REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KAKAMEGA COUNTY ASSEMBLY LOANS AND MORTGAGES FUND

FOR THE YEAR ENDED 30 JUNE, 2023

KAKAMEGA COUNTY ASSEMBLY

LOANS AND MORTGAGES FUND

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED

JUNE 30, 2023.

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

Table of Content

1. Acronyms and Glossary of Terms

a) Acronyms

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

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility

2. Key Entity Information and Management

a) Background information

Car Loan and Mortgage Fund is established by and derives its authority and accountability from Kakamega County Car Loan and Mortgage Fund Regulations, 2014 and SRC Circular No.023/12/2014. Act The Fund is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

The fund's objective is to advance Members of County Assembly and staff of Kakamega County Assembly Car Loans and Mortgage as per SRC Circular No. 023/12/2014

b) Principal Activities

The principal activity to advance Members of County Assembly and staff of Kakamega County Assembly Car Loans and Mortgage as per SRC Circular No. 023/12/2014

c) Loans and Mortgages Management Committee

Ref	Name	Position
1	Hon. Bernard Isindu Shitiabayi	chairperson
2	Ms Esther Akoth Ariko-Clerk	-Fund Administrator - Secretary
3	Hon.Karim Tingili	Member
4	Hon.Isabella Mungasia	Member
5	CPA Samson Otieno	Member

d) Key Management Steam

Ref	Name	Position
1	Hon. Bernard Isindu Shitiabayi	chairperson
2	Ms Esther Akoth Ariko-Clerk	-Fund Administrator - Secretary
3	Hon.Karim Tingili	Member
4	Hon.Isabella Mungasia	Member
5	CPA Samson Otieno	Member

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	County Assembly	Assembly Committees
2	Auditor General	Office of Auditor general
3	National Treasury	Directorate of Accounting Services
4	Controller of budget	Office of COB

f) Registered Offices

P.O. Box 1470- 50100

County Assembly chambers

Fitina Road

KAKAMEGA, KENYA

g) Fund Contacts

Telephone: (254) 715521221

E-mail: kakamegacountyassembly@gmail.com

Website: www.kakamega-assembly.go.ke

h) Fund Bankers

Family Bank of Kenya

Kakamega, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser

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

k) County Attorney

County Government of Kakamega

P.O Box 36-50100

Kakamega, Kenya

3. Fund Administration Committee

Name	Details of qualifications and experience
 **Hon. Shitiabayi Bernard**	• Chairperson of the Loans and Mortgage Fund • Hon. Shitiabayi is the Deputy Speaker in the Third County Assembly • He holds a BA in Security Studies and Criminology from Mount Kenya University, a Diploma in Criminology from University of Eldoret and a Certificate in Participatory Rural Appraisal from Egerton University.At the time of his election, Kakamega. He has also served as the chairman at the National Government Constituency Development Fund in Shinyalu (2017-2022) and as a community facilitator at Action Aid Kenya in West Pokot on HIV/AIDs program. He represents Isukha East
 **Ms Esther Ariko-Clerk**	• Fund Administartor and Secretary • She holds a Bachelor's of Commerce Degree (Accounting option) from the University of Nairobi, and a Master's of Business Administration Degree with specialization in Accounting and Finance from the same university. • Senior Management Courses at the Kenya School of Government including Strategic Leadership Development Programme as well acquiring several trainings on Parliamentary Studies and Human Resource Management.
Hon.Karim Tingili	Member
Hon.Isabella Mungasia	Member
 CPA Samson Otieno	Committee Member MBA in strategic management BCom (Finance and Accounting),CPAK,CS

