

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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DATE	16/04/2024
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COMMITTEE	FINANCE & BUDGET
CLERK AT THE TABLE	C. CHEROP

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THE AUDITOR-GENERAL

ON

**ISIOLO COUNTY ASSEMBLY MORTGAGE
AND CAR LOAN SCHEME FUND**

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



OFFICE OF THE AUDITOR GENERAL
UPPER EASTERN REGIONAL OFFICE - ISIOLO

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**ISIOLO COUNTY ASSEMBLY MORTGAGE AND CAR LOAN SCHEME
FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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

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Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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Isiolo County Assembly Mortgage and Car Loan Scheme Fund
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1. Acronyms and Glossary of Terms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

2. Key Entity Information and Management

a) Background information

The County Assembly has an existing Car Loan (Members) Scheme fund established pursuant to the guidelines of the Salaries and Remuneration Commission (SRC) on the Car Loan for Members of the County Assembly issued vide Circular Ref. No. SRC/TS/CGVT/316 dated 27th November, 2013.

b) Principal Activities

c) Isiolo County Assembly Mortgage and Car Loan Scheme Fund shall solely utilize for; the purpose, development, renovation, repair or improvement of residential property for the occupation of the borrower or his immediate family members.

The loan for the development of the residential property may be granted at the discretion of the committee to a staff in possession of a title deed to the land on which the development is intended to be carried out.

d) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Chairperson	Abdinur Dima Jillo
2	Other trustees/Committee Members	Halima Golle Abgudo
3	Fund Manager/ Administrator	Salad Boru

e) Key Management Steam

Ref	Name	Position
1	Fund Manager/ Administrator	Salad Boru Guracha
2	Fund Accountant	Kalthum Abdullahi
3	Director Human Resource Management	Abubakar Ali Boru
4	Deputy Director Finance and Accounting services	Issadin Daud Muktar
5		

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Key Entity and Management (Continued)

f) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	Hadija Yussuf
2	Staff car Mortgage and car Loan Advisory Committee	

g) Registered Offices

P.O. Box 195 - 60300
County Assembly Building
Isiolo, KENYA

h) Fund Contacts

Telephone :(254) 0719574394
E-mail: clerkisiolo@gmail.com.
Website: www.isiolo.go.ke

i) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Nationl Bank of Kenya
Isiolo Branch
P.O BOX 72866-00200 Nairobi

Key Entity and Management (Continued)

j) Independent Auditors

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

k) Principal Legal Adviser

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

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

3. Board of Trustees/ Fund Administration Committee

Name	Details of qualifications and experience
1. Abdinur Dima Jillo	Date of Birth:00.00.1961
2. Halima Golle Abgudo	Date of Birth:01.01.1969
3. Salad Boru	Date of Birth:03.10.1978

4. Management Team

Name	Details of qualifications and experience
1. Fund Manager/ Administrator	Salad Boru Guracha
2. Fund Accountant	Kalthum Abdullahi
3. Director Human Resource Management	Abubakar Ali Boru
4. Deputy Director Finance and Accounting services	Issadin Daud Muktar

**Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

5. Board/Fund Chairperson's Report

The Mortgage and Car Loan Scheme is a great benefit to the Members of County Assembly as it provided ready access to twin benefits: mortgage and car loan. During the year under review a total of Kshs 54,000,000 were disbursed to employees who benefitted from the fund which include.

The fund is generally performing well given the timely recoveries of loans through the IPPD system. The system in itself safeguards the loan by way of priority deduction hence unlikely chance of default arising from affordability problems associated with salaries.

It is also worth noting that the Third County Assembly has promptly provided for car loan funds which was depleted through provision of car grant during second term pursuant to SRC advisory vide circular number SRC/TS/COG/3/61/48 VOL.II (113) of 09th February, 2021. However, the disbursement was done in tranches hence delaying decision for maximum benefits as envisaged by many Members of County Assembly. As a principle of my leadership, the goal of sustainable gains will be emphasized to ensure effective management of public funds as regards default, security perfection and timely recoveries. It is therefore my humble pleasure that I submit this report.

