

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

OF

THE AUDITOR-GENERAL

ON

**LAIKIPIA COUNTY EXECUTIVE STATE AND
PUBLIC OFFICERS CAR LOAN AND
MORTGAGE SCHEME FUND**

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





COUNTY GOVERNMENT OF LAIKIPIA
LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
SCHEME FUND**

**Reports and Financial Statements
For the year ended June 30, 2022.**

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2022.**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

Under Public Finance Management (County Executive Member Mortgage Scheme Fund) Regulation, 2014 the Count Intends to grant a loan to the County Executive Committee Member to be utilized for purposes of purchase of Motor Vehicle for personal used.

The fund's objective is

- To purchase and existing house for residential purposes within Kenya.
- To improve, renovate or repair a residential property owned by the applicant.
- To construct a house for residential purposes within Kenya.
- To purchase vacant plots for the purpose of developing a residential property for the applicant.
- To purchase motor vehicle for personal use by the applicant.
- To offset a loan or the balance thereof which the applicant may have borrowed from any Financial Institution obtained for the purpose stipulated above.

b) Principal Activities

The Fund's principal activity is to grant financial accommodation to the County Executive Committee Members for purposes of purchase, development, renovation or repair of residential property or any connected purpose as prescribed under the regulation.

c) Fund Administration Committee

No	Designation	Name
1	Fund Manager/ Administrator	Samuel Karanja Njora
2	Chairman-CECM Finance County Planning and Enterprise Development	Murungi Ndai
3	Member- Chief Officer Finance	Paul Njenga Waweru
4	Member-County Attorney	Alexander Muchemi Muthee
5	Member-Payroll Manager	Shadrack Mwithalii M'ituuru

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d) Key Management

No.	Designation	Name
1	Fund Manager/ Administrator	Samuel KaranjaNjora
2	Chairman-CECM Finance County Planning And Enterprise Development	Murungi Ndai

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	County Assembly of Laikipia	Jasper Muturi - Clerk to County Assembly
2	Head of Internal Audit	Julius Kingori – Director Of Internal Audit
3	The Controller of Budget	CPA Dr. Margaret Nyakang'o - The Controller of Budget
4	Office of the Auditor General	Nancy Gathungu - The Auditor General

f) Registered Offices

P.O. Box 1271 - 10400
Interim County Headquarter Building
Kenyatta Avenue
Nanyuki, KENYA

g) Fund Contacts

Telephone :(254) 0202352720
E-mail: reports.treasury@laikipia.com
Website: www.laikipia.go.ke

h) Entity Bankers

Co-operative Bank
Nairobi, Kenya

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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Reports and Financial Statements
For the year ended June 30, 2022.**

i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.o Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200



Nairobi, Kenya

LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE SCHEME FUND

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For the year ended June 30, 2022.

2. FUND ADMINISTRATION COMMITTEE




Name	Details of qualifications and experience
 <p>Karanja Njora - County Secretary/Chief of Staff</p>	<p>He was a senior public administration official for over 17 years as a County Commissioner, District Commissioner and Senior District Officer. He served as a County Commissioner for Kisii, a District Commissioner for Nyamira, Butere, Kericho, Kangundo and Murang'a. District Officer in Isiolo, Garissa, Mandela, Murang'a, Kirinyaga, Kisii, Meru, Embu and Teso. He holds a Master's Degree in Arts (Public Administration and Management) from Mount Kenya University, Bachelor of Arts Degree in Economics, Diploma in Public Administration, Strategic Management Course, Disaster Preparedness and Management Course, Certificate in Procurement, Paramilitary Training Course, and Administration Officer Induction Course</p>
 <p>Murungi Ndai CECM- Finance, County Planning And Enterprise Development,</p>	<p>He holds a Master's of Science Degree in Economics and Investments, Bachelor's Degree in Economics and Statistics, and a Post Graduate Diploma in Human Resource Management.</p> <p>He is as certified international retail banker with over 13 years' experience in the banking industry. He has worked as an operations manager in Equity Bank, a senior branch manager in Stanbic Bank, Eco-Bank and Family Bank.</p>

LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE SCHEME FUND

Reports and Financial Statements



For the year ended June 30, 2022.

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
 <p><u>Karanja Njora - County Secretary/Chief of Staff</u></p>	<p>He was a senior public administration official for over 17 years as a County Commissioner, District Commissioner and Senior District Officer. He served as a County Commissioner for Kisii, a District Commissioner for Nyamira, Butere, Kericho, Kangundo and Murang'a. District Officer in Isiolo, Garissa, Mandera, Murang'a, Kirinyaga, Kisii, Meru, Embu and Teso. He holds a Master's Degree in Arts (Public Administration and Management) from Mount Kenya University, Bachelor of Arts Degree in Economics, Diploma in Public Administration, Strategic Management Course, Disaster Preparedness and Management Course, Certificate in Procurement, Paramilitary Training Course, and Administration Officer Induction Course</p>
 <p><u>Murungi Ndai</u> CECM- Finance, County Planning And Enterprise Development,</p>	<p>He holds a Master's of Science Degree in Economics and Investments, Bachelor's Degree in Economics and Statistics, and a Post Graduate Diploma in Human Resource Management.</p> <p>He is as certified international retail banker with over 13 years' experience in the banking industry. He has worked as an operations manager in Equity Bank, a senior branch manager in Stanbic Bank, Eco-Bank and Family Bank.</p>
 <p><u>Alexander Muchemi Muthee</u> County Attorney</p>	<p>He holds a Bachelor's Degree in Law from Moi University and a Post Graduate in The Kenya School of Law Advocates Training Program (ATP).</p> <p>He was a lecturer with experience in lecturing Commercial Law at Cooperative University College. He has marketing experience was in charge of marketing in Nyahururu region. Currently he is a legal advisor to the County Executive Committee (Chaired by His Excellency the Governor of Laikipia)</p>

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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 <p><u>Shadrack Mwithalii M'ituuru</u> <u>Payroll Manager</u></p>	<p>He holds a bachelor of Science Degree in Natural Resource Management and a CPS Part 1 and 2. He also holds a Post-graduate diploma in Project Management. He has a working experience of 10 years in the Laikipia County Payroll Office.</p>
 <p><u>Paul Njenga Waweru</u> <u>Chief Officer Finance</u></p>	<p>He is the Chief Officer Finance, Economic Planning and County Development</p> <p>He is currently pursuing his PhD. In Business Administration - Finance. He holds a Master's in Business Administration (Finance), a Bachelor's degree in Education (Economics and Mathematics) and a Diploma in Purchasing and Supply</p> <p>He is a Certified Change Manager and a member of CIPS – Chartered Institute of Purchasing and Supply KISM – Kenya Institute of Supply Management.</p> <p>He was born in 1977</p> <p>He has been the Chief Officer of Finance and Economic Development Laikipia County for the last five years.</p>

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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For the year ended June 30, 2022.**

4. FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

Laikipia county executive members mortgage scheme was established with an aim of enhancing the county executive members welfare.

The Laikipia County Car and Mortgage Fund was established by Public Finance Management Act 2012, through enactment of the Public Finance Management (County Executive Member Scheme Fund) Regulations, 2014 and Public Finance Management (County Executive Car Scheme Fund) Regulation, 2014.

The above have since been repealed and amended by the Public Finance Management 2021 and the Public Finance Management (Laikipia County Executive State and Public Officers Car Loan and Mortgage Scheme Fund) Regulations 2021.

Some of the major changes that have been incorporated in the amended regulations include;

i) Members of the scheme to include public officers, who are either on permanent or contract employment with the county executive.

ii) It has provided for the sources of funds to include but not limited to:

(a) Such monies as may be appropriated by the county assembly;

(b) such monies, interest, penalties and any such money under the Laikipia County Executive Members Mortgage (Members) Scheme Fund) and the Laikipia County Executive Members Car Loans Scheme and such monies as may be due and owing thereto;

(c) funds arranged through agreements between financial institutions and other bodies with the county government; and

(d) any interest that may accrue from or to the fund; and

(e) all other sums of money that may in any manner become payable to or vested in the fund including gifts, grants and donations.

iii) The car loan and mortgage repayment period is no longer limited to a maximum period of 48 months rather, the regulations provide for the period to encompass the employment period and such other as provided for by SRC so long as the loan is repaid in full prior to 2 months or 6 months' termination of contract respectively.

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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**Reports and Financial Statements
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- iv) There is a provision for the requisite documents that an applicant should accompany a mortgage or car loan application.
- v) The amendments also include a provision on general clauses and schedules that will guide in the issuance of the car loans and mortgage.

Conclusion.

The new changes were informed by the amendments in the Public Finance Management Act and Regulations 2021, for purposes of ensuring ease in the process of issuing car loan and mortgage facility to state and public officers.

Approval of the financial statements

The Laikipia County State and Public Officers Car Loan and Mortgage Scheme Fund financial statements were approved and signed by the CEC member for finance on _____ 2022



Murungi Ndai

CECM-Finance, Economic Planning and County Development

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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Reports and Financial Statements

For the year ended June 30, 2022.

5. REPORT OF THE FUND ADMINISTRATOR

The Laikipia County State and Public Officers Car Loan and Mortgage Scheme Fund was established by the Public Finance Management Act, 2012 through enactment of the Public Finance Management (Laikipia County State and Public Officers Car Scheme Fund) and (Laikipia County State and Public Officers Mortgage Scheme Fund) Regulations, 2021.

The above have since been repealed and amended by the Public Finance Management 2021 and the Public Finance Management (Laikipia County Executive State and Public Officers Car Loan and Mortgage Scheme Fund) Regulations 2021.

Laikipia County State and Public Officers Car Loan and Mortgage Scheme Fund was created with an aim of enhancing the county executive member's welfare. This has been realised by granting the car and mortgage loans to the members of county executive to enable them achieve the funds objective as listed below:

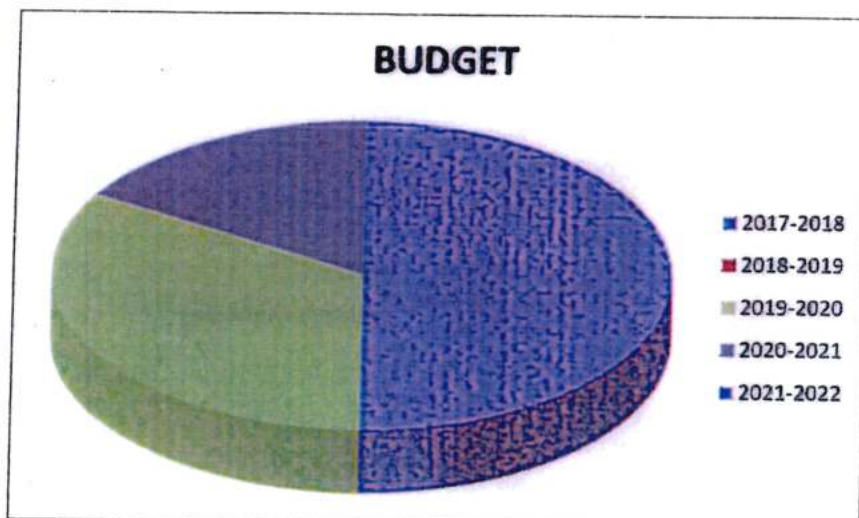
- Purchase an existing house for residential purposes within Kenya.
- Improve, renovate or repair a residential property owned by the applicant.
- Construct a house for residential purposes within Kenya.
- Purchase vacant plots for the purpose of developing a residential property for the applicant.
- Purchase motor vehicle for personal use by the applicant.

Since inception, twenty members have benefited with both car and/or mortgage loans.

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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Reports and Financial Statements
For the year ended June 30, 2022.**

(a)The Fund received its funding from the county government of Laikipia and the disbursements are as analysed in the table below.

PERIOD	BUDGET	ACTUAL	VARIANCE
2017-2018	45,000,000.00	45,000,000.00	-
2018-2019	-	-	-
2019-2020	30,000,000.00	15,000,000.00	15,000,000.00
2020-2021	15,000,000.00	7,500,000.00	7,500,000.00
2021-2022	-	-	-



The budget performance for the last five years is as shown above.

LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE SCHEME FUND

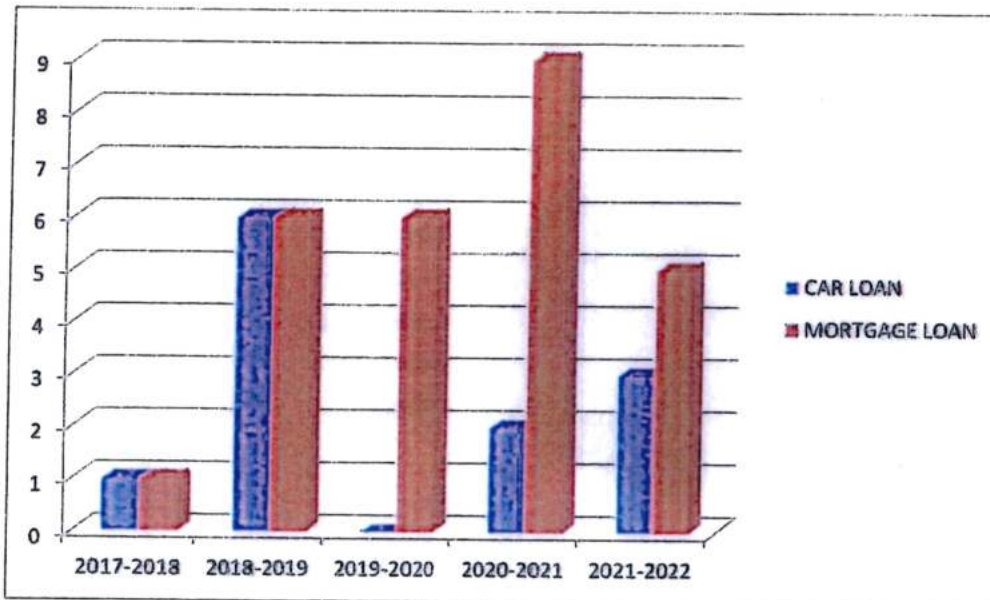
Reports and Financial Statements

For the year ended June 30, 2022.

(b) The fund has issued both car and mortgage loans as shown in the table below.

PERIOD	CAR LOAN	MORTGAGE LOAN
	NO. ISSUED	NO. ISSUED
2017-2018	1	1
2018-2019	6	6
2019-2020	0	6
2020-2021	2	9
2021-2022	3	5

Chart representation of the Car and Mortgage loans issued.



(c) The fund has issued more of mortgage loans than the car loans as shown above.

There were no pending loan applications at the closure of the financial year.

(d) The loans issued have benefitted the members by enhancing their welfare. The fund has not lost any money for all the loans issued to date.

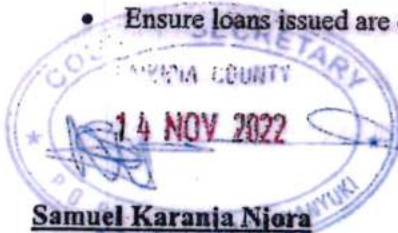
**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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**Reports and Financial Statements
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(e) The fund has not been allocated additional funds in the coming year budget but the revolving fund will be used to cater for any arising need for loans.

(f) The fund has taken the following key risk management strategies in order to mitigate risk.

- Use of collaterals for loans granted.
- Ensure loans issued are deducted through the county payroll management system.



Samuel Karanja Njora

**Fund Administrator
Laikipia County State and Public Officers Car Loan and Mortgage Scheme Fund**

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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**Reports and Financial Statements
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**6. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S
PREDETERMINED OBJECTIVES**

Introduction

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

The key objectives of the Fund are to enhance the staff welfare.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Car and Mortgage	To enhance staff welfare	Strengthened welfare to employee	% of executive members benefited with Car and Mortgage	20 members have benefited to date

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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7. CORPORATE GOVERNANCE STATEMENT

Board Meetings

Under the provision made in the Laikipia County Car and Mortgage Scheme Regulations 2012 Section 116,7(5) that states "the meeting of the Committee shall be convened by the chairperson or in absence of the chairperson, by the vice chairperson, or in the absence of the vice chairperson, by a member designated by the chairperson and shall be convened at such a times as may be necessary for the discharge of its function7(6) The Quorum for a meeting of the committee shall be the chairperson and three members. The following committee meetings were held;

	List of The Board Members	Meeting Date	Meeting Date	Meeting Date	Meeting Date	Meeting Date	Meeting Date
		03/02/2020	09/12/2020	06/04/2021	10/08/2021	08/11/2021	07/01/2022
1	Karanja Njora	✓	✓	✓	✓	✓	✓
2	Murungi Ndai	✓	✓	✓	✓	✓	✓
3	Alexander Muchemi	✓	✓	✓	✓	✓	✓
4	Shadrack Mwithalii M'ituuru	✓	✓	✓	✓	✓	✓

LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2022.

8. MANAGEMENT DISCUSSION AND ANALYSIS

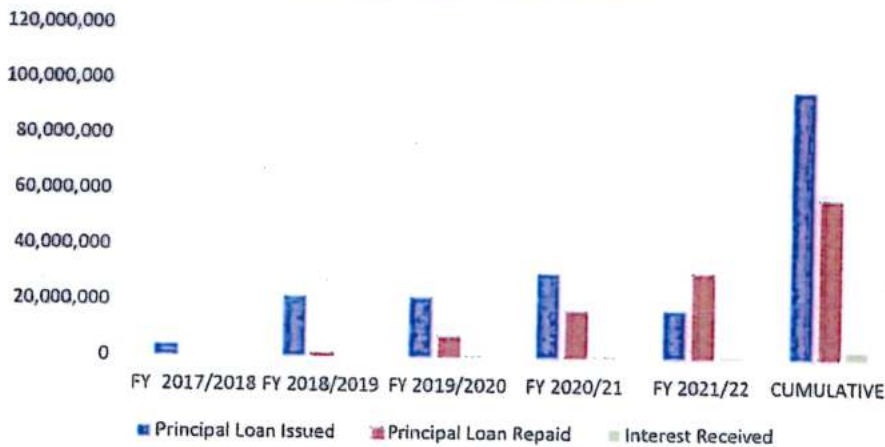
8.1 Introduction

The fund didn't receive any transfer from the County Government of Laikipia for the Financial Year 2021/2022. It used the revolving fund to issue Loans to its members.

This has resulted to more disbursement of loans to the Members of County Executive.

DESCRIPTION	FY 2017/2018	FY 2018/2019	FY 2019/2020	FY 2020/21	FY 2021/22	CUMULATIVE
Principal Loan Issued	4,600,000	21,950,000	21,900,000	30,875,000	17,614,937	96,939,937
Principal Loan Repaid	-	1,768,406	7,718,684	17,297,666	31,088,769	57,873,525
Interest Received	-	173,510	671,300	1,086,824	1,392,542	3,324,176

Summary Of Disbursed Loans



**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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**Reports and Financial Statements
For the year ended June 30, 2022.**

9. REPORT OF FUND ADMINISTRATION COMMITTEE

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

9.1 Principal activities

The Fund's principal activity is to grant financial accommodation to the Laikipia County State and Public Officers for purposes of purchase, development, renovation or repair of residential property or any connected purpose as prescribed under the regulation.

The Funds activities include the following

- Purchase an existing house for residential purposes within Kenya.
- Improve, renovate or repair a residential property owned by the applicant.
- Construct a house for residential purposes within Kenya.
- Purchase vacant plots for the purpose of developing a residential property for the applicant.
- Purchase motor vehicle for personal use by the applicant.

9.2 Results

The results of the Fund for the year ended June 30, 2022 are set out on pages 24 to 28.

9.3 Trustees

The members of the Administration Committee who served during the year are shown on page 8.

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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Reports and Financial Statements

For the year ended June 30, 2022.

9.4 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 Committee

The entity financial statements were approved on ----- 2022 and signed by



Murungi Ndai

CECM – Finance, economic Planning and County Development.

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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**Reports and Financial Statements
For the year ended June 30, 2022.**

10. 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 constitution, an act of parliament or legislation, 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. 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.

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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**Reports and Financial Statements
For the year ended June 30, 2022.**

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 entity financial statements were approved on _____ 2022 and signed by



The stamp is circular with a blue border. The outer ring contains the text 'COUNTY SECRETARY' at the top and 'LAIKIPIA COUNTY' at the bottom. In the center, there is a signature in blue ink and a red date stamp that reads '14 NOV 2022'.

Samuel Karanja Njora
Fund Administrator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LAIKIPIA COUNTY EXECUTIVE STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2022 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Laikipia County Executive State and Public Officers Car Loan and Mortgage Scheme Fund set out on pages 1 to 31 which

Report of the Auditor-General on Laikipia County Executive State and Public Officers Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2022

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Laikipia County Executive State and Public Officers Car Loan and Mortgage Scheme Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Laikipia County State and Public Officers Car Loan and Mortgage Fund, Regulations, 2021.

Basis for Qualified Opinion

1.0 Unsupported Loan Disbursement

The statement of financial position and as disclosed in Note 12 to the financial statements reflects a balance of Kshs.39,317,025 in respect to long term receivables from exchange transactions which further includes Kshs.23,971,362 disbursed to staff of the County Executive. Included in the amount is a balance of Kshs.17,180,340 disbursed to eight (8) members. However, ownership documents such as logbooks and title deeds for the eight (8) members were not jointly registered between the borrowers and the Fund as required under regulation 10 part 1 and 2 of the Laikipia County Executive State and Public Officers Car Loan and Mortgage Fund Regulations, 2021.

In addition, the loans and mortgages granted to members did not have a mortgage protection and fire policies with approved insurance firm as required under regulation 19(1) of the Laikipia County Executive State and Public Officers Car Loan and Mortgage Fund Regulations, 2021. Lack of these documents exposes the mortgage scheme to loss of funds in the event of any occurrences or eventualities.

In the circumstances, the propriety of the loans amounting to balance of Kshs.23,971,362 disbursed to staff of the County Executive could not be confirmed.

2.0 Statement of Changes in Net Assets

The statement of changes in net assets reflects Kshs.52,600,879 and Kshs.51,684,129 in respect to total net assets as at 30 June, 2021 and 30 June, 2022 respectively. However, the movement for the year which includes deficit for the year and adjustment balance brought forward of Kshs.(1,167,363) and Kshs.250,613 are not included in the totals column.

In the circumstances, the accuracy and completeness of the statement of changes in net assets could not be confirmed.

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

Key Audit Matters

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

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Debt Management and Bad Debt Policies

The statement of financial position and as disclosed in Note 12 to the financial statements as at 30 June, 2022 reflects long term receivables from exchange transactions of Kshs.39,317,025. However, the Fund did not have a debt management policy or a policy on provision for bad debts.

In the circumstances, it has not been possible to confirm that all loans issued are properly secured to cushion the Scheme against financial loss in case of default in repayment.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

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

Report of the Auditor-General on Laikipia County Executive State and Public Officers Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2022

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 March, 2023

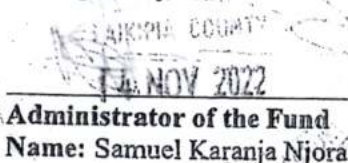
**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
SCHEME FUND**

**Reports and Financial Statements
For the year ended June 30, 2022.**

12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2022.

Description	Note	2021-2022	2020-2021
		KSh	KSh
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government / County Govt. Entities	2	-	11,500,000
Fines, penalties and other levies		-	-
Revenue from exchange transactions			
Interest income	4	1,392,542	1,086,824
Other income (Erroneous deduction)		117,570	-
Total revenue		1,510,112	12,586,824
Expenses			
Fund administration expenses		-	-
Staff costs		-	-
Use of goods and services	7	127,475	8,520
Finance costs	8	-	-
Transfers to the County Government / County Govt. Entities	22	2,550,000	-
Other Grants and Transfers		-	-
Total expenses		2,677,475	8,520
Other gains/losses			
Gain/loss on disposal of assets		-	-
Surplus/(deficit) for the period		(1,167,363)	12,578,304

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2022 and signed by


Administrator of the Fund
 Name: Samuel Karanja Njora

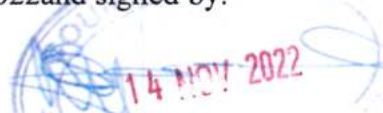

CECM Finance and Economic planning
 Name: Mwangi Ndai

**Laikipia County State And Public Officers Car Loan And Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2022.**

13. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2022

Details	Note	2021-2022	2020-2021
	KShs		KShs
Assets			
Current assets			
Cash and cash equivalents	11	12,367,104	60,633
Current portion of long term receivables from exchange transactions		-	-
Prepayments		-	-
Inventories		-	-
Interest Receivable		-	-
Non-current assets		-	-
Property, plant and equipment		-	-
Intangible assets		-	-
Long term receivables from exchange transactions	12	39,317,025	52,540,244
Total assets		51,684,129	52,600,877
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		-	-
Provisions		-	-
Current portion of borrowings		-	-
Employee benefit obligations		-	-
Non-current liabilities		-	-
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
Total liabilities		-	-
Net assets		-	-
Revolving Fund Balance B/F		52,600,879	40,022,575
Reserves		-	-
Accumulated surplus		(916,749)	12,578,304
Total net assets and liabilities		51,684,129	52,600,879

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2022 and signed by:



Administrator of the Fund
Name: Samuel Karanja Njora



CECEM - Finance and Economic planning
Name: Murungi Ndai

**Laikipia County State And Public Officers Car Loan And Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2022.**

14. STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2022

Details	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1st July 2020	40,022,575	-	-	40,022,575
Surplus/(deficit) for the period	-	-	12,578,304	12,578,304
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30th June, 2021	40,022,575		12,578,304	52,600,879
Balance as at 1st July, 2021	52,600,879	-	-	52,600,879
Surplus/(deficit) for the period	-	-	(1,167,363)	-
Adjustment on balance B/F	-	-	250,613	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30th June, 2022	52,600,879	-	(916,749)	51,684,129

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2022 and signed by:

Administrator of the Fund
Name: Samuel Karanja Njora

CECM-Finance and Economic planning
Name: Murungi Ndai

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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For the year ended June 30, 2022.

15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2022

Details	Note	2021-2022 KShs	2020-2021 KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	11,500,000
Transfers from the County Government-Refund		-	-
Interest received	4	1,510,112	1,086,824
Receipts from other operating activities		-	-
Total Receipts		1,510,112	12,586,824
Payments			
Fund administration expenses		-	-
General expenses	7	127,475	8,520
Transfer to county government	22	2,550,000	-
Finance cost		0	-
Total Payments		2,677,475	8,520
Net cash flows from operating activities		(1,167,363)	12,578,304
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts	12	31,088,769	17,297,666
Loan disbursements paid out	12	(17,614,937)	(30,875,000)
Additional borrowings		-	-
Repayment of borrowings		-	-
Other Grants and Transfer		-	-
Net cash flows used in financing activities		13,473,832	(13,577,334)
Net increase/(decrease) in cash and cash equivalents		12,306,469	(999,030)
Cash and cash equivalents at Beginning	11	60,635	1,059,665
Cash and cash equivalents at the end		12,367,104	60,635

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 14 NOV 2022 and signed by:

Administrator of the Fund
Name: Samuel Karanja Njora

CECM-Finance and Economic planning
Name: Muringi Ndar

LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE SCHEME FUND
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16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2022.

Details	Original Budget 2020/2021	Adjustment	Final Budget	Actual on Comparable basis	Performance difference	% Utilization
Revenue	KShs	KShs	KShs	KShs	KShs	%
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	-	-	-	-	-	-
Interest income	1,500,000	-	1,500,000	1,392,542	107,456	93%
Other income	-	-	-	117,570	-	-
Total income	1,500,000	-	1,500,000	1,510,112	107,456	93%
Expenses						
Fund administration expenses	-	-	-	-	-	-
General expenses	10,000	-	127,570	127,475	95	99%
Finance cost	-	-	-	-	-	-
Total expenditure	10,000	-	127,570	127,475	95	99%
Surplus for the period	1,490,000	-	1,372,430	1,382,637	107,361	99%

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2022 and signed by _____


Administrator of the Fund
Name: Samuel Karanja Njora


CECM-Finance and Economic Planning
Name: Murungi Ndati

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
SCHEME FUND**

Reports and Financial Statements

For the year ended June 30, 2022.

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General information

Laikipia County State and Public Officers Car Loan and Mortgage scheme fund entity is established by and derives its authority and accountability from P.F.M Act, 2012. The entity is wholly owned by the Laikipia County Government and is domiciled in Kenya. The entity's principal activity is to grant financial accommodation to state and public officers for purposes of purchase, development, renovation or repair of residential property or any connected purpose as described.

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

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

- The new standards are not applicable in this fund hence removed from the significant accounting policies

b) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

- No standard adopted as there are not applicable to this fund.

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
SCHEME FUND**

Reports and Financial Statements

For the year ended June 30, 2022.

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021/2022 was approved by the County Assembly on 30th July, 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund didn't receive any budget allocation in the financial year.

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

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 actual as per the statement of financial performance has been presented under section of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its costs 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.

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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For the year ended June 30, 2022.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classifieds 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 accountancy 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.

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 entityof financial assets is impaired. A financial asset or 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

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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Reports and Financial Statements

For the year ended June 30, 2022.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

f) Inventories

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

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

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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For the year ended June 30, 2022.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

g) Provisions

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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Reports and Financial Statements

For the year ended June 30, 2022.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

h) Nature and purpose of reserves

The Entity has never created any reserves.

i) Changes in accounting policies and estimates

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

j) Employee benefits– Retirement benefit plans

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

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

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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Reports and Financial Statements
For the year ended June 30, 2022.**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Foreign currency transactions

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

l) Borrowing costs

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

m) Related parties

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

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to

**LAIKIPIA COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE
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Reports and Financial Statements

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o) Comparative figures

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

p) Events after the reporting period

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

q) Ultimate and Holding Entity

The Laikipia County Car and Mortgage Fund was established pursuant to provision of Public Finance Management Act 2014 through enactment of County Executive Member Mortgage Scheme Fund (Regulation 2014) under the Department of County Administration. Its ultimate parent is the County Government of Laikipia.

r) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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

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5. NOTES TO THE FINANCIAL STATEMENTS

1 Public contributions and donations

Description	2021-2022	2020-2021
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2 Transfers from County Government / County Government Entities

Description	2021-2022	2020-2021
	KShs	KShs
Transfers from County Govt. – operations	-	7,500,000
Transfers from County Govt. – Refund	-	4,000,000
Payment by County on behalf of the entity	-	-
Total	-	11,500,000

3 Fines, penalties and other levies

Description	2021-2022	2020-2021
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

There were no fines, penalties and other levies

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4 Interest income

Description	2021-2022	2020-2021
	KShs	KShs
Interest income from loans (mortgage or car loans)	1,392,542	1,086,824
Erroneous deductions	117,570	-
Total interest income	1,510,112	1,086,824

5 Other income

Description	2021-2022	2020-2021
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Saving interest	-	-
Total other income	-	-

6 Employee Costs

Description	2021-2022	2020-2021
	KShs	KShs
Fund administration expenses -	-	-
Professional services costs	-	-
Total	-	-

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7 Use of Goods and Services

Description	2021-2022	2020-2021
	KShs	KShs
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	9,905	8,520
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other expenses - cooperative bank	-	-
Other expenses (Transfer to County Revenue Fund)	117,570	-
Total	127,475	8,520

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8 Depreciation and Amortization Expenses

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

9 Finance costs

Description	2021-2022	2020-2021
	KShs	KShs
Bank Charges	-	-
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

10 Gain on disposal of assets

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11 Cash and cash equivalents

Description	2021-2022	2020-2021
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account - cooperative bank	12,367,104	60,633
Current account - Unison Sacco	-	-
Others	-	-
Total cash and cash equivalents	12,367,104	60,633

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

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

Description	2021-2022	2020-2021
	KShs	KShs
a) Fixed deposits account		
	-	-
	-	-
Sub- total	-	-
b) On - call deposits		
	-	-
	-	-
Sub- total	-	-
c) Current account		
UNISON SACCO	-	-
COOPERATIVE BANK ACCOUNT	12,367,104	60,633
Sub- total	12,367,104	60,633
d) Others(specify)		
county government		
Cash in transit	-	-
Cash in hand	-	-
M-Pesa	-	-
Sub- total	-	-
Grand total	12,367,104	60,633

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12 Receivables from exchange transactions

Description	2021-2022	2020-2021
	KShs	KShs
Current Receivables:		
Balance b/d	-	-
new loan issued	-	-
Other Charges Added to Principal Loan:		
Interest receivable	-	-
Current loan repayments	-	-
Total Current receivables	-	-
Non Current receivables		
Balance b/d	52,540,244	38,962,910
new loan issued	17,614,937	30,875,000
Other Charges Added to Principal Loan:		
Loan adjustment (under/over statement) FY2020/2021	250,613	-
Interest receivable	-	-
Long term loan repayments	(31,088,769)	(17,297,666)
Interest received	-	-
Total Non-current receivables	39,317,025	52,540,244
Total receivables from exchange transactions	39,317,025	52,540,244

13 Prepayments

Description	2021/2022	2020/2021
	KShs	KShs
Prepaid loan	-	-
Prepaid rent	-	-
Prepaid insurance	-	-

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Prepaid electricity costs	-	-
Total	-	-

14 Inventories

Description	2021/2022	2020/2021
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	-	-

15 Property, plant and equipment

	Computers and	Total
Cost	KShs	KShs
At 1st July 2019	-	-
Additions	-	-
Disposals	-	-
Transfers/adjustments	-	-
At 30th June 2020	-	-
At 1st July 2020	-	-
Additions	-	-
Disposals	-	-
Transfer/adjustments	-	-
At 30th June 2021	-	-
Depreciation and impairment	-	-
At 1st July 2019	-	-
Depreciation	-	-

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			-
Impairment		-	-
At 30th June 2020		-	-
At 1st July 2020		-	-
Depreciation		-	-
Disposals		-	-
Impairment		-	-
Transfer/adjustment		-	-
At 30th June 2022		-	-
Net book values		-	-
At 30th June 2021		-	-
At 30th June 2022		-	-

16 Intangible assets-software

Description	2021-2022	2020-2021
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-

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At end of the year	-	-
NBV	-	-

17 Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

18 Provisions

Description	2021-2022	2020-2021
	KShs	KShs
Balance at the beginning of the year	-	-
Additional Provisions	-	-
Provision utilized	-	-
Change due to discount and time value for money	-	-
Transfers from non-current provisions	-	-
Total provisions	-	-

19 Borrowings

Description	2021-2022	2020-2021
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-

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Repayments of domestics borrowings during the period	-	-
Balance at end of the period	-	-

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

Description	2021-2022	2020-2021
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from zzz organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	2021-2022	2020-2021
	KShs	KShs
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

20 Employee benefit obligations

Description	2021-2022	2020-2021
	KShs	KShs
Current benefit obligation	-	-

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Non-current benefit obligation	-	-
Total employee benefits obligation	-	-

21 Cash generated from operations

Description	2021-2022	2020-2021
	KShs	KShs
Surplus for the year before tax	-	-
Adjusted for:		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	-	-

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

22 Related party balances

a) Related party transactions		
Description	2021-2022	2020-2021
	KShs	KShs
Transfers from related parties'	-	-
Transfers to Other County entities	2,550,000	-

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Total	2,550,000	-
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b) Key management remuneration

Description	2021-2022	2020-2021
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

c) Due from related parties

Description	2021-2022	2020-2021
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

d) Due to related parties

Description	2021-2022	2020-2021
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

23 Contingent assets and contingent liabilities

Description	2021-2022	2020-2021
	KShs	KShs

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Court case xxx against the Fund	-	-
Bank guarantees	-	-
Total	-	-

Other Disclosures Continued

24. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
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At 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

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

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

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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 3 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2021				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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18. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Transfers to County Government	Transfers to County Government Kshs. 13,433,700 which no Detailed analysis provided.	Amounts have been partially refunded in the subsequent periods	Karanja Njora Administrator of The Fund	Partially resolved	