4. Management Team

Name	Details of qualifications and experience
 **Hon. Shitiabayi Bernard**	• Chairperson of the Loans and Mortgage Fund • Hon. Shitiabayi is the Deputy Speaker in the Third County Assembly • He holds a BA in Security Studies and Criminology from Mount Kenya University, a Diploma in Criminology from University of Eldoret and a Certificate in Participatory Rural Appraisal from Egerton University.At the time of his election, Kakamega. He has also served as the chairman at the National Government Constituency Development Fund in Shinyalu (2017-2022) and as a community facilitator at Action Aid Kenya in West Pokot on HIV/AIDs program. He represents Isukha East
 Ms Esther Ariko-Clerk	• Fund Administartor and Secretary • She holds a Bachelor's of Commerce Degree (Accounting option) from the University of Nairobi, and a Master's of Business Administration Degree with specialization in Accounting and Finance from the same university. • Senior Management Courses at the Kenya School of Government including Strategic Leadership Development Programme as well acquiring several trainings on Parliamentary Studies and Human Resource Management.
Hon.Karim Tingili	Member
Hon.Isabella Mungasia	Member
 CPA Samson Otieno	Committee Member MBA in strategic management BCom (Finance and Accounting),CPAK,CS

5. Board Chairperson's Report

It is my pleasure to present the County Assembly Loans and Mortgages Fund Financial Reports and Statements for the period ended 30th June, 2023. The statements present the financial performance of the County Asembly Fund for financial year 2022-2023.

The Financial Statements have been prepared in line with the Public Finance Management (PFM) Act, 2012 and are in line with the format prescribed by the Public Sector Accounting Standards Board.

Kakamega County Assembly has 90 Members of County assembly, 60 are elected and 30 nominated. In the Financial period ended 30th June 2023, the Assembly had a staff establishment of 92 members of staff.

The performance of the Fund in period ended 30th June 2023 had so many challenges like late funding and challenges related to the elections. The performance has been explained below.

Budget performance

The County assembly Loans and Mortgages Fund had a budget of Kshs 182,000,000. The actual expenditure for the period ended 30th June 2023 was Kshs 2,140.040 Leaving a deficit of Kshs (2,140,040)

Name..Signature. ARIWO ESTHER...Date...30/6/23

Chairperson of the Board

6. Report of The Fund Administrator

It is my pleasure to present the County Assembly Loans and Mortgages Fund Financial Reports and Statements for the period ended 30th June, 2023. The statements present the financial performance of the Fund for financial year 2022-2023.

The Financial Statements have been prepared in line with the Public Finance Management (PFM) Act, 2012 and are in line with the format prescribed by the Public Sector Accounting Standards Board.

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Operational Performance

The Period under review the County assembly Loans and Mortgages Fund advanced eligible members as shown in the statement of Financial perfomance.

a) **Performance of key development projects**

The Fund advances eligible Members with Car Loans and Mortgage Facility.

d) Comment on value-for-money achievements

The Fund in all its activities has achieved value for money.

b) Challenges and Recommended Way Forward

The major challenge the Fund faces is untimely disbursement of funds from the National Treasury. The Fund has no any other source of revenue to finance its budget and whenever funds are not received or disbursed late, this renders budget utilisation impossible.

The way forward on this challenge is enactment of Laws to allow the assembly receive its exchequer directly from the National treasury and not through the county executive.

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Name: Ms Esther Ariko

Clerk of the County Assembly

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

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

The key development objectives of the Kakamega County Assembly loans and Mortgages is to provide motor vehicles and housing facility for the MCAs and members of staff.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of staff	To ensure all staff have access to Mortgage facilities	mortgages successfully applied	86% of staff taking Mortgage facilities	**During FY ,2023 Members of staff accessed the facility and were able build their own houses**

8. **Corporate Governance Statement**

a. **Number of Fund Administration Committee meetings held and the attendance to those meetings by members,**

The current Committee was competitively recruited and sworn in, in the Financial Year 2022/2023 hence committees have been formed and ready to hold meetings starting Financial Year 2023/2024.

b. **Succession plan,**

The Board of Committees are always competitively recruited and legally constituted after their term has ended.

c. **Existence of a service charter,**

Currently there is no service charter, the management is in the process of preparing one to be approved by the board.

d. **Process of appointment and removal of trustees/ Administration Committee members,**

Members are appointed and thereafter vetted by the Assembly service board. Member can be removed by the resolution of the full board and notification to the Appointing authority if he or she has not adhered to the regulations of the board.

e. **Roles and functions of the Administration Committee members,**

The following are the roles and functions of the administration committee members

- Delegate tasks to Sub Committees
- Seek external advice
- Deals with administration matters

f. **Induction and training, Administration Committee members and member's performance,**

Members are always inducted after engagement and are frequently trained on quarterly basis

g. Conflict of interest,

At the beginning of every Board meeting members are requested to declare if they had any conflict of interest issues on the agenda at hand.

