internal and external auditors and reported its findings to the board. Where weaknesses were identified, the committee ensured that management took appropriate action. No significant downfalls or weaknesses were identified during the year.

**Auditor**

The fund is audited by the Auditor-General.

## **8. Management Discussion and Analysis**

### **Operational Performance**

This report is particularly important for a number of reasons; the Assembly has seen many of her members acquire new cars and others residential houses since the inception of the fund. Consequently, improving the morale of members tremendously. The Fund so far has disbursed Kshs. 79,682,000.00 car loans and Kshs. 97,726,800.00 mortgage by the close of 30<sup>th</sup> June, 2022. Cumulatively, loans disbursed to members amount to Kshs. 177,408,800.00. In deed this is a commendable trend which re-assures a bright future performance of the scheme.

As of June 2022, the total principal loans recovered from the members amounted to Kshs. 177,378,442.00 with the loan balance standing at Kshs. 30,358.00. In addition, the family bank also owes the assembly Kshs. 163,191.00 being over recovered share of interest. Therefore, the debtors balance is Kshs. 193,550.00.

The scheme has earned a total net profit of Kshs. 8,816,868.00 since inception. This increased the fund balance to Kshs. 203,821,868.00 from the Kshs. 195,005,000.00 received from the County Treasury. However, this capital fund was reduced with Kshs. 112 Million issued to members as car grants following the approval by the SRC in February 2021. Therefore the current fund balance stands at Kshs. 91,821,868.00

The fund is currently being managed by the Family Bank Kitui Branch within an agreed terms of reference.

### **Compliance with Statutory Requirements**

The committee appreciates its statutory responsibility of paying fringe benefit taxes on these loans. The rate of interest of 3% is less than the prescribed rate by the Kenya Revenue Authority Commissioner, hence a fringe benefit tax is payable by the employer. The County Assembly has been paying these taxes on timely basis as required by the Income Tax Act. Sufficient budget allocation has been approved to cater for the same.

In addition, the fund has secured a life protection policy on members against either death or permanent disability. This is in compliance to the regulations requirement that all loans disbursed be insured and secured with a perfected Title Deed or a joint registered log book.

### **Implementation Challenges**

Though the schemes have had a positive impact to the welfare of the state officers, the committee has faced numerous challenges during its implementation. These includes;

**a) Lack of Title Deeds**

The committee appreciates the fact that some areas are yet to be adjudicated for issuance of Title Deeds. This hindered some members of County Assembly from applying for mortgage loans since they lacked the necessary security. The committee expectations are that all Members of County Assembly indeed realize the advantages of having this commendable scheme and purpose to take benefit from these affordable loans.

**b) Delays in Disbursements of Funds**

There were delays in receiving disbursements from the National Treasury hence delaying payment of loans to respective members.

