

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 22 FEB 2024

DAY

THURSDAY

FILED

THE DEPUTY MAJORITY LEADER
HON. OWEN BATA, MP

PREPARED BY

ANNE S HIBUKO

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

**COMMISSION ON REVENUE ALLOCATION
STAFF MORTGAGE SCHEME FUND**

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



Commission on Revenue Allocation

Promoting an Equitable Society

COMMISSION ON REVENUE ALLOCATION

STAFF MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2023

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

TABLE OF CONTENTS

1.	Acronyms, Abbreviations and Glossary of terms	iii
2.	Key Schemes' Information and Management.....	v
3.	Management Team.....	vii
4.	CEO's Report (Officer administering the Scheme)	x
5.	Statement of Performance Vs Predetermined Objectives for FY 2022/23	xi
6.	Statement of Corporate Governance	xii
7.	Management discussion and analysis	xiii
8.	Report of the Commission's Staff Mortgage Scheme Fund	xv
9.	Statement of management responsibilities.....	xvi
10.	Report of the Independent Auditors of Staff Mortgage Scheme Fund.	xviii
11.	Statement of Financial Performance for the year ended 30 th June 2023.....	1
12.	Statement of Financial Position as at 30 th June 2023.....	2
13.	Statement of Changes in Net Assets for the year ended 30 th June 2023	3
14.	Statement of Cash Flows for the year ended 30 th June 2023.	4
15.	Statement of Comparison of Budget and Actual amounts for the year ended 30 th June 2023.	5
16.	Notes to the Financial statements.	6
17.	Appendices.....	16
	Annex I: Progress on Follow up of Prior Year Auditor's Recommendations.....	16
	Annex II: Staff Mortgage Scheme's beneficiaries movement schedule	17

1. Acronyms, Abbreviations and Glossary of terms

(a) Acronyms

No.	Terms	Definition
1	AWAK	Association of Women Accountants of Kenya
2	ADM	Administration
3	CIR	Circular
4	CPA	Certified Public Accountant
5	CPM	Certified Professional Mediator
6	CPS	Certified Public Secretary
7	CRA	Commission on Revenue Allocation
8	FY	Financial Year
9	HAU	Head of Accounting Unit
10	HFU	Head of Finance Unit
11	IPSAS	International Public Sector Accounting Standards
12	KCB	Kenya Commercial Bank
13	MoU	Memorandum of understanding
14	PFM	Public Financial Management
15	PSASB	International Public Sector Accounting Standards
16	SAGA	Semi-Autonomous Government Agency
17	SRC	Salaries and Remuneration Commission

(b) Glossary of Terms

No.	Terms	Definition
1	Debit	An entry recording a sum owed, listed on the left-hand side or column of an account
2	Credit	An entry recording a sum received, listed on the right-hand side or column of an account
3	Trial Balance	A financial report showing the closing balances of all accounts in the general ledger at a point in time
4	Financial Performance	A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues
5	Financial Position	The account status of a firm's or individual's assets, liabilities, and equity positions as reflected on its financial statement.
6	Changes in Net Assets	The equivalent of the net profit figure on an income statement
7	Cash equivalent	Investments that can readily be converted into cash
8	Liabilities	Debts or obligations a person or company owes to someone else
9	Assets	A resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit
10	Asset Register	A detailed list compiled of all your business assets
11	Ledger	An account or record used to store bookkeeping entries for balance-sheet and income-statement transactions
12	Net Profit	The amount of money your business earns after deducting all operating, interest, and tax expenses over a given period of time
13	Surplus	The amount of retained earnings recorded on the balance sheet of a business entity
14	Deficit	Occurs when expenses exceed revenues, imports exceed exports, or liabilities exceed assets
15	Capital outlay	The sum of money spent by the Commission to invest in loan facilities to staff
16	Undisbursed loans	Eligible Loans for which the acquisition of such Eligible Loans has been approved, but such Eligible Loans have not been fully disbursed by the bank
17	Interest Income	Amount paid to an entity for lending its money or letting another entity use its funds.
18	Short term receivables	Loans which take less than 12 months to mature
19	Long term receivables	Loan which take more than 12 months to mature
20	Revolving Fund	Fund or account that remains available to finance an fund's continuing requests without any fiscal year limitation
21	Unutilized funds	Resources not taken up for loans
22	Utilized funds	Resources taken up for loans

2. Key Schemes' Information and Management

Background information

The Commission's Mortgage Scheme Fund was established in FY 2016/17 through the SRC's regulations Ref No: SRC/ADM/CIR/1/13 Vol. III (128) with the objective of providing a loan scheme for the purpose of residential property for the staff. The loan acquisition entails both construction, purchase of residential homes and acquisition of land.

The Scheme was established with an initial capital outlay of **Kshs. 80,805,126/-** paid out from the Commission's reserves as seed capital for the Scheme. The Scheme's capital has since been enhanced to **Kshs. 155,202,032 /-** mainly from the annual budget allocations of the Commission.

The scheme's secretariat is drawn from Corporate Service Directorate while administration and management is conducted by KCB. Management is done in accordance with the laid down internal guidelines & regulations and MOU between KCB and the Commission.

Principal Activities.

The principal activity of the Scheme is to facilitate acquisition of residential property for members of Commission on Revenue Allocation by providing a loan scheme for:

- i) Purchase and / or development,
- ii) Renovation or repairs of property and
- iii) Acquisition of land for future development.

Vision

No Kenyan Left Behind

Mission

To make reliable recommendations on equitable revenue sharing, revenue enhancement and prudent public financial Management.

*CRA Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

Key Management

The Scheme Fund's day-to-day operations are managed under Corporate Services directorate. Management who were in-charge are as follows;

	Name	Designation
1.	CPA James Katule	Commission Secretary (Officer administering the Scheme)
2.	Angela Kariuki	Director Corporate Services
3.	William Birech	Human Resource Manager
4.	CPA Maureen Junge	Finance Manager (HFU & HAU)

Fiduciary Management

Members of management listed above served during the financial year ended 30 June, 2023 and had direct fiduciary responsibility to the CRA Staff mortgage scheme.

Headquarters

Commission on Revenue Allocation
14 Riverside Drive
Grosvenor suite 2nd and 3rd Floor
P.O Box 1310-00200 Nairobi
Tel: (020) 4298000

Commission Contacts

Telephone: (254) (020) 4298000
E-mail: info@crakenya.org
Website: www.crakenya.org

Scheme Bankers

KCB Bank Limited, KICC Branch
Harambee Avenue
P. O. Box 46950-00100 Nairobi
Tel: (020) 29248501,
Fax: (020) 29248501,



Independent Auditors



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

Principal Legal Adviser

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

3. Management Team

Name	Profile
 <p data-bbox="150 943 502 1003">CPA James Katule Commission Secretary / CEO</p>	<p data-bbox="683 309 1372 450">CPA Katule is the Chief Executive Officer (CEO) of CRA. Prior to his appointment, James Katule was the Director Fiscal Affairs (2014-2022) and Director Corporate Services (2012-2014) at CRA.</p> <p data-bbox="683 495 1372 786">His experience spans over 32 years, 17 of which have been at various levels of management in public organizations as well as international donor-funded research institutions. These include the International Centre for Insect Physiology and Ecology (ICIPE), The International Livestock Research Institute (ILRI), African Medical and Research Foundation (AMREF), The Capital Markets Authority (CMA) and currently CRA.</p> <p data-bbox="683 831 1372 1200">James Katule is an experienced Certified Public Accountant – CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He holds a Masters of Business Administration from the Eastern and Southern Africa Management Institute (ESAMI) and a Bachelor of Arts in Economics & Business Education from Kenyatta University. He is an alumnus of the Andrew Young School of School of Policy Studies, Georgia State University where he undertook a course on Fiscal Decentralization, Local Governance and Service Delivery.</p>
 <p data-bbox="150 1753 496 1814">Angela Kariuki Director Corporate Services</p>	<p data-bbox="683 1249 1372 1686">She holds a Masters in International Commercial Law (LLM) from the University of Nottingham (UK) and a Bachelor of Laws (LLB) from the University of Sheffield (UK). She is an Advocate of the High Court of Kenya; member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. Mrs. Kariuki has been with the Commission from inception for a period of six years. She has broad professional experience in the areas of human capital management, facilities management, supply chain management, strategic planning and corporate governance, legal compliance with regards to securities law, corporate law, policy formulation and implementation.</p> <p data-bbox="683 1727 1372 1827">She previously worked with the Capital Markets Authority for nine years and Kilonzo & Company Advocates for two years.</p>

Name	Profile
 <p data-bbox="140 618 416 680">Sheila Yieke Director Legal Affairs</p>	<p data-bbox="671 286 1375 618">She is an Advocate of the High Court of Kenya and holds an MBA, Finance from the United States International University and a Certified Public Secretary (K). In addition she is alumni of the International Development Law Organization (IDLO) and a member of the Chartered Institute of Purchasing and Supplies (UK). She has worked with Sotik Tea and Sotik Highlands Tea Estates, Kenya Investment Authority and Kosgey and Masese Co. Advocates. Internationally she has worked at the UN, IGAD, NORDIC and UNOPS.</p>
 <p data-bbox="140 1263 304 1323">Joseph Kuria Director ICT</p>	<p data-bbox="671 685 1375 826">He holds a Master’s Degree in Business Administration, Strategic Management from the University of Nairobi and a BSc. Degree in Computer Science from Egerton University. He is currently pursuing a PhD in Information Systems.</p> <p data-bbox="671 875 1375 1391">He holds the following professional certifications: MCP, MCSE, MCDDBA, CISA, CEH, MCT, PMP and PRINCE2 He is a member of Information Systems Audit and Control Association (ISACA). He has over 16 years working experience in both Public and Private Sector. Mr. Kuria is a leading technology strategist with experience spanning systems and network architecture, business re-engineering, data center technologies, application development, global vendor management, budgeting and project portfolio management. He is a strategic adviser to both National and County governments of Kenya on the adoption of computer based financial and revenue management systems and deployment of Integrated Shared Services across government.</p>
 <p data-bbox="140 1895 464 1955">Lineth Oyugi Director Economic Affairs</p>	<p data-bbox="671 1487 1375 1704">Lineth Oyugi holds a Masters of Arts in Economics from the University of Nairobi and a 4th year Phd student of Economics at University of Nairobi. She has vast knowledge and experience in Research having worked for the Federation of Kenya Employers as the Head of Research and Policy Advocacy.</p> <p data-bbox="671 1749 1375 1928">Additionally Lineth has worked with the Institute of Policy Analysis and as a Research Fellow, Macroeconomics programme and also with the Ministry of Finance and Ministry of Planning and National Development as an Economist.</p>

*CRA Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

Name	Profile
 <p data-bbox="140 712 421 770">CPA Roble Said Nuno Director Fiscal Affairs</p>	<p data-bbox="676 300 1378 595">Mr. Nuno holds an MBA (Finance) and Business Administration degree from Kenya University and Methodist University respectively. He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) in good standing. He has over 30 years' experience in the Public Financial Management and over eight years in Senior Management position in the County Government of Garissa.</p> <p data-bbox="676 636 1378 743">He has attended several Courses both locally and Internationally while serving the National and County Governments.</p>
 <p data-bbox="140 1350 386 1413">CPA Maureen Junge Finance Manager</p>	<p data-bbox="676 813 1378 1108">Ms. Junge has extensive work experience in public finance with emphasis on budgeting, financial management, financial analysis, and reporting. She is a Certified Secretary, Certified Accountant, and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK). She holds a Master of Science degree and a Bachelors of Commerce degree (Finance) from the University of Nairobi.</p> <p data-bbox="676 1149 1378 1328">As the inaugural manager in charge of finance, Ms. Junge was instrumental in developing finance policies and setting up the operational procedures in the finance department including aligning them to the public financial management and reporting systems.</p> <p data-bbox="676 1368 1378 1440">She previously worked with Kenya Investment Authority, Africa Investment Bank (AIG) and Reliance General Limited.</p>

4. CEO's Report (Officer administering the Scheme)

The CRA's Staff Mortgage Scheme's administration is managed by KCB bank in conjunction with a few designated key staff drawn from Corporate Services. Policy procedures manual and Memorandum of Understanding (MOU) which are binding on all matters relating to the Scheme were developed and which set out rules and regulations that provide guidance on accessibility of the loans and the threshold to be met by the loan applicants. The policy is reviewed from time to time to comply with relevant laws and legislations.

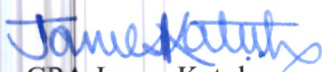
The Scheme's core objective is to support employees in acquisition of mortgage facility with subsidised interest rate. The loan facility is meant to help in purchase and/ or improvement of residential property and acquisition of land for CRA staff members.

During the reporting period, the scheme maintained an interest rate of 4% as cost of borrowing. The low cost of borrowing contributed to the increased number of loan applicants of up to approximately 100% absorption rate of the scheme's fund. Further, this benefit played a major role in staff motivation and retention. It also enhanced loyalty and commitment to the Commission

During the year under review, the Scheme's capital was enhanced to Kshs. 155.2 million (FY2021/22: Kshs. 143.9 million) and cumulative interest earning of Kshs.13.2 million (FY2021/22: Kshs.11.3 million) both from the utilised and unutilised accounts hence a total Net worth of Kshs. 169.3 million (FY2021/22: Kshs.155.2 million).

The Scheme has since disbursed a total of Kshs 199.13 million (FY2021/22: 137.9 million). 25 members of staff (FY2021/22: 23 members) from different cadres have benefitted from the scheme. The Bank has continued to carry out due diligence for all the loan application in order to minimize on risks associated with property acquisition.

We shall endeavour to support staff through continuous engagements with staff and the bank to ensure that more employees benefit from the scheme in the foreseeable future. There is also need to enhance funding of the scheme in order to reduce the waiting period for loan applicants.



CPA James Katule

Commission Secretary/CEO

Date: 27 / 09 / 2023

CRA Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

5. Statement of Performance Vs Predetermined Objectives for FY 2022/23

Sub Programme	Delivery unit	Key Outputs	Key Performance Indicators	Target 2022/23	Achievements FY 2022/23	Remarks	Approved Budget (million)	Revised Budget (million)
A	B	C	D	E	F	G	H	I
Programme: Inter-government transfers and financial matters								
Sub Programme 1: General Administration and Support services								
SP 1: General Administration and Support Services	Corporate Services	1. Staff Mortgage loan requests processed	No. of Staff Mortgage loan processed	5	2	Target was not met due to budgetary constraints.	12.0	12.0
TOTAL BUDGET							12.0	12.0

6. Statement of Corporate Governance

The Commission runs a Mortgage Scheme for its staff and is managed by a Committee appointed by the Commission Secretary. The Staff Mortgage Scheme is guided by the Memorandum of understanding (MoU) between CRA and KCB Bank limited. The MoU is also anchored on the SRC's regulations Ref No: SRC/ADM/CIR/1/13 Vol. III (128), the PFM Act, 2012 and CRA's Human resource policies and procedures manual.

The scheme is managed with transparency and accountability where the approvals are sought by applying through the Commission Secretary & CEO before onward transmission to the Bank for loan processing and release of funds.

Staff participation is a common occurrence at the Commission whereby discussions and engagements with the parties are encouraged. Meetings are carried out to review and manage issues and concerns that affect the beneficiaries.

The Commission's robust approach has supported a good number of staff accessing loans and hence has boosted their morale at the work place. Staff retention and attraction has been maintained and thus benefiting the Commission in the long run.

7. Management discussion and analysis

Operational and Financial Performance

During the year under review, the Scheme's capital was enhanced to Kshs. 155.2 million (FY2021/22: Kshs. 143.9 million) and cumulative interest earning of Kshs.13.96 million (FY2021/22: Kshs.11.2 million) both from the utilised and unutilised accounts hence a total Net worth of Kshs. 169.1 million (FY2021/22: Kshs.155.2 million).

The Scheme has since disbursed a total of Kshs 199.13 million (FY2021/22: 137.9 million). 25 members of staff (FY2021/22: 23 members) from different cadres have benefitted from the scheme so far. The Bank has continued to carry out due diligence for all the loan application in order to minimize on risks associated with property acquisition.

The Scheme achieved an absorption rate of approximately 99% (FY2021/22: 94%) and pending requests of Kshs. 47.4 million.

Scheme's compliance with statutory requirements

The Staff Mortgage Scheme is guided by the Memorandum of understanding (MoU) between CRA and KCB Bank limited. The MoU is also anchored on the SRC's regulations Ref No: SRC/ADM/CIR/1/13 Vol. III (128), the PFM Act, 2012 and CRA's Human resource policies and procedures manual.

The Commission ensures compliance with the aforementioned legislations and policies in terms of operations of the scheme (i.e. requirements of the 1/3 rule principle and section 12B of Income Tax on provision on fringe benefit tax) and the reporting framework.

Key activities the Scheme is undertaking

The main reason for setting up the Scheme was mainly to provide financial support for staff members in acquisition of mortgage facility at a subsidised interest rate relating to:

1. Home development loans
2. Acquisition or Purchase of residential homes
3. Purchase of land for Home construction

Major risks facing the Scheme

Liquidity Risk

The Commission has always strived to hedge against liquidity risk and ensured that financial obligations are met whenever they fall due. This risk has since been managed over the years by ensuring adequate

CRA Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

budgetary provisions are appropriated to the fund. However, there are certain times when the Commission experiences budgetary constraints which directly affect the budgetary allocations to the fund.

Material arrears in statutory/financial obligation

The Scheme has a minimal outstanding liability of Kshs. 333,036 caused by budgetary constraints on fringe benefit tax which will be settled by the sponsor in FY 2023/24.

The Scheme's financial probity and governance issues

The Scheme runs its operation through KCB bank the administrators and in constant consultation with the key management who perform their responsibilities on behalf of the Commission.

8. Report of the Commission's Staff Mortgage Scheme Fund

The Commission Secretary (Officer administering the Commission's Mortgage Scheme Fund) submits his report and financial statements for the year ended 30 June 2023 which shows the state of the Scheme's affairs.

Principal Activities

The principal activity of the Commission's Mortgage Scheme is to provide housing loan facilities to the members of staff.

Results

The results of the Mortgage scheme for the year ended 30 June 2023 are set out on pages 1-5.

Management

The key management who served during the year are shown on page (v-vii). The members are drawn from Corporate Services Directorate.

Auditors

The Auditor General is responsible for the statutory audit of the Commission's Staff Mortgage Scheme Fund in accordance with the Section 81(4a) of the Public Financial Management Act, 2012 and Section 35 of the Public Audit Act, 2015.

9. Statement of management responsibilities

Section 84(1) of the Public Finance Management Act, 2012 requires the officer administering the Scheme to prepare financial statements in respect of that Scheme, which give a true and fair view of the Scheme at the end of the financial year/period and the operating results of the Fund for that year/period. The Officer is also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. Further, that he is also responsible for safeguarding the assets of the Fund.

The Officer administering the Fund (Commission Secretary) is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year (period) ended on June 30, 2023. Further, his other responsibilities include: (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 Commission; (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 Officer administering the 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 Accrual basis of Accounting method under the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the Commission's Act. He is also of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. He further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Commission Secretary to indicate that the Scheme will not remain a going concern for at least the next 12 months from the date of this statement.


CPA James Katule

Commission Secretary/CEO.

Date: 27/09/2023

*CRA Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

Approval of the financial statements

The Commission's Staff Mortgage Scheme Fund financial statements were approved by the Commission on **27th September 2023** and signed on its behalf by the Commission secretary and Chairperson of the Commission.



CPA James Katule

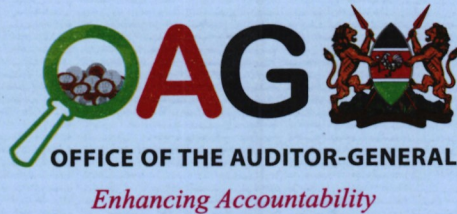
Commission Secretary / CEO



CPA Mary Wanyonyi

Chairperson of the Commission

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON COMMISSION ON REVENUE ALLOCATION STAFF MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure 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, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Commission on Revenue Allocation Staff Mortgage Scheme Fund set out on pages 1 to 16, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial

Report of the Auditor-General on Commission on Revenue Allocation Staff Mortgage Scheme Fund for the year ended 30 June, 2023

performance, statement of changes in net assets, statement of cash flows and the 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 the Commission on Revenue Allocation Staff Mortgage Scheme Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Commission on Revenue Allocation Staff Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 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 overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to 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 abolish the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 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 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 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 January, 2024

*CRA Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

11. Statement of Financial Performance for the year ended 30th June 2023.

Description	Note	2022/23	2021/22
		Kshs.	Kshs.
Revenue			
Revenue from exchange transactions			
Interest income	7	8,130,096	1,753,434
Total Revenue		8,130,096	1,753,434
Expenditure			
General expenses	8	6,166,450	32,521
Total expenses		6,166,450	32,521
Surplus for the period		1,963,646	1,720,913

*The notes set out on pages 6 to 15 form an integral part of the Financial Statements.
The Scheme's financial statements were approved on 27th September 2023 and signed by:*



CPA James Katule
Commission Secretary / CEO



CPA Maureen K. Junge
Finance Manager
ICPAK M/No. 9883

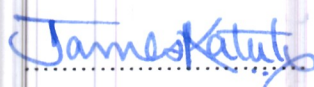


CPA Mary Wanyonyi
Chairperson of the Commission

12. Statement of Financial Position as at 30th June 2023

Description	Note	2022/23	2021/22
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	9	19,914,422	35,687,212
Short term receivables	10 (a)	8,503,499	8,530,789
		28,417,921	44,218,001
Non-current assets			
Long term receivables	10 (b)	140,747,756	110,984,030
		140,747,756	110,984,030
Total assets		169,165,677	155,202,031
Liabilities			
Current liabilities			
Insurance Refund	11	32,521	32,521
		32,521	32,521
Total liabilities		32,521	32,521
Net Assets		169,133,156	155,169,510
Mortgage loan revolving fund	12	155,923,446	143,923,446
Accumulated surplus (Reserves)		13,209,710	11,246,064
Total net assets and liabilities		169,133,156	155,169,510

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were approved on 27th September 2023 and signed by:



CPA James Katule
Commission Secretary / CEO



CPA Maureen K. Junge
Finance Manager
ICPAK M/No. 9883



CPA Mary Wanyonyi
Chairperson of the Commission

13. Statement of Changes in Net Assets for the year ended 30th June 2023

Particulars	Notes	Mortgage Fund	Accumulated surplus	Total
		Kshs	Kshs	Kshs
As at July 1, 2021		129,546,946	952,515	139,072,097
Surplus for the year			1,720,913	1,720,913
Funds received during the year		14,376,500		14,376,500
As at June 30, 2022		143,923,446	11,246,064	155,169,510
As at July 1, 2022		143,923,446	11,246,064	155,169,510
Surplus for the year			1,963,646	1,963,646
Funds received during the year		12,000,000		12,000,000
As at June 30, 2023		155,923,446	13,209,710	169,133,156



CPA James Katule
Commission Secretary / CEO



CPA Maureen K. Junge
Finance Manager
ICPAK M/No. 9883



CPA Mary Wanyonyi
Chairperson of the Commission

14. Statement of Cash Flows for the year ended 30th June 2023.

Description	Note	2022/23	2021/22
		Kshs.	Kshs.
Cash flows from operating activities			
Surplus/Deficit for the year before tax		1,963,646	1,720,913
Adjusted for:			
Depreciation and Amortisation			
(Non-cash grants received)			
(Contributed assets)			
Impairment			
(Gains and losses on disposal of assets)			
Contribution to provisions			
Contribution to impairment allowance			
(Finance income)			
Finance cost			
Working capital adjustments:			
(Increase in inventory)			
(Increase)/Decrease in receivables	10	(29,736,436)	(58,091)
(Increase)/Decrease in Undisbursed Loans			
Increase in deferred income			
Decrease in payables		-	32,521
Increase in payments received in advance			
Net cash flows from operating activities		(27,772,790)	1,695,343
Cash flows from investing activities			
(Increase)/Decrease in accounts receivable			
Decrease in accounts payable			
Net cash flows used in investing activities			
Cash flows from financing activities			
Additional Capital	12	12,000,000	14,376,500
Net cash flows used in financing activities		12,000,000	14,376,500
Net increase/(decrease) in cash and cash equivalents		(15,772,790)	16,071,843
Cash and cash equivalents at beginning of the year		35,687,212	19,615,369
Cash and cash equivalents at end of the year	9	19,914,422	35,687,212

15. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023.


Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c = (a+b)	d	e = (c-d)	f = d/c
Revenue						
Transfers from other Parent Ministry	12,000,000	-	12,000,000	12,000,000	-	100%
Interest income		8,130,096	8,130,096	8,130,096	-	100%
Other income						
Total Revenue	12,000,000	8,130,096	20,130,096	20,130,096	-	
Expenses						
General Expenses	-	6,166,450	6,166,450	6,166,450	-	100%
Expenditure	-	6,166,450	6,166,450	6,166,450	-	100%
Surplus before CAPEX	12,000,000	1,963,646	13,963,646	13,963,646	-	
Capital Expenditure	12,000,000	0	12,000,000	12,000,000	0	100%
Surplus for the period	-	1,963,646	1,963,646	1,963,646	-	

Budget notes: Explanation of differences between budgeted and actual amounts

- The Commission received full disbursements for the Scheme according to the budget as of the close of the financial year.
- Accrued Interest income for the year stood at Kshs. 8,130,096.
- Capital Expenditure is not captured in the Statement of Financial Performance because it's economic value to the Staff Mortgage is over a long period of time.



CPA James Katule
Commission Secretary / CEO



CPA Maureen K. Junge
Fund Accountant
ICPAK M/No. 9883



CPA Mary Wanyonyi
Chairperson of the Commission

16. Notes to the Financial statements.

1. General Information

The Commission on Revenue Allocation (CRA) was established under Article 215 of the Constitution of Kenya. The Commission's principle responsibility is to provide an objective and independent framework for equitable sharing of nationally raised revenues. The Commission also plays a key role in ensuring that the county governments adhere to prudent financial management principles, enhance revenues for both national and county governments. Further, the Commission plays a critical role in addressing regional disparities by proposing recommendations to accelerate balanced development in the country, especially in marginalized areas.

2. Statement of Compliance basis of preparation – IPSAS 1

The Financial Statements have been prepared in accordance to and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Accrual Basis Financial Reporting under the Accrual basis of Accounting and relevant legal framework of Kenya. The financial statement complies with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya (PSASB).

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The accounting policies adopted will be applied consistently over the years. The financial statements have been prepared on the accrual basis following the Government's standard chart of accounts. The accrual basis of accounting recognizes transactions and events whenever they are incurred.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issues effective in the year ended 30th June 2023.

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

	<p>between a Fund’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</p> <p><i>The changes have been assessed and have no effect on the operations of the Mortgage scheme fund.</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund 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> <ol style="list-style-type: none"> a. The nature of such social benefits provided by the Fund; b. The key features of the operation of those social benefit schemes; and c. The impact of such social benefits provided on the Fund’s financial performance, financial position and cash flows. <p><i>The management has assessed the impact of IPSAS 42 on Social Benefits as insignificant since it is not involved in alleviating social problems through transfers.</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ol style="list-style-type: none"> a. Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b. Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c. Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d. 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><i>The changes have been assessed and have no effect on the operations of the Mortgage scheme fund.</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ol style="list-style-type: none"> a. <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> b. Amendments to refer to the latest System of National Accounts (SNA 2008). c. <i>IPSAS 39: Employee Benefits</i>

	<p>d. Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <p>e. IPSAS 29: Financial instruments: Recognition and Measurement</p> <p>f. Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>The changes have been assessed and have no effect on the operations of the Mortgage scheme fund.</i></p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The changes have been assessed and have no effect on the operations of the Mortgage scheme fund.</i></p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation on such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>The changes have been assessed and at the moment they have no effect on the operations of the Mortgage scheme fund. Where the scheme identifies assets for sale, they shall be classified separately from PPE in the year such decision is made</i></p>

ii. Early adoption of standards

The Fund did not early – adopt any new or amended standards in the year 2022/23.

4. Summary of Accounting policies

i. Non-Current Assets

The fund does not maintain any non-current assets

ii. Revenue recognition

Income is recognized in the period in which it's earned. Income is not accrued if its recoverability is doubtful. The Revenue constitutes all incomes accruing to the Fund in the form of interest earned both on the Utilized fund (1%) and Unutilized fund (10% (CBR). All interest is recouped back to the revolving account on a quarterly basis.

a. 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 Fund and can be measured reliably.

b. Revenue from exchange transactions

i. Interest income

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

ii. Budget information

The original budget for FY 2022/23 was approved by the National Assembly in June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations were added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget.

The Fund's budget is prepared on a different basis from 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.

iii. Contingent liabilities

The Fund 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.

iv. Contingent assets

The Fund 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 Fund 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.

iii. Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. The fund maintains reserves in relation to loan requests that are still in process pending disbursements (Undisbursed loans)

v. Changes in accounting policies and estimates

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

vi. Cash and cash equivalents

Cash and cash equivalent relate to the available balances in the deposit account, short term deposits and undisbursed loans at the end of the year. The undisbursed loans are restricted and may not be available for use by the Commission until the loan process is over. The amount reduced significantly due to decrease in undisbursed loans. For the purposes of the cash flow statement, cash and cash equivalents comprise Cash book balance as at 30th June 2023.

iv. Fund Account

The fund is enhanced gradually on an annual basis through annual appropriations from the Commission's Budget. Further, all accrued interest is recouped back to the fund. The Fund was mainly established to enable members of staff members acquire loans for purchase of residential homes, acquisition of land and construction of residential homes. The facility is extended to applicants at an interest rate of 4% being 1% to the revolving fund and 3% to KCB (administering bank).

v. Related parties – IPSAS 20

The scheme regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the scheme or vice versa. The Commission is regarded as related party and comprise the Commissioners, Commission Secretary and members of staff.

vi. Public Sector Combinations – IPSAS 40

The standard which has been applicable since January 2019 covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. This standard is however not relevant to the CRA staff Mortgage scheme.

vii. Comparatives

Prior year comparative information has been presented in the current financial year.

viii. Subsequent Events

There have been no events subsequent to the financial year end with significant impact on the financial statements for the reporting period.

ix. Ultimate and Holding Fund

The Commission on Revenue Allocation approved the establishment of a Staff Car Loan Scheme in FY 2019/20. The approval was based on the Salaries & Remuneration Commission's Circular No. SRC/ADM/CIR/1/13 VOL. III (128) dated 17th December 2014 which advised on Car Loan & Staff Mortgage Benefit for all State Officers and other public officers in Kenya.

x. Currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling

5. Significant Judgements and Sources of information uncertainty

The preparation of the Commission'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.

6. Estimates and assumptions

The Commission does not have any key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*CRA Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

7. Revenue from exchange transactions

Description	2022/23	2021/22
	Kshs.	Kshs.
Revenue from exchange transactions		
Interest from Loans issued-Utilized fund (4%)	7,125,877	971,508
Interest on Deposit-Unutilised fund (40% of CBR)	1,004,218	781,926
	8,130,096	1,753,434

Interest income relates to the gross interest accrued from the monthly loan repayments from staff salary check off and the amounts of Unutilized deposit.

8. General Expenses

Description	2022/23	2021/22
	Kshs.	Kshs.
General Expenses		
Insurance Refund - Joyce Miriti's A/c	-	32,521
WHT on Utilised and Unutilised Fund	346,526	-
KCB Bank's Administration cost (3% of interest)	5,819,924	
	6,166,450	32,521

9. Cash and cash equivalent

Description	2022/23	2021/22
	Kshs.	Kshs.
Cash and cash equivalents		
Deposit Account	10,901,980	8,724,044
Short Term deposits	512,442	463,169
Undisbursed Loans	8,500,000	26,500,000
	19,914,422	35,687,212

Cash and cash equivalent relate to the available balances in the deposit account, short term deposits and undisbursed loans at the end of the year. The undisbursed loans are restricted and may not be available for use by the Commission until the loan process is over. The amount reduced significantly due to decrease in undisbursed loans.

9 (a) Detailed analysis of the cash and cash equivalents

Mortgage Loan Scheme Fund	Account number	2022-23	2021-2022
		Kshs.	Kshs.
Mortgage Loan Scheme Fund			
Deposit Account	1205003916	10,901,980	8,724,044
Short Term deposits	1205003916	512,442	463,169
Undisbursed Loans	1205003916	8,500,000	26,500,000
Grand Total		19,914,422	35,687,212

10. Receivables

(a) Short Term receivables

Description	2022/23	2021/22
	Kshs.	Kshs.
Short Term receivables (Current receivables)		
Short Term outstanding Loans advanced as at 30th June 23	8,503,499	8,530,789
	8,503,499	8,530,789

*CRA Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

Short term receivables relate to outstanding loan balances payable within the next one (1) year

(b) Long term receivables

Description	2022/23	2021/22
	Kshs.	Kshs.
Long term receivables (Non- Current receivables)		
Long Term outstanding Loans advanced as at 30th June 23	140,747,756	110,984,030
	140,747,756	110,984,030

Long term receivables relate to outstanding loan balances payable beyond one (1) year

11. Trade Payables

Description	2022/23	2021/22
	Kshs.	Kshs.
Creditors/Liabilities		
Refund for Insurance claim - J. Miriti's	32,521	32,521
	32,521	32,521

This amount relates to an overpayment of Mortgage loan clearance to CRA with respect to the late Joyce Miriti in FY 2021/22.

The Commission will ensure that the amount is refunded accordingly in FY 2023/24

12. Fund Account

Description	2022/23	2021/22
	Kshs.	Kshs.
Fund Account		
Capital Fund	143,923,446	129,546,946
Additional Capital	12,000,000	14,376,500
	155,923,446	143,923,446

13. Financial Risk Management

The scheme will endeavor to regularly review its risk management policies once in place to reflect changes in markets and emerging best practices. Risk management will be carried out by the Commission under the direct supervision of the Commission secretary.

(i) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the staff car loan scheme. It arises from bank balances, receivables and amounts due from related parties. Although this risk is unlikely to occur in the short term, it is mitigated as follows; (a) Cash and short-term deposits are placed with well-established financial institutions of high credit standing, (b) The CRA Mortgage scheme does not raise debtors in its ordinary course of business apart from those arising from related parties or members of staff which can easily be recovered.

Credit risk with respect to accounts receivable is limited due to the nature of the mortgage scheme business and its reliance on government grant and CRA as the main source of funding.

The amount that best describes the mortgage scheme's exposure to credit at the end of the financial year is made up of;

- a) Cash and bank balances

- b) Outstanding loan balances
- c) Undisbursed loans

Credit and Financial Risk

Description	Total amount	Fully performing
	KShs	KShs
As at 30th June 2023		
Receivables from exchange transactions	149,251,255	149,251,255
Bank balances	19,914,422	19,914,422
Total	169,165,677	169,165,677
As at 30 June 2022		
Receivables from exchange transactions	119,514,819	119,514,819
Bank balances	35,687,212	35,687,212
Total	155,202,031	155,202,031

(ii) Liquidity Risk

Liquidity risk is the risk that the CRA mortgage scheme will not be able to meet its financial obligations when they fall due. The scheme manages this risk by always ensuring that it has sufficient liquidity to meet its liabilities when due, under both normal and constrained conditions, without incurring unexpected losses.

The scheme ensures availability of sufficient cash on demand to meet expected operational expenses including servicing of financial obligations.

(iii) Market risk

The Commission has put in place an internal audit function to assist it in assessing the risk faced by the Scheme on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Scheme'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 CRA's Human Resource Department is responsible for the development of detailed risk management policies (subject to review and approval by the Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

(iv) Interest rate risk

Interest rate risk is the risk that the Scheme's financial condition may be adversely affected as a result of changes in interest rate levels. The Scheme's interest rate risk arises from bank deposits. This exposes the Scheme to

CRA Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

a) Management of interest rate risk

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

(v) Capital risk management.

The objective of the Scheme's capital risk management is to safeguard the Scheme's ability to continue as a going concern. The Fund capital structure comprises of the following funds:

Description	2022/23	2021/22
	Kshs.	Kshs.
Revolving fund	155,923,446	143,923,446
Accumulated surplus (<i>Reserves</i>)	13,209,710	11,246,064
Total funds	169,133,156	155,169,510
Less: cash and bank balances	19,914,422	35,687,212
Net debt/(excess cash and cash equivalents)	149,218,734	119,482,298
Gearing		

17. Appendices

Annex I: Progress on Follow up of Prior Year Auditor's Recommendations

Reference No. on external audit report	Issue / Observation from Auditor	Management Comments	Focal point person to resolve the issue	Status:	Time frame:
N/A	Unqualified Opinion	N/A	N/A	N/A	N/A



CPA James Katule
Commission Secretary / CEO

Annex II: Staff Mortgage Scheme's beneficiaries movement schedule

The table below presents the scheme's beneficiaries movement during the year.

No.	Cadre	2022/23	2021/22	REMARKS
1	CEO	1	1	Took loan while still a Director
2	Directors	2	2	
3	Deputy Directors	2	1	The Deputy Director has since exited the Commission but an active loan applicant
4(A)	Managers	8	7	One manager's loan fully cleared by the Insurance
4(B)	Assistant Managers	2	2	
5	Officers	5	5	
6	Assistant Officers	1	1	
7	Logistic Staff	3	3	
8	Support Staff	1	1	
	Total	25	23	