No conflict of interests were raised during board meetings.

h. Board remuneration,

The Chairperson is entitled to a monthly allowance while attending Board meetings. Independent Board members are also reimbursed travel allowances.

i. Ethics and conduct as well as governance audit undertaken if any

No ethics and conduct as well as governance audit conducted.

9. Management Discussion and Analysis

a. On the operational and financial performance of the Fund/Board during the period,

The Fund received a total of Ksh. 193,423,642 and 322,468,984 balance b/f from revolving fund.

b. Entity's key projects or investments decision implemented or on going,

The Fund looks forwad to advance Loans and Mortgages as at the start of the Financial year 2023/2024. We however endeavour to take our services to every entittled Member.

c. Fund's compliance with statutory requirements,

The fund has complied with the required statutory requirements

d. Major risks facing the Fund, material arrears in statutory and other financial obligations

The delays in receiving of the funds slowed down loan disbursements. No enough capacity in enforcement of loan recoveries.

e. Any other information considered relevant to the users of the financial statements.

The fund is in operation and is still picking up gradually to reach its potential.

10. Environmental and Sustainability Reporting

1. **Sustainability strategy and profile -**
   The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. **Environmental performance**
   Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

3. **Employee welfare**
   Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

4. **Market place practices-**
   The organisation should outline its efforts to:
   a) Responsible competition practice.
      Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors
   b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.
   c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices
   d) Product stewardship- outline efforts to safeguard consumer rights and interests

5. **Corporate Social Responsibility / Community Engagements**

   The organisation gives details of CSR activities carried out in the year and the impact to the society. Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.

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 activity to advance Members of County Assembly and staff of Kakamega County Assembly Car Loans and Mortgage as per SRC Circular No. 023/12/2014

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 1-47

Trustees

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

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board

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CLERK OF THE COUNTY ASSEMBLY
KAKAMEGA COUNTY

Fund Administration Committee

Date: 30/6/23

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 Kakamega County Car Loan and Mortgage Fund Regulations, 2014 and SRC Circular No.023/12/2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 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 Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kakamega County Car Loan and Mortgage Fund Regulations, 2014 and SRC Circular No.023/12/2014). The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

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

Approval of the financial statements

The Fund*'s* financial statements were approved by the Board on 30/6/ 2023 and signed on its behalf by:

KAKAMEGA COUNTY

Ms Esther Ariko
Clerk of the County Assembly

REPUBLIC OF KENYA

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

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY ASSEMBLY LOANS AND MORTGAGES 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 intended purpose; and,

C. Report on the 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 control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kakamega County Assembly Loans and Mortgages Fund set out on pages 1 to 27, which comprise the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kakamega County Assembly Loans and Mortgages 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 (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Public Finance Management (Kakamega County Assembly Loans and Mortgages Fund) Regulations, 2014

Basis for Qualified Opinion

1. Unsupported Long-term Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.231,891,930 in respect of long-term receivables from exchange transactions as disclosed in Note 6 to the financial statements. However, the Fund Management did not provide loan ledgers and schedules to support the balance.

In the circumstances, the accuracy and completeness of the long-term receivables from exchange transactions balance of Kshs.231,891,930 could not be confirmed.

2. Unsupported Current Portion of Long-term Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.299,017,890 in respect of current portion of long-term receivables from exchange transactions which, as disclosed in Note 6 to the financial statements, relates to current loan repayments due. However, out of the total balance, only Kshs.213,419,502 was supported by loan ledgers and schedules leaving an unsupported amount of Kshs.85,598,388.