Name: Abdinur Dima Jillo
Chairperson of the Board /Fund

**MAJORITY LEA:
COUNTY ASSEMBLY OF ISIOLO**
Signature **P. O. Box 195 - 60300,
ISIOLO** Date **28th NOV 2023**

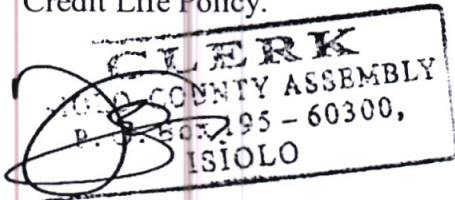
6. Report of The Fund Administrator

Following the turn of the financial year, I am privileged to forward the Annual report of Isiolo County Assembly Mortgage and Car Loan Scheme Fund. The report is prepared pursuant to corporate philosophy and operational principle which confers the Committee the responsibility to prepare and present for accountability, a report of its operations for the year ended 30th June, 2023. The report covers the main activities of the Committee including loan disbursement and recoveries.

I am delighted to inform you that the Committee has managed the scheme loans in an effective manner and ensured timely recoveries of the advanced loans. During the year; A total of Kenya Shillings 54,000,000 was disbursed in favour of Mortgage Loans. The loans were disbursed procedurally.

Nevertheless, I recommend to the committee to establish a comprehensive Operational Policy on effective loan management elaborating on loan cycles, responsibilities, documentation and required reports among others. Such guide will help the members of the committee to quickly refer on a matter of interest and consequently make informed decisions. In addition, I urge the Committee to secure a robust loan management system to ease the report generation on preferred durations. Even if it may be important to embrace flexibility, I urge the committee to fervently uphold and maintain full compliance with the provisions of the Scheme Regulations for any loan application received so as to guarantee requisite critical securities.

Finally, I wish to thank the Isiolo County Assembly Car Loan and Mortgage Fund committee for timely consideration of mortgage and car loan applications and also securing the fund through Credit Life Policy.



Salad Boru Guracha
ADMINISTRATOR OF THE FUND
COUNTY ASSEMBLY OF ISIOLO

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity 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 objective of the fund is:

- (i) To provide a loan scheme for the purchase of vehicles by members of the scheme; and
- (ii) To provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the scheme. In so doing, the fund intends to facilitate Members of County Assembly to acquire a personal means of transport that enables them to move from their area of residence to the office and also have a decent shelter.

8. Corporate Governance Statement

Matters of Isiolo County Assembly Mortgage and Car Loan Scheme Fund squarely under the purview of designated committee. In this regard, the committee have held sittings during the year under review to discuss and approve mortgage loans and assess various loan recoveries among other agendas. The scheme regulations approved by the County Assembly has provided elaborate ways of establishing a committee with defined

The fundamental role of the committee is to manage loans with respect to approvals. This mandate ranges from receiving applications, appraisal of applications and ultimate consideration of applications based on its merits.

Traditionally, the committee is bound to undergo at least one training in a year with a focus on improving scheme loan management and performance. The training content usually features matters of prudent public finance management which ranges from procedural approvals to effective securities and recoveries. Luckily, the committee has undergone this relevant training during the last quarter of the year. Committee capacity building being a critical need will hopefully be done every financial year.

As guided by the SRC, the committee members are granted sitting allowances for every sitting they hold. The sitting is regulated by a quorum and usually payment is dictated by attendance of the members. At a point where a conflict of interest is suspected, for instance, where a committee member's application is being discussed, the committee by practice asks the member to excuse himself/herself from the meeting as the matter is discharged without any reference to the applicant.

The committee activities in terms of fund expenditure by way of loan disbursements, training facilitation or sitting allowances are all subject to government taxes and audit. The records of loans and bank statements are subjected to audit every end of financial year. This undertaking is primarily embraced not only because it is a statutory requirement but also to ensure financial accountability of the committee and to safeguard sustainability of the fund.