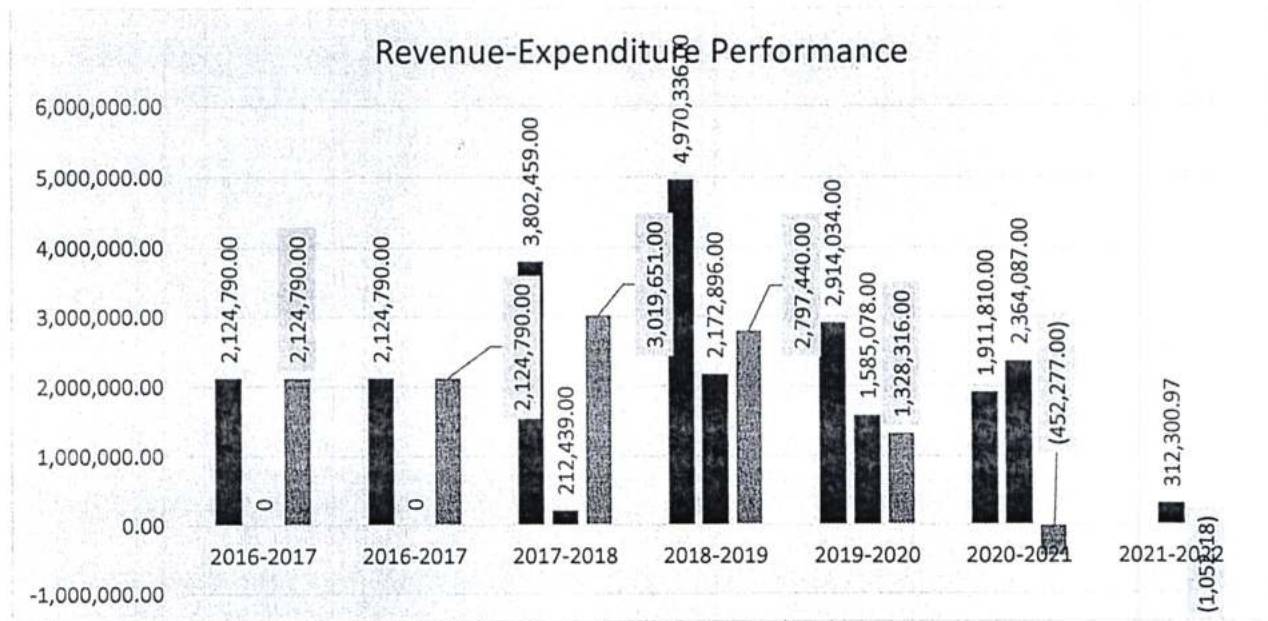
**FINANCIAL PERFORMANCE**

The committee reviewed most aspects of the financial reporting framework and made changes to ensure we remain in line with both the latest regulatory requirements and best practice.

The funds revenue grew tremendously due to increase in loans uptake. The performance for the last five (5) years are as shown below;

Year	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Revenue	3,802,459.00	4,970,336.00	2,914,034.00	1,911,810.00	311,249.00
Expenses	212,439.00	2,172,896.00	1,585,078.00	2,364,088.00	312,301.00
Surplus/ (Deficit)	3,019,651.00	2,797,440.00	1,328,316.00	(452,278.00)	(1,052.00)

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**



**Risks Facing the Fund**

The highest risk attributed to the fund is default by members. However, the management employed proper loan recovery strategy during the year. The loans were strictly recovered by the county payroll through the Integrated Personnel and Payroll (IPPD) system hence minimizing the chances of default. The fund has so far complied with all statutory obligations including paying of fringe benefit taxes and submission of reports hence there are no outstanding obligations whatsoever.

**Key Project**

The sole objective of the fund is to provide members with affordable loans to acquire cars or residential houses for facilitation during their official working with the County Assembly. This agenda has been fully met since most of the members have benefited from either the car loan, mortgage or both.

**9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The fund did not carry out any CSR activity during the year.

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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**10. REPORT OF THE TRUSTEES**

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

**Principal activities**

The principal activities of the Fund are to provide car loans and mortgages to Members of the County Assembly.

**Results**

The performance of the Fund for the year ended June 30, 2022, are set out on pages 1 to 3.

**Trustees**

The members of the served during the year are shown on pages vi to vii. There were no changes in the Board of management during the 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.

By Order of the Board



Nicholas N. Mwalali

Chair of the Fund Administration Committee

Date: 15/11/2022



## 11. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Kitui County Assembly Car & Mortgage (Members) Scheme Fund Regulations 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kitui County Assembly Car & Mortgage (Members) Scheme Fund Regulations 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date.

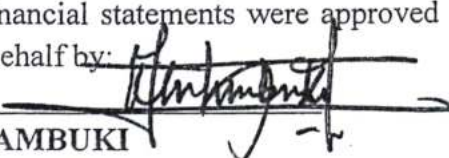
The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Fund's financial statements were approved by the Board on 15<sup>th</sup> November 2022 and signed on its behalf by:

  
E.M.A MUTAMBUKI  
FUND ADMINISTRATOR

# REPUBLIC OF KENYA



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

## REPORT OF THE AUDITOR-GENERAL ON KITUI COUNTY ASSEMBLY CAR LOAN AND MORTGAGE (MEMBERS) SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

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### 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, gazetted 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 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

#### Opinion

I have audited the accompanying financial statements of Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund set out on pages 1 to 36, 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, the financial statements present fairly, in all material respects, the financial position of Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund as at 30 June, 2022, and 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 Kitui County Car Loan and Mortgage (Members) Fund Regulation, 2018.

### **Basis for Opinion**

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

In the audit report for the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in the Use of Public Resources. However, the management has not resolved the issues or provided an explanation for the delay in resolving the prior year audit issues.