In the circumstances, the accuracy and completeness of the current portion of long-term receivables from exchange transactions balance of Kshs.85,598,388 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Assembly Loans and Mortgages 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 receipts budget and actual on comparable basis of Kshs.182,000,000 and nil amounts respectively resulting to under-funding of Kshs.182,000,000 or 100% of the budget. Similarly, the statement reflects actual expenditure of Kshs.2,140,040 against approved budget of Kshs.182,000,000 resulting to under-performance of Kshs.179,859,960 or 99% of the budget.

The under-funding and under-performance affected the planned activities and may have negatively impacted on service delivery to the members of the Fund.

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

Unresolved Prior Year Matters

In the audit of the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or provided any explanation on the failure to resolve them as required by the Public Sector Accounting Standards Board reporting templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (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 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 of 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 control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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
<u>AUDITOR-GENERAL</u>

Nairobi

06 February, 2024

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

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From the County Assembly	1	0	0
		0	**0**
Revenue From Exchange Transactions			
Interest Income	2	0	486,142
		0	**486,142**
Total Revenue		**0**	**486,142**
Expenses			
General Expenses	3	2,140,040	600
Total Expenses		**2,140,040**	**600**
Other Gains/Losses			
Gain/Loss on Disposal of Assets	4	0	0
Surplus/(Deficit) For The Period		(2,140,040)	485,542

(The notes set out on pages 17 to 20 form an integral part of these Financial Statements)

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CLERK OF THE COUNTY ASSEMBLY KAKAMEGA COUNTY

Name: Ms Esther Ariko

Clerk of the Assembly

Name: Cpa Beatrice Ilavonga

Director of Finance and Accounting – County Assembly

ICPAK Member Number:12121

15. Statement of Financial Position As at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	5	719,528	12,190,596
Current Portion of Long- Term Receivables From	6	299,017,890	85,598,388
Non-Current Assets		**299,737,418**	**97,788,984**
Long Term Receivables from Exchange Transactions	6	231,891,930	242,556,762
		231,891,930	**242,556,762**
Total Assets		**531,629,348**	**340,345,746**
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	7	0	0
Non-Current Liabilities			0
Long Term Portion of Borrowings	8	0	0
Total Liabilities		**0**	**0**
Net Assets		**531,629,348**	**340,345,746**
Revolving Fund		515,892,626	322,468,984
Reserves		0	0
Accumulated Surplus		15,736,722	17,876,762
Total Net Assets and Liabilities		**531,629,348**	**340,345,746**

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 30/7/ 2023 and signed by:

KAKAMEGA COUNTY

Name: Ms Esther Ariko

Clerk of the Assembly

Name: Cpa Beatrice Ilavonga

Director of Finance and Accounting – County Assembly
ICPAK Member Number:12121

16. Statement Of Changes in Net Assets for the year ended 30th June 20xx

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2021	322,468,984	0	0	**322,468,984**
Surplus/(deficit) for the year	0	0	0	**0**
Funds received during the year	0	0	0	**0**
Revaluation gain	0	0	0	**0**
Bal as at 30 Jun 2022	**322,468,984**	**0**	**17,876,762**	**340,345,746**
Bal as at 1 July 2022	**322,468,984**	**0**	**17,876,762**	**340,345,746**
Surplus/(deficit) for the year	0	0	(2,140,040)	**(2,140,040)**
Funds received during the year	**193,423,642**	0	0	**193,423,642**
Revaluation gain	**0**	0	0	**0**
Balance as at 30 June 2023	**515,892,626**	**0**	**15,736,722**	**531,629,348**

CLERK OF THE COUNTY ASSEMBLY
KAKAMEGA COUNTY

………………………… ……………………………

Name: Ms Esther Ariko

Clerk of the Assembly

Name: Cpa Beatrice Ilavonga

Director of Finance and Accounting – County Assembly
ICPAK Member Number:12121

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

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers From the County Assembly	1	0	0
Interest received	2	0	486,142
Total receipts		**0**	**486,142**
Payments			
General expenses	3	(2,140,040)	(600)
Net cash flows from operating activities		**(2,140,040)**	**485,542**
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		0	0
Proceeds from loan principal repayments		10,664,832	8,262,448
Loan disbursements paid out		(213,419,502)	-
Net cash flows used in investing activities		**(202,754,670)**	**8,747,990**
Cash flows from financing activities			
Proceeds from revolving fund receipts		193,423,642	0
Net increase/(decrease) in cash & cash Equivalents		**(11,471,068)**	8,747,990
Cash and cash equivalents at 1 July 2022	5	**12,190,596**	3,442,606
Cash and cash equivalents at 30 June 2023	5	**719,528**	**12,190,596**