Procurement of a logical system that schedules loan, amortize, reschedule when need arise and generate periodical reports according to user needs is highly desired. The software is expected to store information of a borrower in terms of loan application, loan register and loan discharge upon final instalments. The system is also crucial as it alerts on due annual insurances and also give accurate information for decision support. Embracing technology will definitely underpin transparency and accountability hence corporate governance.

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

9. Management Discussion and Analysis

The fund is generally performing well. Further during the year under review the fund earned an interest income of **KES 743,046.00**. An estimated principal of **KES 6,414,288.00** has also been recovered.

There was no loan default experienced but there seems a threat from additional statutory charges promulgated from time-to-time such as Housing Levy and NSSF that will automatically lead to breach of One-Third rule.

10. Environmental and Sustainability Reporting

1. Sustainability Strategy and Profile

Isiolo County Assembly has made various sustainable efforts that focus on service delivery to the citizen. The strategic area of focus for service delivery includes but not limited to:

- Legislative Services
- Oversight Role
- Committee Services
- Staff Management and development
- Physical infrastructure development
- Financial Resource Management
- Application of ICT in all our processes

2. Environmental performance

Isiolo County Assembly works towards the Health and Safety measures that aims at prevention and protection of employees against accidents and occupational hazards arising at the workplace as well as reduce the environmental impact of the institution activities and products.

The Assembly has put in place measures to prevent and mitigate against accidents, explosions, fire, floods, earthquakes, bomb threats and prepared procedures to be followed in such events. There is a Fire assembly point in case of Fire and the employees have been briefed on its importance

3. Employee welfare

Isiolo County Assembly has committed to ensuring that employee welfare is taken into consideration to ensure maximum efficiency and effectiveness. Amongst the welfare opportunities present to Isiolo County Assembly Members and Staff includes: Prompt payment of Salaries, Annual incremental of Salaries, advance of salary, subsistence & foreign allowance, acting allowance and leave allowance.

The Assembly also provides Medical Cover to the Members and Staff. The medical covers entail inpatient, outpatient, dental, Optical Maternity as well as last expense.

The Assembly has also taken into consideration occupational Safety and Health by providing Occupational Benefits; Group Life Insurance, Group Personal Accident and Work Injury Benefit Act (WIBA).

The Members and staff of Isiolo County Assembly enjoys other benefits like leave allowances and categories not limited to the following; Annual Leave, Maternity & Paternity Leave, Unpaid Leave, Compassionate Leave, Sick/Convalescent Leave, Terminal, Examination, Study leave well as child adoption leave. The Members and staff also enjoy various workshops and training

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

11. Report of the Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are Fund shall solely utilize for; the purpose, development, renovation, repair or improvement of residential property for the occupation of the borrower or his immediate family members.

The loan for the development of the residential property may be granted at the discretion of the committee to a staff in possession of a title deed to the land on which the development is intended to be carried out.

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1-6

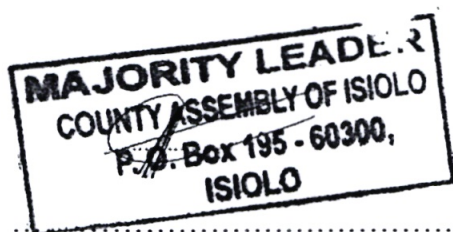
Trustees

The members of the Board of Trustees who served during the year are shown on page vii.

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 to carry out the audit of the Isiolo County Assembly Mortgage and Car Loan Scheme Fund for the year/period ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board



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

Date:

12. 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 *Isiolo County Assembly Mortgage and Car Loan Scheme Fund) Regulations, 2021* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

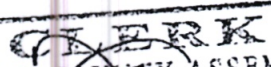
The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate 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 County Assembly; (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 County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly's car loan scheme fund financial statements, which have been prepared on the accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the financial statements give a true and fair view of the state of the County Assembly's car loan fund scheme for the year ended on June 30, 2023 and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the fund which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

The Clerk confirms that the County Assembly has complied fully with applicable Government Regulations, and that the County Assembly's car loan funds disbursement during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

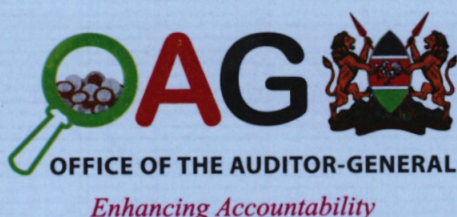
The County Assembly's car loan fund scheme financial statements were approved and signed by the Clerk of the County Assembly on **15th July, 2023** and signed on its behalf by:


CLERK
ISIOLO COUNTY ASSEMBLY
P. O. BOX 135 260300,
ISIOLO

Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON ISIOLO COUNTY ASSEMBLY MORTGAGE AND CAR LOAN 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 the 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, risk management environment and 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

Qualified Opinion

I have audited the accompanying financial statements of Isiolo County Assembly Mortgage and Car Loan Scheme Fund set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial

Report of the Auditor-General on Isiolo County Assembly Mortgage and Car Loan Scheme Fund for the year ended 30 June, 2023

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 Isiolo County Assembly Mortgage and Car Loan Scheme Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accruals Basis) and comply with the Public Finance (Isiolo County Assembly Mortgage and Car Loan Scheme Fund) Regulations, 2021 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Unsupported Adjustments

The statement of changes in net assets reflects a negative balance of Kshs.2,399,751 in respect of adjustments. However, the adjustments were not supported by journal vouchers or any explanations of the circumstances that occasioned the adjustments.

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

2.0 Variance in Long-Term Receivables from Exchange Transactions

As previously reported the statement of financial position and Note 6 to the prior year's financial statements reflected Kshs.14,946,882 in respect of long-term receivables from exchange transactions. However, supporting schedules showed Kshs.13,667,505 resulting in unexplained variance of Kshs.1,279,377.

In the circumstances, the accuracy of long-term receivables from exchange transactions balances could not be confirmed.

3.0 Inaccuracy in the Principal Loan Repayments Balance

As previously reported the statement of cash flows for the 2021/2022 financial year reflected Kshs.5,890,797 in respect of principal loan repayments while the supporting schedules provided for audit showed Kshs.11,013,877 resulting in unreconciled variance of Kshs.5,123,080.

In the circumstances, the accuracy of the principal loan repayment balances could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Isiolo County Assembly Mortgage and Car Loan Scheme Fund Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects nil total expenditure against an approved budget of Kshs.743,046 resulting to an under-expenditure of the same amount.

The under-expenditure affected the planned activities and may have impacted negatively on service delivery to the members.

My opinion is however not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Prior Year Unresolved Audit Matters

The report of the previous year reflects various issues which remained unresolved as at 30 June, 2023. Management did not provide reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues were not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Lack of Mortgage Protection Policy

The statement of financial position and Note 6 to the financial statements reflects Kshs.60,899,679 in respect of long-term receivables from exchange transactions which had been loaned to members. However, review of the individual loan files revealed that none of the beneficiaries had taken out and maintained a mortgage protection policy and a fire policy contrary to Section 15 (1) of the Public Finance (Isiolo County Assembly Mortgage and Car Loan Scheme Fund) Regulations, 2021 which provides that a borrower shall take out and maintain a mortgage protection policy and a fire policy with an insurance firm approved by the committee.

In the circumstances, the Fund was at a risk of loss of public money in case of fire or accident to the mortgaged property.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 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 dissolve the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi


08 January, 2024

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue from Exchange Transactions			
Interest Income	2	743,046.00	480,097.00
Total Revenue		743,046.00	480,097.00
Expenses			
Fund administration expense	3	-	70,801.00
Finance Costs	4	-	-
Total Expenses		-	70,801.00
Other Gains/Losses			
Gain/Loss on Disposal of Assets		-	-
Gain /Loss on fair value of investments		-	-
Surplus/(Deficit) for the Period		743,046.00	409,296.00

Name: Salad Boru Guracha
 Administrator of the Fund
 Signature.....

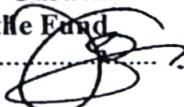
Name: Abdullahi Kalthum Nuna.
 Fund Accountant ICPAK Member Number:29827
 Signature.....

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position As at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	5	3,717,599.00	8,060,265.00
Total current assets		3,717,599.00	8,060,265.00
Non-Current Assets			
Long Term Receivables from Exchange Transactions	6	60,899,678.99	14,946,882.00
Total non- current assets		60,899,678.99	14,946,882.00
Total Assets		64,617,277.99	23,007,147.00
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	7	766,836.00	-
Total current liabilities		766,836.00	-
Non-Current Liabilities			
Long Term Portion of Borrowings		-	-
Total Liabilities		766,836.00	-
Net Assets		63,850,441.99	23,007,147.00
Revolving Fund		64,624,495.00	22,124,495.00
Reserves		-	-
Accumulated Surplus		(774,053.01)	882,652.00
Total Net Assets and Liabilities		63,850,441.99	23,007,147.00

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 15th July, 2023 and signed by:

Name: Salad Boru Guracha
Administrator of the Fund
Signature.....

Name: Abdullahi Kalthum Nuna.
Fund Accountant ICPAK Member Number:29827
Signature.....

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance as at 1 July 2022	22,124,495.00	-	473,356.00	22,597,851.00
Surplus/(Deficit) For the Period	-	-	409,296.00	409,296.00
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance as at 30 June 2022	22,124,495.00	-	882,652.00	23,007,147.00
Balance as at 1 July 2023	22,124,495.00	-	882,652.00	23,007,147.00
Surplus/(Deficit) For the Period	-	-	743,046.00	743,046.00
Funds Received During the Year	42,500,000.00	-	-	42,500,000.00
Adjustments by Journal	-	-	(2,399,751.01)	(2,399,751.01)
Revaluation Gain	-	-	-	-
Balance as at 30 June 2023	64,624,495.00	-	(774,053.01)	63,850,441.99

(Provide details on the nature and purpose of reserves)

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest received	2	743,046.00	480,097.00
Total receipts		743,046.00	480,097.00
Payments			
Fund administration expenses	-	-	-
General expenses	3	-	70,801.00
Finance cost	4	-	-
Net cash flows from operating activities		743,046.00	409,296.00
Cash flows from investing activities			
Proceeds from loan principal repayments	8	6,414,288.00	5,890,797.00
Loan disbursements paid out	9	(54,000,000.00)	(6,000,000.00)
Net cash flows used in investing activities		(47,585,712.00)	(109,203.00)
Cash flows from financing activities			
Transfers from County Government	1	42,500,000.00	
Adjustments for Increase/decrease in Receivables from Exchange Transactions		-	3,617,933.00
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		42,500,000.00	3,617,933.00
Net increase/(decrease) in cash & cash Equivalents		(4,342,666.00)	3,918,026.00
Cash and cash equivalents at 1 July 2022		8,060,265.00	4,142,239.00
Cash and cash equivalents at 30 June 2023		3,717,599.00	8,060,265.00

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement of Comparison of Budget and Actual Amounts for The Period

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Ksh	Ksh	Ksh		Ksh	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers from County Govt.	0	0	0	0	0	
Interest Income	743,046.00	0	743,046.00	743,046.00	0	100%
Total Income	743,046.00	0	743,046.00	743,046.00	0	
Expenses						
Fund Administration Expenses	0	0	0	0	0	
General Expenses	743,046.00	0	743,046.00	0	743,046.00	0%
Finance Cost	0	0	0	0	0	
Total Expenditure	743,046.00	0	743,046.00	0	743,046.00	
Surplus for the Period				743,046.00		

Budget notes

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

19. Notes to the Financial Statements

1. General Information

Isiolo County Assembly Mortgage and Car Loan Scheme Fund is established by and derives its authority and accountability from Isiolo County Assembly Mortgage and Car Loan Scheme Fund) Regulations, 2021. The entity is wholly owned by the Isiolo County Government and is domiciled in Kenya. The entity’s principal activity is to issue members with mortgage and car loan.

2. Statement of compliance and basis of preparation

The Fund’s financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 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 an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;

**Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Standard	Effective date and impact
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. 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.

**Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Standard	Effective date and impact
	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.
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

**Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Standard	Effective date and impact:
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 of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements For the year ended 30th June 2023

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2023 was approved by the County Assembly on. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of the FY 2023 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

Summary of Significant Accounting Policies (Continued)

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in 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 cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Summary of Significant Accounting Policies (Continued)

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Summary of Significant Accounting Policies (Continued)

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

f) Inventories

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Summary of Significant Accounting Policies (Continued)

g) 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.

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) 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.

i) 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.

Summary of Significant Accounting Policies (Continued)

j) 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.

k) Related parties

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

l) Cash and cash equivalents

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

m) Comparative figures

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

**Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Summary of Significant Accounting Policies (Continued)

n) 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 control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

5. Notes to The Financial Statements

1. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers from County Govt. –Operations	42,500,000.00	0
Payments by County on Behalf of The Entity	0	0
Unconditional Development grants	0	0
Total	42,500,000.00	0

2. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income from Mortgage Loans	743,046.00	480,097.00
Interest Income from Car Loans	0	0
Total Interest Income	743,046.00	743,046.00

3. Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
General Office Expenses	0	70,801.00
Loan Processing Costs	0	0
Professional Services Costs	0	0
Administration Fees	0	0
Committee Allowances	0	0
Bank Charges	0	0
Insurance Costs	0	0
Total	0	70,801.00

4. Finance costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest on Bank Overdrafts	0	0
Interest on Loans from Banks	0	0
Total	0	0

Isiolo County Assembly Mortgage and Car Loan Scheme Fund
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5. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Car loan account	0	0
County mortgage account	3,717,599.00	8,060,264.55
Total Cash and Cash Equivalents	3,717,599.00	8,060,264.55

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

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Current Account			
Co-operative Bank		3,717,599.00	8,060,264.55
Grand Total		3,717,599.00	8,060,264.55

6. Receivables from exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
Interest Receivable	0	0
Current Loan Repayments Due	0	0
Total Current Receivables	0	0
Non-Current Receivables		
Long Term Receivables from exchange transactions	60,899,678.99	14,969,823
Total Non- Current Receivables		
Total Receivables from Exchange Transactions	60,899,678.99	14,969,823

**Isiolo County Assembly Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Notes to the Financial Statements Continued

7. Trade and other payables from exchange transactions

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Trade Payables	766,836.00		0	
Refundable Deposits	0		0	
Accrued Expenses	0		0	
Other Payables	0		0	
Total Trade and Other Payables	766,836.00		-	
Ageing analysis (Trade and other payables)	2022-2023	% of the Total	2021-2022	% of the Total
Under one year	766,836	100%	0	0%
1-2 years	0	0%	0	0%
2-3 years	0	0%	0	0%
Over 3 years	0	0%	0	0%
Total (tie to above total)	0	100%	0	0%

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

8. Proceeds from Loan Repayments

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Principal repayments	6,414,288.00		5,890,797.00	
Total Trade and Other Payables	6,414,288.00		5,890,797.00	

9. Loan Disbursed out

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Loan disbursements paid out	54,000,000.00		6,000,000.00	
Total Trade and Other Payables	54,000,000		6,000,000.00	

Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;

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d) Board of Trustees; etc.

e) **Capital risk management.**

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

Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	0	0
Revolving fund	64,624,495.00	22,124,495.00
Accumulated surplus	(774,053.01)	882,652.00
Total funds	63,850,441.99	23,007,147.00

10. Events after the reporting period

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

11. Currency

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

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20. Annexes

Progress on Follow up of Prior Year Auditor's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

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

CLERK
ISILOLO COUNTY ASSEMBLY
 P. O. Box 60300,
 ISILOLO

Salad Boru Guracha
 Fund Manager/Accounting Officer

Date... 28th NOV 2023