## **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, I confirm that, nothing 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**

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 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 Board of Trustees**

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's 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 Fund 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
 CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

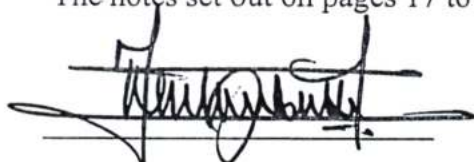
**Nairobi**

**21 March, 2023**

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH  
JUNE 2022**

	Note	FY2021/2022	FY2020/2021
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	0.00	0.00
Transfers from the County Government	2	0.00	0.00
Fines, penalties and other levies	3	0.00	0.00
<b>Revenue from exchange transactions</b>			
Interest income	4	311,249.00	1,911,810.00
Other income	5	0.00	0.00
		<b>311,249.00</b>	<b>1,911,810.00</b>
<b>Total revenue</b>		<b>311,249.00</b>	<b>1,911,810.00</b>
<b>Expenses</b>			
Employee Costs	6	0.00	0.00
Use of goods and services	7	312,301.00	2,364,087.00
Depreciation and Amortization Expense	8	0.00	0.00
Finance costs	9	0.00	0.00
<b>Total expenses</b>		<b>312,301.00</b>	<b>2,364,087.00</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10	0.00	0.00
<b>Surplus/( deficit) for the period</b>		<b>(1,052.00)</b>	<b>(452,277.00)</b>

The notes set out on pages 17 to 28 form an integral part of these Financial Statements



**E.M.A Mutambuki**  
Administrator of the Fund



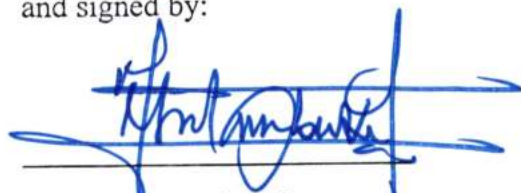
**Mutua Mwendwa**  
Fund Accountant  
ICPAK Member Number: 26038

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Note	FY2021/2022	FY2020/2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	91,628,318.00	69,033,033.00
Current portion of long-term receivables from exchange transactions	12	193,550.00	22,924,009.00
Prepayments	13	0.00	0.00
Inventories	14	0.00	0.00
<b>Non-current assets</b>		0.00	0.00
Property, plant and equipment	15	0.00	0.00
Intangible assets	16	0.00	0.00
Long term receivables from exchange transactions	12	0.00	0.00
<b>Total assets</b>		<b>91,821,868.00</b>	<b>91,957,042.00</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	0.00	134,122.00
Provisions	18	0.00	0.00
Current portion of borrowings	19	0.00	0.00
Employee benefit obligations	20	0.00	0.00
<b>Non-current liabilities</b>		0.00	0.00
Non-current employee benefit obligation	20	0.00	0.00
Long term portion of borrowings	19	0.00	0.00
<b>Total liabilities</b>		<b>0.00</b>	<b>134,122.00</b>
<b>Net assets</b>		<b>91,821,868.00</b>	<b>91,822,920.00</b>
Revolving Fund	Annex 1	83,005,000.00	83,005,000.00
Reserves		0.00	0.00
Accumulated surplus	Annex 2	8,816,868.00	8,817,920.00
<b>Total net assets and liabilities</b>		<b>91,821,868.00</b>	<b>91,822,920.00</b>

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 15/11/2022 and signed by:



**E.M.A Mutambuki**  
Administrator of the Fund



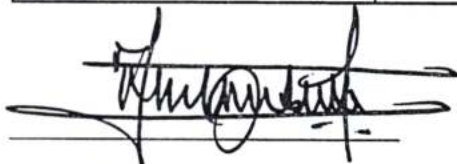
**Mutua Mwendwa**  
Fund Accountant  
ICPAK Member Number: 2603



Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance as at 1 July 2020	190,005,000.00	0.00	8,817,920.00	198,822,920.00
Surplus/(deficit) for the period	0.00	0.00	0.00	0.00
Funds received during the year	5,000,000.00	0.00	0.00	5,000,000.00
Transfers	(112,000,000.00)	0.00	0.00	(112,000,000.00)
Revaluation gain	0.00	0.00	0.00	0.00
Balance as at 30 June 2021	83,005,000.00	0.00	8,817,920.00	91,822,920.00
Balance as at 1 July 2021	83,005,000.00	0.00	8,817,920.00	91,822,920.00
Surplus/(deficit) for the period	0.00	0.00	(1,052.00)	(1,052.00)
Funds received during the year	0.00	0.00	0.00	0.00
Transfers	0.00	0.00	0.00	0.00
Revaluation gain	0.00	0.00	0.00	0.00
Balance as at 30 June 2022	83,005,000.00	0.00	8,816,868.00	91,821,868.00



E.M.A Mutambuki  
Administrator of the Fund

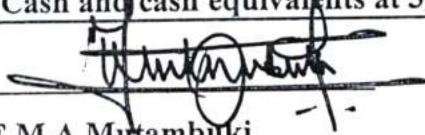


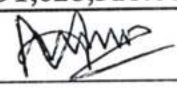
Mutua Mwendwa  
Fund Accountant  
ICPAK Member Number: 26038

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		0.00	0.00
Transfers from the County Government		0.00	0.00
Interest received		311,249.00	1,911,810.00
Receipts from other operating activities		0.00	0.00
<b>Total Receipts</b>		<b>311,249.00</b>	<b>1,911,810.00</b>
<b>Payments</b>			
Employee Costs		0.00	0.00
Use of goods and services		312,301.00	2,364,088.00
Depreciation and Amortization Expense		0.00	0.00
Finance costs		0.00	0.00
<b>Total Payments</b>		<b>(312,301.00)</b>	<b>(2,364,088.00)</b>
<b>Net cash flows from operating activities</b>	21	<b>22,595,285.00</b>	<b>70,684,005.00</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		0.00	0.00
Proceeds from sale of property, plant and equipment		0.00	0.00
Proceeds from loan principal repayments		0.00	0.00
Loan disbursements paid out		0.00	0.00
<b>Net cash flows used in investing activities</b>		<b>0.00</b>	<b>0.00</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		0.00	5,000,000.00
Additional borrowings		0.00	0.00
Repayment of borrowings		0.00	0.00
Car Grants disbursed		0.00	(112,000,000.00)
<b>Net cash flows used in financing activities</b>		<b>0.00</b>	<b>(107,000,000.00)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>22,595,285.00</b>	<b>(36,315,995.00)</b>
Cash and cash equivalents at 1 JULY 2021	11	69,033,033.00	105,349,028.00
<b>Cash and cash equivalents at 30 JUNE 2022</b>	11	<b>91,628,318.00</b>	<b>69,033,033.00</b>

  
E.M.A Mutambuki  
Administrator of the Fund

  
Mutua Mwendwa  
Fund Accountant  
ICPAK Member Number: 26038

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2022	2022	2022	2022	2022	2022
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Public contributions and donations	-	-	-	-	-	0%
Transfers from County Govt.	-	-	-	-	-	0%
Interest income	330,000.00	-	330,000.00	311,249.00	18,751.00	94%
Other income	-	-	-	-	-	0%
<b>Total income</b>	<b>330,000.00</b>	<b>-</b>	<b>330,000.00</b>	<b>311,249.00</b>	<b>18,751.00</b>	<b>94%</b>
<b>Expenses</b>						
Loan Disbursements	-					
Loan Processing Costs	160,000.00		160,000.00	155,661.00	4,339.00	97%
Fund administration expenses	160,000.00	-	160,000.00	154,000.00	6,000.00	96%
General expenses	-	-	-	-	-	0
Finance cost	5,000.00	-	5,000.00	2,640.00	2,360.00	53%
<b>Total expenditure</b>	<b>325,000.00</b>	<b>-</b>	<b>325,000.00</b>	<b>312,301.00</b>	<b>12,699.00</b>	<b>96%</b>
<b>Surplus for the period</b>	<b>5,000.00</b>	<b>-</b>	<b>5,000.00</b>	<b>(1,052.00)</b>	<b>6,052.00</b>	<b>(21%)</b>

- a) There were no changes on the original budget during the financial year
- b) Finance costs- These were bank processing charges. During the year under review, there were few transfers hence bank transactions low charges.

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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**18. Notes to the Financial Statements**

**1. General Information**

Kitui County Assembly Car & Mortgage (Members) Schemes Fund is established by and derives its authority and accountability from Public Finance Management Act 2012. The entity is wholly owned by the Kitui County Government and is domiciled in Kenya. The entity's principal activity is to provide car loans and mortgages to Members of the County Assembly.

**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 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

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

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

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul> <p>There was no impact of the amendment to IPSAS 41 with respect to the current financial report</p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul> <p>There was no impact of the amendment to IPSAS 42 with respect to the current financial report</p>
<p>Amendments to Other IPSAS resulting from</p>	<p><b>Applicable: 1st January 2023:</b></p>

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Standard	Effective date and impact:
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>There was no impact of the above IPSAS amendments with respect to the current financial report</p>
Other improvements to IPSAS	<p><i>Applicable 1<sup>st</sup> January 2023</i></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p>There was no impact of the above IPSAS amendments with respect to the current financial report</p>
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that</p>

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Standard	Effective date and impact:
	<p>faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>There was no impact of the amendment to IPSAS 43 with respect to the current financial report</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1<sup>st</sup> 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>There was no impact of the amendment to IPSAS 44 with respect to the current financial report</p>

**(iii) Early adoption of standards**

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

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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**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**

There original budget for FY 2021-2022 that was approved by the Loan Management Committee of the County Assembly on 3<sup>rd</sup> June, 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. There were no additional appropriations added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations 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 5 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.

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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***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 an entity of financial assets is impaired. A financial asset or an 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 an 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.

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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***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. The Fund does not maintain reserves.

**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 imprest 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 Kitui County Assembly Car & Mortgage (Members) Scheme Fund Rules and Regulations 2014 under the Ministry of Devolution and ASAL Areas. Its ultimate parent is the County Government of Kitui.

**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.

In the process of applying the accounting policies, the management made judgements in determining:

- Whether the Title Deeds meet criteria of being sufficient lien for securing the loan
- Significant judgement is required in determining fringe tax payable.

**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 18.

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.

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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**6. Notes to the Financial Statements**

**1. Public contributions and donations**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Donation From Development Partners	0.00	0.00
Contributions From The Public	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**2. Transfers from County Government**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfers From County Govt. –Operations	0.00	0.00
Payments By County On Behalf Of The Entity	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**3. Fines, penalties and other levies**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Late Payment Penalties	0.00	0.00
Fines	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**4. Interest income**

<b>Description</b>	<b>FY2020/2021</b>	<b>FY2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest income from Mortgage loans	311,249.00	1,911,810.00
Interest income from car loans		
Interest income from investments		
Interest income on bank deposits		
<b>Total interest income</b>	<b>311,249.00</b>	<b>1,911,810.00</b>

These revenues came from the loan advances to members of County Assembly during the said financial years.

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**Notes to the Financial Statements (Continued)**

**5. Other income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	0.00	0.00
Income From Sale Of Tender Documents	0.00	0.00
Miscellaneous Income	0.00	0.00
<b>Total Other Income</b>	<b>0.00</b>	<b>0.00</b>

**6. Employee Costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	0.00	0.00
Staff Gratuity	0.00	0.00
Staff Training Expenses	0.00	0.00
Social Security Contribution	0.00	0.00
Other ( <i>Specify</i> )	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**7. Use of Goods and Services**

Description	2021/2022	2020/2021
	Kshs.	Kshs.
General Office Expenses	0.00	0.00
Loan Processing Costs	155,661.00	955,905.00
Professional Services Costs	0.00	0.00
Administration Fees	154,000.00	1,406,620.00
Committee Allowances	0.00	0.00
Bank Charges	2,640.00	1,563.00
Electricity And Water Expenses	0.00	0.00
Fuel And Oil Costs	0.00	0.00
Insurance Costs	0.00	0.00
Postage And Courier	0.00	0.00
Printing And Stationery	0.00	0.00
Rental Costs	0.00	0.00



**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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Security Costs	0.00	0.00
Telephone And Communication Expenses	0.00	0.00
Bank Charges	0.00	0.00
Audit Fees	0.00	0.00
Provision For Doubtful Debts	0.00	0.00
Other ( <i>Specify</i> )	0.00	0.00
<b>Total</b>	<b>312,301.00</b>	<b>2,364,088.00</b>

**8. Depreciation and Amortization Expense**

<b>Description</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Property Plant and Equipment	0.00	0.00
Intangible Assets	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**9. Finance costs**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest On Bank Overdrafts	0.00	0.00
Interest On Loans From Banks	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**10. Gain/(loss) on disposal of assets**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, Plant And Equipment	0.00	0.00
Intangible Assets	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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**Notes to the Financial Statements (Continued)**

**11. Cash and cash equivalents**

Description	2021-2022	2020-2021
	Kshs	Kshs
Kitui County Car Loan Account	0.00	0.00
Kitui County Mortgage Account	91,628,318.00	69,033,033.00
Fixed Deposits Account	0.00	0.00
On – Call Deposits	0.00	0.00
Current Account	0.00	0.00
Others	0.00	0.00
<b>Total Cash And Cash Equivalents</b>	<b>91,628,318.00</b>	<b>69,033,033.00</b>

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

		2021-2022	2020-2021
Financial Institution	Account number	Kshs	Kshs
<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank		0.00	0.00
Equity Bank, Etc.		0.00	0.00
<b>Sub- Total</b>		<b>0.00</b>	<b>0.00</b>
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank		0.00	0.00
Equity Bank - Etc.		0.00	0.00
<b>Sub- Total</b>		<b>0.00</b>	<b>0.00</b>
<b>c) Current Account</b>			
Family bank	072000025095	91,628,318.00	69,033,033.00
Bank B		0.00	0.00
<b>Sub- Total</b>		<b>91,628,318.00</b>	<b>69,033,033.00</b>
<b>d) Others(Specify)</b>			
Cash In Transit		0.00	0.00
Cash In Hand		0.00	0.00
<b>Sub- Total</b>		<b>0.00</b>	<b>0.00</b>
<b>Grand Total</b>		<b>91,628,318.00</b>	<b>69,033,033.00</b>

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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**12. Receivables from exchange transactions**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Current Receivables</b>		
Interest Receivable	0.00	0.00
Current Loan Repayments Due	30,359.00	22,924,009.00
Other Exchange Debtors	163,191.00	0.00
Less: Impairment Allowance	(0.00)	(0.00)
<b>Total Current Receivables</b>	<b>193,550.00</b>	<b>22,924,009.00</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	0.00	0.00
<b>Total Non- Current Receivables</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Receivables From Exchange Transactions</b>	<b>193,550.00</b>	<b>22,924,009.00</b>

**Additional disclosure on interest receivable**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	0.00	0.00
Accrued interest receivable from of long-term loans of previous years	0.00	0.00
Interest receivable from current portion of long-term loans issued in the current year	0.00	0.00
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years	0.00	0.00
Accrued principal from long-terms loans from previous periods	0.00	0.00
Current portion of long-term loans issued in the current year	0.00	0.00

**13. Prepayments**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Prepaid Rent	0.00	0.00
Prepaid Insurance	0.00	0.00
Prepaid Electricity Costs	0.00	0.00
Other Prepayments	0.00	0.00

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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<b>Total</b>	<b>0.00</b>	<b>0.00</b>
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**14. Inventories**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Consumable Stores	0.00	0.00
Spare Parts And Meters	0.00	0.00
Catering	0.00	0.00
Other Inventories (Specify)	0.00	0.00
<b>Total inventories at the lower of cost and net realizable value</b>	<b>0.00</b>	<b>0.00</b>

Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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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 1 <sup>st</sup> July 2020	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	-	0.00
Disposals	(0.00)	(0.00)	-	-	0.00
Transfers/Adjustments	0.00	(0.00)	0.00	(0.00)	(0.00)
At 30 <sup>th</sup> June 2021	0.00	0.00	0.00	0.00	0.00
At 1 <sup>st</sup> July 2021					
Additions	0.00	0.00	0.00	-	0.00
Disposals	(0.00)	-	-	-	(0.00)
Transfer/Adjustments	(0.00)	0.00	0.00	(0.00)	(0.00)
At 30 <sup>th</sup> June 2022	0.00	0.00	0.00	0.00	0.00
<b>Depreciation And Impairment</b>					
At 1 <sup>st</sup> July 2020	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Depreciation	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Impairment	(0.00)	-	-	-	(0.00)
At 30 <sup>th</sup> June 2021	0.00	0.00	0.00	0.00	0.00
At 1 <sup>st</sup> July 2021					
Depreciation	(0.00)	(0.00)	(0.00)	-	(0.00)
Disposals	0.00	-	-	-	0.00
Impairment	(0.00)	(0.00)	-	-	(0.00)
Transfer/Adjustment	0.00	(0.00)	(0.00)	0.00	0.00
At 30 <sup>th</sup> June 2022	0.00	0.00	0.00	0.00	0.00
<b>Net Book Values</b>					
At 30 <sup>th</sup> June 2021	0.00	0.00	0.00	0.00	0.00
At 30 <sup>th</sup> June 2022	0.00	0.00	0.00	0.00	0.00

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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Notes to the Financial Statements *(Continued)*

**16. Intangible assets**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Cost</b>		
At Beginning Of The Year	0.00	0.00
Additions	0.00	0.00
At End Of The Year	<b>0.00</b>	<b>0.00</b>
<b>Amortization And Impairment</b>		
At Beginning Of The Year	0.00	0.00
Amortization	0.00	0.00
At End Of The Year	0.00	0.00
Impairment Loss	0.00	0.00
At End Of The Year	<b>0.00</b>	<b>0.00</b>
NBV	<b>0.00</b>	<b>0.00</b>

**17. Trade and other payables from exchange transactions**

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	0.00	134,122.00
Refundable Deposits	0.00	0.00
Accrued Expenses	0.00	0.00
Other Payables	0.00	0.00
<b>Total Trade And Other Payables</b>	<b>0.00</b>	<b>134,122.00</b>

**18. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	0.00	0.00	0.00	0.00
Additional Provisions	0.00	0.00	0.00	0.00
Provision Utilised	(0.00)	(0.00)	(0.00)	(0.00)
Change Due To Discount And Time Value For Money	(0.00)	(0.00)	(0.00)	(0.00)
Transfers From Non -Current Provisions	0.00	0.00	0.00	0.00
<b>Balance At The End Of The Year (30.06.2022)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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Notes to the Financial Statements *(Continued)*

**19. Borrowings**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Balance At Beginning of The Period</b>	<b>0.00</b>	<b>0.00</b>
External Borrowings During the Year	0.00	0.00
Domestic Borrowings During the Year	0.00	0.00
Repayments Of External Borrowings During the Period	(0.00)	(0.00)
Repayments Of Domestic Borrowings During the Period	(0.00)	(0.00)
<b>Balance At End of The Period</b>	<b>0.00</b>	<b>0.00</b>

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

	2021-2022	2020-2021
	Kshs	Kshs
<b>External Borrowings</b>		
Dollar Denominated Loan From 'X Organization's	0.00	0.00
Sterling Pound Denominated Loan From 'Y organization'	0.00	0.00
Euro Denominated Loan from Z organisations	0.00	0.00
<b>Domestic Borrowings</b>	0.00	0.00
Kenya Shilling Loan From KCB	0.00	0.00
Kenya Shilling Loan from Barclays Bank	0.00	0.00
Kenya Shilling Loan from Consolidated Bank	0.00	0.00
Borrowings From Other Government Institutions	0.00	0.00
<b>Total Balance at End Of The Year</b>	<b>0.00</b>	<b>0.00</b>

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)	0.00	0.00
Long Term Borrowings	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

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Notes to the Financial Statements (Continued)

20. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0.00	0.00	0.00	0.00	0.00
Non-Current Benefit Obligation	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	<b>(1052.00)</b>	<b>(452,278.00)</b>
<b>Adjusted For:</b>		
Depreciation	0.00	0.00
Amortisation	0.00	0.00
Gains/ Losses On Disposal Of Assets	(0.00)	(0.00)
Interest Income	(0.00)	(0.00)
Finance Cost	0.00	0.00
<b>Working Capital Adjustments</b>		
Increase In Inventory	(0.00)	(0.00)
(Increase)/ Decrease in receivables	22,730,459.00	71,061,977.00
Increase/ (Decrease) in payables	(134,122.00)	74,306.00
<b>Net Cash Flow From Operating Activities</b>	<b>22,595,285.00</b>	<b>70,684,005.00</b>



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**Other Disclosures**

**22. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	0.00	0.00
Transfers To Related Parties	0.00	0.00

**c) Key management remuneration**

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	0.00	0.00
Key Management Compensation	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**d) Due from related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	0.00	0.00
Due From County Government	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

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**Other Disclosures (Continued)**

**e) Due to related parties**

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Due To Parent Ministry	0.00	0.00
Due To County Government	0.00	0.00
Due To Key Management Personnel	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**23. Contingent assets and contingent liabilities**

<b>Contingent Liabilities</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Court Case Against The Fund	0.00	0.00
Bank Guarantees	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Car Loan and Mortgage (Members) Schemes Fund  
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**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 counter party 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:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impai red Kshs</b>
<b>At 30 June 2022</b>				
Receivables from exchange transactions	193,550.00	193,550.00	0.00	0.00
Receivables from non - exchange transactions	0.00	0.00		
Bank balances	91,628,318.00	91,628,318.00	0.00	0.00
<b>Total</b>	<b>91,821,868.00</b>	<b>91,821,868.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30 June 2021</b>				
Receivables from exchange transactions	22,924,009.00	22,924,009.00	0.00	0.00
Receivables from non - exchange transactions	0.00	0.00		
Bank balances	69,033,033.00	69,033,033.00	0.00	0.00
<b>Total</b>	<b>91,957,042.00</b>	<b>91,957,042.00</b>	<b>0.00</b>	<b>0.00</b>

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

The entity has significant concentration of credit risk on amounts due from exchange transactions.

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
<b>At 30 June 2022</b>				
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30 June 2021</b>				
Trade payables	0.00	0.00	134,122.00	134,122.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>134,122.00</b>	<b>134,122.00</b>

**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.

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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:

		<b>Other currencies</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2022</b>			
Financial Assets	0.00	0.00	0.00
Investments	0.00	0.00	0.00
Cash	0.00	0.00	0.00
Debtors/ Receivables	0.00	0.00	0.00
<b>Liabilities</b>			
Trade And Other Payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
<b>Net Foreign Currency Asset/(Liability)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**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.

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	Change in currency rate	Effect on surplus/ deficit	Effect on Equity
	Kshs	Kshs	Kshs
<b>2022</b>			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
<b>2021</b>			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 19,118.00 (2022: Kshs 3,113.00). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 22,614.00 (2022: Kshs. -52)

**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	0.00	0.00

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Revolving fund	83,005,000.00	83,005,000.00
Accumulated surplus	8,816,868.00	8,817,920.00
<b>Total funds</b>	<b>91,821,868.00</b>	<b>91,822,920.00</b>
Trade payables	0.00	134,122.00
Total borrowings	0.00	0.00
Less Accrued Interest Receivable	0.00	0.00
Less: cash and bank balances	(91,628,318.00)	(69,033,033.00)
Net debt/(excess cash and cash equivalents)	193,550.00	22,924,009.00
<b>Gearing</b>	<b>0.21%</b>	<b>25%</b>

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**19. Progress on Follow up of Prior Year Auditor's Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

<b>Reference No. on the external audit Report</b>	<b>Issue/ Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved/ Not Resolved)</b>	<b>Timeframe: (date when you expect the issue to be resolved)</b>
1.0	<p><b><i>Decline in Financial Operations</i></b></p> <p>The auditors' observation that the financial performance reflects a deficit for the year of Kshs. 452,278 representing a decline of surplus of Kshs. 1,328,316 reported in the previous year. Interest earned during the year amounted to Kshs. 1,911,810 compared to Kshs. 2,914,034 reported in the</p>	<p>The County Assembly concurs with the auditors' observation that the reported interest during the year was lesser than the one in the previous year. Also there was a deficit reported during the year.</p> <p>Kindly note, the decline in interest was as a result of reduction of the principal amount outstanding since the loans were almost coming to an end being one year to the expiry of the members' contract period. And as required of us, these loans have to be recovered fully by the time their contract ends.</p>	Resolved	30 <sup>th</sup> June 2022



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	<p>previous year. A decline of 34%</p>	<p>In addition, the reported deficit was as a result of over expenditure on committee allowances during the year. However, the fund still maintains a strong financial performance since it has so far generated a total net interest of Kshs. 8,817,920 since inception.</p>		
2.0	<p><b><i>Lack of Approved Budget for the fund</i></b></p> <p>The auditors observed that the comparison of budget and actual amounts reflects final receipts of Kshs. 1,911,810 and corresponding expenditure of Kshs. 2,364,088. The management indicated that the budget was approved by the county assembly on 30<sup>th</sup> June 2020 however the same was not provided for audit.</p>	<p>The management concurs with the Auditors observation that the Assembly did not have a budget for the Fund during the year under review as indicated in the notes 4; Accounting Policies and note 13.5; Statement of comparison of budget.</p> <p>The management acknowledges the requirement of having an independent budget for the fund detailing its</p>	Resolved	30 <sup>th</sup> June, 2022

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		revenues and expenditure projections. We commit to correct this anomaly and be preparing a budget for the fund in future. The Administrator has written to the fund management committee to take note of this and act accordingly.		
3.0	<p><b><i>Unbalanced budget</i></b></p> <p>The auditors observed that the comparison of budget and actual amounts reflects final receipts of Kshs. 1,911,810 and corresponding expenditure of Kshs. 2,364,088 resulting to unbalanced budget of Kshs. 452,278</p>	<p>The management concurs with the Auditors observation that the Assembly fund's budget presented for audit was unbalanced.</p> <p>The management regrets the error and commits to correct the same in the subsequent financial year.</p>	Resolved	30 <sup>th</sup> June 2022

  
**E.M.A MUTAMBUKI**  
**FUND ADMINISTRATOR**