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

Name: Ms Esther Ariko
Clerk of the Assembly

Name: Cpa Beatrice Ilavonga
Director of Finance and Accounting – County Assembly
ICPAK Member Number:12121

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
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Public Contributions and Donations	-	-	-	-	-	
Transfers From County Assembly	182,000,000		182,000,000		(182,000,000)	
Interest Income	-	-	-	-	-	
Other Income	-	-	-	-	-	
Total Income	**182,000,000**	-	**182,000,000**	-	**(182,000,000)**	
Expenses						
Loan Disbursement	182,000,000	-	182,000,000	-	(182,000,000)	
General Expenses	-	-	-	2,140,040	(2,140,040)	
Finance Cost	-	-	-	-	-	
Total Expenditure	**182,000,000**	-	**182,000,000**	**2,140,040**	-	
Surplus For the Period	-	-	-	**(2,140,040)**	-	
Capital expenditure	-	-	-	**213,420,222**	-	

Budget notes

1. *Ksh.193,423,,642 received by the Fund in the Financial year ended 30 June 2023 is a Capital Investment capitalised in the statement of Changes in Net Assets and Statememnt of Financial Position.*
2. The major challenge the assembly faces is untimely disbursement of funds from the National Treasury. The Assembly has no any other source of revenue to finance its budget and whenever funds are not received or disbursed late, this renders budget utilisation impossible.

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

1. General Information

Car Loan and Mortgage Fund is established by and derives its authority and accountability from Kakamega County Car Loan and Mortgage Fund Regulations,2014 and SRC Circular No.023/12/2014. Act The Fund is wholly owned by the County Government of Kakamega and is domiciled in Kenya.
The fund's objective is to advance Members of County Assembly and staff of Kakamega County Assembly Car Loans and Mortgage as per SRC Circular No.023/12/2014

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

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

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

Standard	Effective date and impact:
	• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** 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: (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.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** 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.

Standard	Effective date and impact:
	c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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	***Applicable 1st January 2023*** • *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement** Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	***Applicable 1st January 2025*** 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued	***Applicable 1st January 2025*** The Standard requires, 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

Standard	Effective date and impact:
Operations	sell and the depreciation of such assets to cease and: 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.

(iii)Early adoption of standards

The Kakamega County Assembly Loans and Mortgages Fund did not early – adopt any new or amended standards in year 2023.

3. Summary of 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.

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. 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 on 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 under section of these financial statements.

c) Property, plant and equipment

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

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) 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.

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.

Summary of Significant Accounting Policies (Continued)

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.

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.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx.*

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

g) 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.

h) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) 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.

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

l) 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.

m) 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)

n) 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.

o) Borrowing costs

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

p) 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.

q) 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.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made e.g.

a) Estimates and assumptions –

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Notes To The Financial Statements Continued

1. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	0	0
Total	**0**	**0**

2. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income From Mortgage Loans	0	0
Interest Income From Car Loans	0	486.142
Total Interest Income	**0**	**486,142**

3. General Expenses

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Bank charges	29,640	600
Committee Allowances	2,110,400	-
Total	**2,140,040**	**600**

4. Gain/(loss) on disposal of assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, Plant And Equipment	0	0
Intangible Assets	0	0
Total	**0**	**0**

Notes to the Financial Statements Continued

5. Cash and cash equivalents

Description	**2022-2023**	**2021-2022**
	Kshs	**Kshs**
Car Loan Account	719,528	12,190,596
Total Cash And Cash Equivalents	**719,528**	**12,190,596**

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

		2022-2023	**2021-2022**
Financial Institution	**Account number**	**Kshs**	**Kshs**
a) Fixed Deposits Account			
Family Bank (Ksh)	078000032659	719,528	12,190,596
Sub- Total		719,528	12,190,596
Grand Total		719,528	12,190,596

6. Receivables from exchange transactions

Description	**2022-2023**	**2021-2022**
	Kshs	Kshs
Current Receivables		
Interest Receivable	0	0
Current Loan Repayments Due	299,017,890	85,598,388
Other Exchange Debtors	0	0
Less: Impairment Allowance	0	0
Total Current Receivables	**213,420,222**	**85,598,388**
Total Non- Current Receivables	231,891,930	242,556,762
Total Receivables From Exchange Transactions	**530,909,820**	**328,155,150**

7. Trade and other payables from exchange transactions

Description	**2022-2023**	**2021-2022**
	Kshs	Kshs
Trade Payables	0	0
Total Trade And Other Payables	0	0

8. Borrowings

Description	2022-2023	2021-2022
	Kshs	Kshs
Balance At Beginning of The Period	0	0
External Borrowings During the Year	0	0
Balance At End of The Period	0	0

Notes To The Financial Statements (Continued)

9. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2021	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
At 1st July 2022					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2023	-	-	-	-	-
Depreciation And Impairment					
At 1st July 2022	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2023	-	-	-	-	-
Net Book Values					
At 30th June 2022	-	-	-	-	-
At 30th June 2023	-	-	-	-	-

Notes To The Financial Statements (Continued)

Other Disclosures

10. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

	2022-2023	2021-2022
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

	2022-2023	2021-2022
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2022-2023	2021-2022
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

Other Disclosures Continued
Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

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

The entity has significant concentration of credit risk on amounts due from xxxx

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

The Fund manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2022			
Euro	10%	-	-
USD	10%	-	-
2021			

ii. **Interest rate risk**

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

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

Management of interest rate risk

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

Sensitivity analysis

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

d) Capital risk management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-

20. Progress On Follow Up Of Prior Year Auditor's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1	Cash and Cash Equivalence	Management has put in place strategies to reconcile and provide attachments for audit review	Not Resolved	N/A
2	Presentation of the Financial Statements	Management has put in place strategies to reconcile and provide attachments for audit review	Not Resolved	N/A
3	Receivables			
3.1	Unsecured Long time Receivables	Management has put in place strategies to reconcile and provide attachments for audit review	Not Resolved	N/A
3.2	Unsuported Receivables	Management has put in place strategies to reconcile and provide attachments for audit review	Not Resolved	N/A
4	Revolving Fund	Management has put in place strategies to reconcile and provide attachments for audit review	Not Resolved	N/A
	Basis for Conclusion			
1	Late Submission of Finanacial Statements	Management has put in place strategies to reconcile and provide attachments for audit review	Not Resolved	N/A
2	Failure to deduct Fringe Tax(FBT)	Management has put in place strategies to reconcile and provide attachments for audit review	Not Resolved	N/A

Accounting Officer

Date 30/6/23

Annex II: Inter-Fund Confirmation Letter

The Kakamega County Assembly Loans and Mortgage Fund

The Kakamega County Assembly Loans and Mortgage Fund wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30th June 2023

		Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2023					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter–Ministerial (C)	Total (D)=(A+B+C)	Amount Received by [beneficiary Fund] (KShs) as at 30th June 20xx (E)	Differences (KShs) (F)=(D-E)
	26.06.2023	-	4,191,033		4,191,033	4,191,033	
	06.07.2022	-	3,017,128		3,017,128	3,017,128	
CBK467	11/22/2022	-	95,998,000		95,998,000	95,998,000	
CBK555	12/5/2022	-	4,008,214		4,008,214	4,008,214	
CBK560	12/5/2022	-	82,000,000		82,000,000	82,000,000	
	15.06.2023	-	4,209,268		4,209,268	4,209,268	
Total			**193,423,642**		**193,423,642**	**193,423,642**	

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name .... Sign ....Date ....

Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Annex IV: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments