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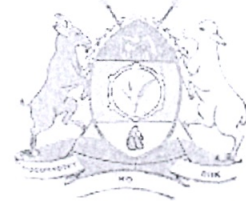
THE AUDITOR-GENERAL

ON

**KERICHO COUNTY EXECUTIVE
STAFF MORTGAGE SCHEME FUND**

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

PAPERS LAID	
DATE	26/3/24
TABLED BY	Maj. Leader
COMMITTEE	C.P.I.C
CLERK AT THE TABLE	Katya G



COUNTY GOVERNMENT OF KERICHO

COUNTY GOVERNMENT OF KERICHO
KERICHO COUNTY EXECUTIVE STAFF MORTGAGE 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)

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

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1. Key Entity Information and Management

a) Background information

Kericho County Executive Staff Mortgage Scheme Fund is established by and derives its authority and accountability from Public Finance Management Act (*Kericho County Executive Staff Mortgage Scheme Fund*) on 20th January 2016. The Fund is wholly owned by the County Government of Kericho and is domiciled in Kenya.

The fund's objective is to and purpose shall be to provide loan for the purchase, development, renovation or repair of residential property by members of the County Executive Staff.

The fund principal activity is to operate individual accounts for each borrower which shall provide details of recoveries of the loan, charge on properties acquired through loans from the fund to protect the interest of the fund and act as custodian of such charges, the fund also disburse payments to newly approved borrowers after the necessary documentation is completed by the committee and pay all out going and issue demand notices where necessary to the staff though the officer administering the fund upon repayment of the loan, interest and other expenses which may be outstanding to discharge the charge and release of the security document to the borrower and upon default to call in the loan on behalf of the committee sell the charged property by public auction or private treaty in which event the fund shall meet any short fall between the loan outstanding and the proceeds of sale.

b) Principal Activities

The principal fund's objective is to and purpose shall be to provide loan for the purchase, development, renovation or repair of residential property by members of the County Executive Staff.

c) Fund Administration Committee

Ref	Name	Position
1	Chairman of Board	Hon. Leonard Ngetich
2	Chief Officer Finance	CPA Gilbert Bii
3	County Secretary	Dr. Wesley Bor
4	Director Finance	CPA George K Kirer
5	County Chief of Staff	Edgar Towett
6	County Physical Planner	Sylvia Inziani
7	County Attorney	Adv Gideon Mutai
8	County Payroll Manager	Mr Duncan Mutai

Kericho County Executive Staff Mortgage Scheme Fund
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d) Key Management

Ref	Name	Position
1	Chief Officer Finance	CPA Gilbert Bii
2	County Secretary	Dr. Wesley Bor
3	Director Finance	CPA George K Kirer
4	County Chief of Staff	Edgar Towett
5	County Physical Planner	Sylvia Inziani
6	County Attorney	Adv Gideon Mutai
7	County Payroll Manager	Mr Duncan Mutai

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

e) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at the County Fund for the year ended 30th June 2023 were:

- a. County Budget and Economic Forum, which presents the ideal opportunity to strengthen the engagement between the County Government and the County residents.
- b. Finance and Investments sub-committee of the County Executive deliberates and sets agenda on fiduciary matters to be presented to the County Executive Committee.
- c. The Budget and Appropriation Committee reviews the budget estimates submitted by County Executive and proposes the same for adoption or rejection of the same to the full house of the County Assembly.
- d. Internal Audit unit and Audit Committee undertake periodic reviews of expenditures and make recommendations on improprieties noted.
- e. The County Treasury receives and consolidates all financial and non-financial information from all the departments and entities of the County Government.
- f. Independent offices set by law which are the Office of the Auditor General and the Controller of Budget for review of programmes to ensure there is no wastage and Value for Money is achieved.
- g. County Assembly Public Accounts and Investment Committee reviews all audit reports submitted by the County Executive.

SN	Position	Name
1	Director Internal Audit	Miss. Caroline Chepkemoi
2	Staff car Mortgage and car Loan Advisory Committee	Hon. Leonard Ngetich

f) Registered Offices

P.O. Box 112-20200
County headquarters Building
Kericho- Nakuru Highway
Kericho.

g) Fund Contacts

Telephone:(254) 052 2-21100
E-mail: info@kericho.go.ke
Website: www.kericho.go.ke

h) FundBankers

1. Kenya Commercial Bank
Kenyatta Road
Chai Square
PO BOX 00200
Kericho, Kenya

2. State Bank of Mauritius
Kenyatta Road
PO BOX
KERICHO, 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

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





2. Fund Administration Committee

Name	Details of qualifications and experience
<p>Hon. Leonard K Ngetich</p> 	<p>Mr. Leonard Ngetich was born in 1980 and holds degree in Accounting and he has an experience of over ten years in public sector. He is the Executive Committee Member for Finance and Economic Planning and also the Chairman of the Kericho County Executive Staff Mortgage Scheme Fund</p>
<p>CPA Gilbert Bii</p> 	<p>CPA Gilbert K Bii is the Chief Officer Finance and Ag Economic Planning. He has over ten years experience in Finance Management both in Private and Public Sector. Beholds Bachelors degree in Commerce Accounting Option and holds a CPA (K) and a member of ICPAK. He also holds Diploma in Business Management.</p>
<p>Dr. Wesley Bor</p> 	<p>Dr. Wesley Bor holds a PhD degree in MSc and BSc degree in Food and Nutrition and Dietetics and has taught in the University for over five years. He joined the County last yea as County Secretary.</p>
<p>CPA George K Kirer</p> 	<p>CPA George K Kirer holds over ten years experience in Public Finance& Planning from Audit to Accounts. He holds an MBA in Strategic Management, CISA, and Bachelors in Commerce Accounting Option and holds CPA (K) and a member of ICPAK.</p>





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

<p>Edgar Towett</p> 	<p>Mr. Edgar Towett holds a degree in PM from Catholic University Eastern Africa and he joined the County last year a Chief of Staff.</p>
<p>Adv Gideon Mutai</p> 	<p>Gedion KMutai holds a degree in Law and he is an advocate of the High Court in Kenya with over 14 years experience in Government. He is currently serving as a County Attorney.</p>
<p>Plnr Sylvia Inziani</p> 	<p>M/s Sylvia Inziani holds a degree in Urban and Regional Planning and has an experience of over ten years in public sector. She is the county physical planner and Committee member of the Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>Mr Duncan Mutai</p> 	<p>Duncan Mutai has over ten years in the County Government in various positions. He has Accounting knowledge with CPA III and has experience in Payroll Management and he is the current Payroll Manager.</p>

3. Management Team

Name	Details of qualifications and experience
<p>Hon. Leonard K Ngetich</p> 	<p>Mr. Leonard Ngetich was born in 1980 and holds degree in Accounting and he has an experience of over ten years in public sector. He is the Executive Committee Member for Finance and Economic Planning and also the Chairman of the Kericho County Executive Staff Mortgage Scheme Fund</p>
<p>CPA Gilbert Bii</p> 	<p>CPA Gilbert K Bii is the Chief Officer Finance and Ag Economic Planning. He has over ten years experience in Finance Management both in Private and Public Sector. Beholds Bachelors degree in Commerce Accounting Option and holds a CPA (K) and a member of ICPAK. He also holds Diploma in Business Management.</p>
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Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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<p>Plnr Sylvia Inziani</p> 	<p>M/s Sylvia Inziani holds a degree in Urban and Regional Planning and has an experience of over ten years in public sector. She is the county physical planner and Committee member of the Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>Mr Duncan Mutai</p> 	<p>Duncan Mutai has over ten years in the County Government in various positions. He has Accounting knowledge with CPA III and has experience in Payroll Management and he is the current Payroll Manager.</p>

4. Fund Chairperson's Report

Kericho County Executive Staff Mortgage Scheme Fund consists of eight committee members who supervise and manage the fund scheme. During the year various meeting were held to deliberate on majorly on new issues of mortgages and other issues arising from the fund. The fund received a total of Kenyan Shillings 35 million as at 30th June to finance its operations from the County Government, which was a notable increase from last financial year. This enable the committee advance loans to more staff in the county executive.

Effective corporate governance is critical to the proper functioning of the mortgage fund and the economy as a whole. Its primary objective of corporate governance should be safeguarding stakeholder interest on sustainability basis the regulation of the Fund has a keen interest in sound corporate governance as it is an essential element of safe and sound operation. The fund's performance during the year was fair.

There is an increased focus on risk and supporting framework and the committee should set the tone at the top and oversee management's role in fostering and maintain a sound corporate and risk culture.

The future outlook of the fund expects to have more allocations by the County Assembly in order to advance loans to other staff.

Singed


Hon. Leonard Ng'etich

5. Report of The Fund Administrator

The Fund performed fairly in the year 2022-2023. With its committee of eight members, administration and supervision was done well. Various meetings were held to deliberate on new issues of mortgages and other issues arising from the fund. The budget for the fund was at Kshs.60 million, and the fund received Kshs.60 million to the operations account in the year to finance its operations from the County Government. It was a notable increase from last financial year. This enable the committee advance loans to more staff in the county executive.

Notable Challenges

I. Lack of funds

The scheme is expected to operate and discharge its mandate as stipulated in the Act but the biggest challenge is lack of adequate funds.

II. Key Risk Management strategies

Credit risk management is the practice of determining creditworthiness assessing new and returning customers for risk of late or non-payment. It's important that the Fund perform their due diligence to manage the risks that come with extending car loan credit.

Political risk is associated with the County's political instability which may adversely affect the value of the funds' assets and operation, the changes in the business environment will affect the funds operations.

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

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, 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.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Purchase, development, renovation or repair of residential property	To enhance the living standard of executive	Increased efficiency and job motivation	Increased uptake of mortgage loans by staff	Timely repayments of the mortgage loans issued to staff through deductions from the monthly pay

7. Corporate Governance Statement

In the just ended financial year, the fund administration committee meetings were attended by all the members as stipulated in the act.

There were quite a number of meetings held by the fund committee to review the progress of the fund and approve loan to one of the beneficiaries.

The remuneration of the fund is not established yet but since the members are employees of the County Executive, they draw salaries from their departments they serve however, sitting allowance is paid to the administration committee.

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

8. Management Discussion and Analysis

The fund endeavours to adhere to all statutory requirements in the Kericho County Executive Staff Mortgage Loan Scheme Fund Regulations 2016. The major risk faced by the fund is the inadequate funding and budgetary allocations to ensure the fund attains its mandate and all interested staff are able to access mortgage loans.

The fund does not have any material arrears in statutory and financial obligations to any institution.

The operation performance of the fund during the year is as follows;

	2022/2023
	Kshs
Revenue From Non-Exchange Transactions	
Transfers From the County Government	60,000,000
	60,000,000
Revenue From Exchange Transactions	
Interest Income	6,534,232
Total Revenue	66,534,232
Expenses	
Employee Costs	-
Use of Goods and Services	3,600,347
Staff Mortgages	53,450,000
Total Expenses	57,050,347
Other Gains/Losses	
Surplus/(Deficit) for the Period	9,483,885

9. Environmental and Sustainability Reporting

Kericho County Executive Staff Mortgage Loan Scheme Fund exists to transform lives of Kericho County Executive staff. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy in putting staff as our first priority, delivering services, and improving operational excellence. Below is a brief highlight of our achievements;

1. Sustainability strategy and profile -

The board management seeks to 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

The Fund seeks to advance staff mortgage provide loan for the purchase, development, renovation or repair of residential property. This is done in compliance with NEMA (National Environment Management Authority of Kenya) whose mandate is to supervise and coordinate environmental activities and serving as the main national body to implement environmental policies in all sectors within the country.

3. Employee welfare

The core mandate of Kericho County Executive Staff Mortgage Loan Scheme Fund is to improve the welfare of the Kericho County Executive staff by advancing mortgage loans to purchase, development, renovation or repair of residential properties of their choice. This is a reward system that seeks to improve the morale of staff.

4. Market place practices

A member of staff who, prior to the commencement of these Regulations had purchased, developed, expanded, renovated or repaired residential property stipulated under sub regulation (1) on loan from a financial institution, may apply for a loan under these Regulations to offset any remaining loan transferred from the financial institution to the loan scheme under these Regulations.

5. Community Engagements

During the financial year ended 30th June 2023, Kericho County Executive Staff Mortgage Loan Scheme Fund did not participate in any community engagement.

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

10. 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 shall be to provide a loan scheme for the purchase, development, renovation or repair of residential properties for its staff.

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1 to 10.

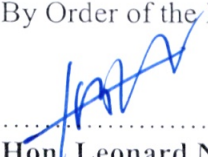
Trustees

The members of the Board of Trustees who served during the year are shown on page (vi).

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. Or a Certified Public Accountant nominated by the Auditor General to carry out the audit of the *entity* 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


.....
Hon. Leonard Ng'etich
Chair of the Board
Date:

11. Statement of Management's Responsibilities

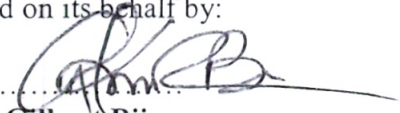
Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Kericho County Subsidiary Legislation, (Kericho County Executive Staff Mortgage Scheme Fund) on 20th January 2016, shall prepare financial 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 by Kericho County Subsidiary Legislation, (Kericho County Executive Staff Mortgage Loan Scheme Fund) 2016 Legal Notice number 5. 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. 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.

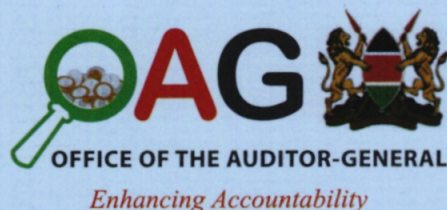
Approval of the financial statements

The Fund's financial statements were approved by the Board on 30/09/2023 and signed on its behalf by:

Sign 
CPA Gilbert Bii
Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- 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 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

Adverse Opinion

I have audited the accompanying financial statements of Kericho County Executive Staff Mortgage Scheme Fund set out on pages 1 to 27, which comprise the statement of receipts and payments as at 30 June, 2023 and statement of comparison of budget and

Report of the Auditor-General on Kericho County Executive Staff Mortgage Scheme Fund for the year ended 30 June, 2023

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Kericho County Executive Staff Mortgage Scheme Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Kericho County Executive Staff Mortgage Scheme Fund Regulations, 2016 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Presentations and Disclosures in the Financial Statements

Review of the financial statements reflects errors in presentations, inconsistencies and inaccuracies in the balances and amounts as detailed below:

- i) Page of the Xi of the financial statements on the Funds Chairperson's report indicates that the Fund received a total of Kenya shillings thirty-five million (Kshs.35,000,000) during the year which is at variance with the amount of Kenya shillings sixty million (Kshs.60,000,000) as reflected in the statement of financial performance which is also at variance with Kshs.60,000,000 under the report of the Fund Administrator on page xii to the financial statements.
- ii) The statement of changes in net assets present surplus (deficit) for the period and same to the statement of comparison of budget and actual amounts presented for the period instead of for the year ended 30 June, 2023.
- iii) Report of the trustee on page xvii in respect of the Auditors of the Fund was not customized to reflect the audit of the fund carried out by the Office of the Auditor- General.
- iv) The significant accounting policies on trade and other receivables present impairment as set out in Note xx on page 14 of the financial statements that was not customized appropriately to reflect the information and purpose of the Fund. The name entity was not replaced with the actual name of the Fund.

In the circumstances, the Fund did not comply with the approved template by the Public Sector Accounting Standards Board (PSASB) and the National treasury closing year guidelines.

2. Inaccuracies in the Financial Statements

2.1. Variance Between the Financial Statements and Comparative Balances

The financial statements reflect four (4) comparative balances which varies with the prior year 2021/2022 audited statements balances as shown below:

Report of the Auditor-General on Kericho County Executive Staff Mortgage Scheme Fund for the year ended 30 June, 2023

Component Description	Financial Statements for 2022/2023 (Kshs.)	Audit Certificate Financial Statements 2021/2022 (Kshs.)	Variance (Kshs.)
Statement of Changes in Net Assets			
Revolving Fund	191,984,916	203,463,296	(11,478,380)
Accumulated Surplus	10,868,451	(609,929)	11,478,380
Statement of Cash Flows			
Interest Received	5,299,591	5,299,291	300
Total Receipts	5,299,591	5,299,291	300

In the circumstances, the accuracy and completeness of the comparative balances in the financial statements could not be confirmed.

2.2. Variance Between the Comparative Balances in the Financial Statements and Notes to the Financial Statements

The financial statements reflect various comparative balances in the Notes to the financial statements which varies with the prior year 2021/2022 audited financial statements balances which are also inconsistent with the comparative balances in the statement of performance and statement of financial position respectively as shown below:

Components	Notes	Financial Statements for 2022/2023 (Kshs.)	Audit Certificate Financial Statements 2021/2022 (Kshs.)	Variance (Kshs.)
Interest Income	2	5,299,591	5,299,291	300
Administrative Fees	3	2,938,261	2,970,200	(31,939)
Use of Goods and Services	3	5,909,520	5,909,220	300
K.C.B Account	5	23,393,343	3,188,949	20,204,394
SBM2 Account	5	36,191	34,316	1,875
Total Cash	5	23,429,534	3,223,265	20,206,269
Long Term Receivables	8	67,650,521	67,650,721	200

In the circumstances, the accuracy and completeness of the comparative balances in the financial statements could not be confirmed.

2.3. Statement of Financial Position

Statement of financial position reflects balance of Kshs.261,590,700 in respect of total assets which includes balances of Kshs.78,500,968 and Kshs.183,090,220 in respect of total current assets and total non-current assets. However, re-casting the accuracy of the statement revealed balance of Kshs.261,591,189 resulting to an unexplained and unreconciled variance of Kshs.489.

In the circumstance, the accuracy and completeness of total assets in the financial statements could not be confirmed.

2.4. Statement of Changes in Net Assets

Statement of changes in net assets reflects total assets amounting to Kshs.197,170,336 which includes Kshs.176,818,000 and Kshs.20,352,336 in respect to revolving fund and accumulated surplus respectively. Included in the revolving fund is a negative amount of Kshs.50,166,916 in respect to an adjustment of deficit for the period which relates to prior year adjustments and as disclosed in Note 12 to the financial statements. However, the balances have not been restated nor supported. This is contrary to Paragraph 1.5.1 of IPSAS: Financial Reporting under the Cash Basis of Accounting which provides that when an error arises in relation to a cash balance reported in the financial statements, the amount of the error that relates to prior periods, shall be reported by adjusting the cash at the beginning of the period. Comparative information shall be restated unless it is impracticable to do so.

In the circumstances, the accuracy and completeness of the respective prior year adjusted balances of Kshs.50,166,916 for the year ended 30 June, 2023 could not be confirmed.

2.5. Irregular Accounting for Transfers and Staff Mortgage Disbursement

The statement of financial performance reflects an amount of Kshs.60,000,000 in respect to transfers from the County Government and as disclosed in Note 1 to the financial statements. However, the transfer from the County Government was wrongly classified as revenue from non-exchange there by misstating the revolving fund. Similarly, the statement reflects an amount of Kshs.53,450,000 in respect to staff mortgage disbursement and as disclosed in Note 4 to the financial statements. However, the loan disbursed in respect to staff mortgage disbursement was wrongly classified as recurrent expenditure.

In the circumstances, the accuracy of the financial statements could not be confirmed.

3. Interest Income

The statement of financial performance reflects an amount of Kshs.6,534,232 in respect of interest income and as disclosed in Note 2 to the financial statements. However, review of the supporting schedule revealed an amount of Kshs.4,729,249 resulting to an unexplained and unreconciled variance of Kshs.1,804,983. Further, the interest was not supported with individual loan account amortization schedule.

In the circumstances, the accuracy and completeness of the interest income of Kshs.6,534,232 could not be confirmed.

4. Proceed from Loan Principal Repayment

Statements of cash flows reflects an amount of Kshs.27,602,137 in respect of proceed from loan principal repayments during the year. However, review of the supporting schedule revealed loans principal repayments totalling to Kshs.29,407,119 resulting to an explained and unreconciled variance of Kshs.1,804,982. Further the proceed from loans

principal repayment were not supported with loan amortization schedules and payroll deduction statements and payment vouchers.

In the circumstances the accuracy and completeness of proceed from loans principal repayment of an amounts of Kshs.27,602,137 in the statement of cash flows could not be confirmed.

5. Loan Disbursement Paid Out

Statements of cash flows reflects an amount of Kshs.53,450,000 in respect of loans disbursement paid out during the year. However, review of the supporting schedule revealed loans disbursement paid out totalling to Kshs.51,650,000 issued to eleven (11) Members resulting to an explained and unreconciled variance of Kshs.1,800,000.

In the circumstances, the accuracy and completeness of loans disbursement paid out totalling to Kshs.53,450,000 in the statement of cash flows could not be confirmed

6. Long-term Receivables from Exchange Transactions

As disclosed in Note 6 to the financial statements, the statement of financial position reflects balance of Kshs.183,090,220 in respect of long-term receivables from exchange transactions however, re-calculation of the balance using information provided revealed balance of Kshs.86,964,152 as detailed below resulting to unexplained and unreconciled variance of Kshs.96,126,068.

Details	Amount (Kshs.)
Opening Balance as at 1 July, 2022	67,650,521
Add New Loans Issued	53,450,000
Less Loans Repayments	(27,602,137)
Less Interest Earned	(6,534,232)
Less Current Portion of Long-term Receivables from Exchange	(0)
Re-calculated Balances as at 30 June, 2023	86,964,152
Less Balance in Financial Statements	183,090,220
Variance	96,126,068

In the circumstances, the accuracy and completeness of the balance of Kshs.183,090,220 in respect of long-term receivables from exchange transactions could not be confirmed.

7. Unsupported Cash and Cash Equivalents

As disclosed in Note 5 to the financial statements, the statement of financial position reflects balance of Kshs.23,393,343 in respect of cash and cash equivalents. However, the supporting documents including cash book, certificate of bank balance and bank reconciliation statements were not provided for audit review.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.23,393,343 could not be confirmed.

8. Unsupported Use of Goods and Services

As disclosed in Note 3 to the financial statements, the statement of financial performance reflects an amount of Kshs.3,600,347 in respect of use of goods and services. However, supporting documents including payment vouchers, Fund Committee minutes and meeting attendance registers were not provided for audit review.

In the circumstances, the accuracy and completeness of Kshs.3,600,347 in respect of use of goods and services could not be confirmed.

9. Long Outstanding Non-Serviced Loans

As disclosed in Note 8 to the financial statements, the statement of financial position reflects long term receivable from exchange transactions balance of Kshs.183,090,220 which includes unserviced long term loan balance of Kshs.17,649,867 and Kshs.2,951,333.77 granted to two (2) executive staff Members. Further, review of the supporting documents including schedules revealed that one (1) staff is deceased and the other no longer works with the County Government of Kericho. However, the Management has not demonstrated the enforcement of Regulation 17(1) of the Public Finance Management (County Executive Staff Mortgage Scheme Fund) Regulation, 2016 to have the Insurance pay for the loan in respect to loan outstanding by the deceased. In addition, the Management failed to enforce Regulation 18 of the Public Finance Management (County Executive Staff Mortgage Scheme Fund) Regulation, 2016 which states that committee may call in a loan and in default sell the charged property by public auction or private treaty where the borrower is in breach of the terms under loan agreement or covenant contained in the charge of mortgage instrument.

In the circumstances, the accuracy, completeness, recoverability and fair statement of long outstanding unserviced long term loan balance of Kshs.17,649,867 and Kshs.2,951,333.77 could not be confirmed.

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

As disclosed in Note 7 to the financial statements, the statement of financial position reflects balance of Kshs.30,070,946 in respect to current portion of long-term receivables from exchange transactions. However, individual debtor's ledger and amortization schedules were not provided for audit review.

In the circumstances, the accuracy and completeness of the balance of Kshs.30,070,946 in respect of current portion of long-term receivables from exchange transactions could not be confirmed.

11. Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.64,420,364 which includes balance of Kshs.1,770,364 and Kshs.62,650,000 in respect of due car loans and loan disbursements and as disclosed in Note 9 to the financial statements. However, creditors ledger, invoices and other supporting certificates were not provided for audit review.

In the circumstances, the accuracy and completeness of the balance of Kshs.64,420,364 in respect of trade and other payables from exchange transactions could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kericho County Executive Staff Mortgage 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 adverse opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of amounts of Kshs.60,000,000 and Kshs.57,050,347 respectively resulting to under-absorption of Kshs.2,949,653 or 5% of the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Prior Year Matters

As disclosed under the progress on follow up of auditor's recommendation section of the financial statements, the Management indicated that all the prior year issues were all resolved. However, Management did not provide reports and invitations from the oversight committee's detailing the deliberations and recommendations of the committees.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Lack of an Approved Budget

The statement of comparison of budget and actual amounts reflects final budget amounts of Kshs.60,000,000 in respect of revenue and expenditure respectively. However, an approved budget for the year under review was not provided for audit as required by Section 149(2)(h) of Public Finance Management Act, 2012, which requires accounting officers to prepare estimates of expenditure of the entity in conformity with its strategic plan.

In the circumstances, the fairness of the disclosure of the budget performance could not be confirmed.

The audit was conducted in accordance with the International Standards for 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Risk Management Policy

Review of the documents and records provided for audit review revealed that the Fund Management had not established Risk Management Policy. This is contrary to Regulation 158(1) (a-b) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'the Accounting Officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations'.

In the circumstances, Management was in breach of the law and was not able to identify risks and develop mitigating strategies.

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 the 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 the 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 terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal 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 controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

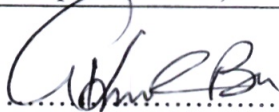
Nairobi

07 March, 2024

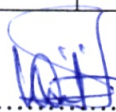
Kericho County Executive Staff Mortgage Fund Scheme
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations		-	-
Transfers From the County Government	1	60,000,000	-
Fines, Penalties and Other Levies		-	-
		60,000,000	-
Revenue From Exchange Transactions			
Interest Income	2	6,534,232	5,299,591
Other Income		-	-
		6,534,232	5,299,591
Total Revenue		66,534,232	5,299,591
Expenses			
Employee Costs		-	-
Use of goods and services	3	3,600,347	5,909,220
Staff Mortgage Disbursement	4	53,450,000	-
Total Expenses		57,050,347	5,909,220
Other Gains/Losses			
Gain/Loss on Disposal of Assets		-	-
Gain /Loss on fair value of investments		-	-
Surplus/(Deficit)for the Period		9,483,885	(609,629)



CPA Gilbert Bii
Administrator of the Fund



Willy Chirchir
Fund Accountant
ICPAK Member Number:

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

14. 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	23,430,023	3,223,265
Current Portion of Long- Term Receivables From Non-exchange transaction	6	25,000,000	-
Current Portion of Long- Term Receivables From exchange transaction	7	30,070,946	
Exchange Transactions		-	-
Inventories		-	-
Investments in financial assets		-	-
Total current assets		78,500,968	3,223,265
Non-Current Assets			
Property, Plant and Equipment		-	-
Intangible Assets		-	-
Long Term Receivables from Exchange Transactions	8	183,090,220	67,650,521.00
Investment Property		-	-
Total non- current assets		183,090,220	67,650,521
Total Assets		261,590,700	70,873,786
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	9	64,420,364.00	-
Current Portion of Borrowings		-	-
Employee Benefit Obligations		-	-
Social benefit liabilities		-	-
Total current liabilities		64,420,364	-
Non-Current Liabilities			
Long Term Portion of Borrowings		-	-
Non-Current Employee Benefit Obligation		-	-
Social benefit liabilities		-	-
Total non-current liabilities		-	-
Total Liabilities		64,420,364	-

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

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Net Assets		<u>197,170,336</u>	<u>70,873,786</u>
Revolving Fund		176,818,000	203,463,296
Reserves		-	-
Accumulated Surplus		20,352,336	-609,929
Total Net Assets and Liabilities		<u>197,170,336</u>	<u>202,853,367</u>

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 30.9.23 2023 and signed by:



.....
 CPA Gilbert Bii
 Administrator of the Fund



.....
 Willy Chirchir
 Fund Accountant
 ICPAK Member Number:

Kericho County Executive Staff Mortgage Fund Scheme

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

15. 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 2021	173,874,000	-	11,478,380	185,352,380
Surplus/(Deficit) For the Period	-	-	(609,929)	(609,929)
Funds Received During the Year	20,837,414	-	-	20,837,414
Transfers	(2,726,498)	-	-	(2,726,498)
Revaluation Gain	-	-	-	-
Balance as at 30 June 2022	191,984,916	-	10,868,451	202,853,367
Balance as at 1 July 2022	191,984,916	-	10,868,451	202,853,367
Surplus/(Deficit) For the Period	(50,166,916)	-	9,483,885	(40,683,031)
Funds Received During the Year	35,000,000	-	-	35,000,000
Loan Principal Repayments	-	-	-	-
Revaluation Gain	-	-	-	-
Balance as at 30 June 2023	176,818,000	-	20,352,336	197,170,336

Kericho County Executive Staff Mortgage Fund Scheme

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

16. 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			
Public Contributions and donations		-	-
Transfers from the county government		35,000,000	-
Interest received	2	6,534,232	5,299,591
Receipts from other operating activities		-	-
Total receipts		41,534,232	5,299,591
Payments			
Fund administration expenses			-
General expenses	3	3,600,347	5,909,220
Finance cost			300
		3,600,347	5,909,520
Net cash flows from operating activities		37,933,885	-609,929
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible Assets		-	-
Proceeds from sale of property, plant & equipment			-
Proceeds from loan principal repayments	10	27,602,137	20,837,414
Loan disbursements paid out	4	(53,450,000)	(32,800,000)
Net cash flows used in investing activities		(25,847,863)	(11,962,586)
Cash flows from financing activities			
Proceeds from revolving fund receipts			-
Additional borrowings	11	8,120,247	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash Equivalents		12,086,022	(12,572,515)
Cash and cash equivalent as at 1 July	5	3,223,265	11,980,419
Cash and cash equivalents as at 30 June	5	23,429,534	3,223,265

Kericho County Executive Staff Mortgage Fund Scheme

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

17. 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 Govt.	60,000,000	-	60,000,000	60,000,000	-	100
Interest Income	6,534,232	-	6,534,232	6,534,232	-	100
Other Income	-	-	-	-	-	
Total Income	66,534,232	-	66,534,232	66,534,232	-	
Expenses						
Fund Administration Expenses	3,600,347	-	3,600,347	3,600,347	-	100
General Expenses	56,399,653	-	56,399,653	53,450,000	2,949,653	95
Finance Cost	-	-	-	-	-	
Total Expenditure	60,000,000	-	60,000,000	57,050,347	2,949,653	
Surplus For the Period	-	-	-	9,483,885		
Capital expenditure						

Kericho County Executive Staff Mortgage Fund

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

18. Notes to the Financial Statements

1. General Information

Kericho County Executive Staff Mortgage Scheme Fund is established by the Public Financial Management Act and derives its authority and accountability from Kericho County Executive Staff Mortgage Scheme Fund) on 20th January 2016. The entity is wholly owned by the Kericho County Government and is domiciled in Kenya. The entity's principal activity is to purchase, development, renovation or repair of residential property by members of the Kericho County Executive Staff.

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;

Kericho County Executive Staff Mortgage Fund

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

Kericho County Executive Staff Mortgage Fund

Annual Report and Financial Statements for the year ended June 30, 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><i>Applicable 1st January 2023</i></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><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and 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>
IPSAS 44: Non-Current Assets Held for Sale and	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p>

Kericho County Executive Staff Mortgage Fund

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

Standard	Effective date and impact:
Discontinued Operations	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: 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 Kericho County Executive Staff Mortgage Fund adopted to the new or amended standards in the financial year 2022-23

Kericho County Executive Staff Mortgage Fund

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

1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

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 2022-23 was approved by the County Assembly on June 2022. 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 May on the FY 2022-23 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.

Kericho County Executive Staff Mortgage Fund

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

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 xxx 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. 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 derecognition.

Kericho County Executive Staff Mortgage Fund

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

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.

Kericho County Executive Staff Mortgage Fund

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

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*.

Kericho County Executive Staff Mortgage Fund

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

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.

Kericho County Executive Staff Mortgage Fund

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

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.

Kericho County Executive Staff Mortgage Fund

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

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.

Kericho County Executive Staff Mortgage Fund

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

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.

Kericho County Executive Staff Mortgage Fund

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

6. Notes to The Financial Statements

1. Transfers from County Government

Description	2022/2023	2021/2022
	Kshs	Kshs
Transfers From County Govt. –Operations	60,000,000	-
Payments By County On Behalf Of The Entity	-	-
Unconditional Development grants	-	-
Total	60,000,000	-

2. Interest income

Description	2022/2023	2021/2022
	Kshs	Kshs
Interest Income from Mortgage Loans	6,534,232	5,299,591
Interest Income From Car Loans	-	-
Interest Income From Investments in financial assets	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	6,534,232	5,299,591

3. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	1,077,000	2,938,261
Committee Allowances	-	732,000
Bank Charges	-	8,313
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	2,509,414	2,054,707.00

Kericho County Executive Staff Mortgage Fund

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

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Postage And Courier	-	-
Printing And Stationery	-	-
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Bank Charges	13,933	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other (<i>Specify</i>)	-	-
Social benefit expenses*	-	-
Total	3,600,347	5,909,520

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42

4. Staff Mortgage Disbursement

Description	2022/2023	2021/2022
	Kshs	Kshs
Mortgage Disbursement	53,450,000	-
TotalCashAndCashEquivalents	53,450,000	-

5. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
Kericho Car Loan Account		
Kericho County Mortgage Account	23,429,534	3,223,265
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others (<i>Specify</i>)	-	-
TotalCashAndCashEquivalents	23,429,534	3,223,265

Kericho County Executive Staff Mortgage Fund

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

Notes to the Financial Statements Continued

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

Financial Institution	Account number	2022/2023	2021/2022
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
Sub- Total		-	-
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) Current Account			
Kenya Commercial Bank	01216449678	23,393,343	23,393,343
SBM1	0472328991001	-	-
SBM2	0472328991002	36,191	36,191
Sub- Total		23,429,534	23,429,534
d) Others(Specify)		-	-
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		23,429,534	23,429,534

6. Current Portion of Long Term Receivables from Non-Exchange Transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Long Term Receivables from Non-Exchange Transactions	25,000,000	-

Kericho County Executive Staff Mortgage Fund

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

7. Current portion of Term Receivables from Exchange Transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Long Term Receivables from Exchange Transactions	30,070,946	-

8. Long Term Receivables from Exchange Transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Long Term Receivables from Exchange Transactions	183,090,220	67,650,521

9. Trade and other Payables from exchange transaction

Description	2022/2023	2021/2022
	Kshs	Kshs
Due to car loan	1,770,364	-
Loan disbursements	62,650,000	
Total	64,420,364	-

10. Proceeds from Loan repayments

Description	2022/2023	2021/2022
	Kshs	Kshs
Repayments	27,602,137	20,837,414
Total	27,602,137	20,837,414

Kericho County Executive Staff Mortgage Fund

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

11. Additional Borrowings

Description	2022/2023	2021/2022
	Kshs	Kshs
Additional borrowing	8,120,247	-
Total	8,120,247	-

12. PRIOR YEAR ADJUSTMENTS

A prior period adjustment really applies to the correction of an error in the financial statements of a prior period.

	Balance b/f FY 2021/2022 as per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f FY 2021/2022
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	(50,166,916)	(40,683,031)
Surplus/(Deficit)for the period			
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others (<i>specify</i>)	-	-	-
Total	-	(50,166,916)	(40,683,031)

There was an error in the cumulative revolving amount which had been over casted by Ksh 50,166,916 in the previous accounts however the same has now been corrected.

Kericho County Executive Staff Mortgage Fund

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

Notes to The Financial Statements (Continued)

1. Cash generated from operations

Description	2022/2023	2021/2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	9,483,885	6,630,714.00
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal of Assets	-	-
Interest Income	6,534,232	(6,130,583)
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	(46,469,137)	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	37,933,885	3,223,265

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

Notes to The Financial Statements (Continued)

2. 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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impai red Kshs
At 30 June 2022				
Receivables From Exchange Transactions	219,589,704.00	219,589,704.00	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	23,393,343	23,393,343	-	-
Total	242,983,047.00	242,983,047.00	-	-
At 30 June 2021				
Receivables From Exchange Transactions	178,470,272	178,470,272	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	5,349,705	5,349,705	-	-
Total	183,819,977	183,819,977	-	-

Notes To The Financial Statements (Continued)

b) 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	-	-
Revolving fund to date	211,379,725	141,818,000
Accumulated surplus	20,352,336	(6,630,714)
Total funds	225,706,293	135,187,286.00
Total borrowings to date	262,311,700	208,861,700
Less: cash and bank balances as at 30.06.2023	(23,429,265)	(3,223,265)
Net debt/(excess cash and cash equivalents)	238,918,357	205,672,752
Gearing	0.94	1.52

3. Events after the reporting period

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

4. Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Management Act (Kericho County Executive Staff Mortgage Scheme Fund) on 20th January 2016 under the Ministry of Finance and Economic Planning. Its ultimate parent is the County Government of Kericho.

5. Currency

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

19. Annexes

Annex I: 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:
1	Anomalies in the Financial Statement	To amend the Financial Statements	Resolved	December 2023
2	Lack of Trial Balance	Provide Trial Balance	Resolved	December 2023
3	Unexplained Variance in Interest Income	To amend the Financial Statements	Resolved	December 2023
4	Unsupported Administration Fees and Committee Allowances	Support Administration Fees and Committee Allowances	Resolved	December 2023
5	Misstatement of the Revolving Fund Balance	To amend the Financial Statements	Resolved	December 2023
6	Misstatement of Cash and Cash Equivalents Balance	To amend the Financial Statements	Resolved	December 2023
7	Unconfirmed Accuracy of Long Term Receivables from Exchange Transaction	To amend the Financial Statements	Resolved	December 2023
8	Lack of an Approved Budget	Provide Approved Budget	Resolved	December 2023

Administrator of the Fund

Date.....30/09/2023.....

*Kericho County Executive Mortgage fund
Annual Report and Financial Statements for the year ended 30th June 2023*

Annex II: Inter-Fund Confirmation Letter
County Government of Kericho

Kericho County Executive Staff Mortgage Scheme Fund
P.O. Box 112-20200
County headquarters Building
Kericho- Nakuru Highway
Kericho.

The Kericho County Executive Staff Mortgage Scheme 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 Kericho County Executive Staff Mortgage Scheme Fund as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by Kericho County Executive Staff Mortgage Scheme Fund (Kshs) as at 30 th June 2023				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
N/A	N/A	N/A	-	-	-	N/A	-
Total		N/A	-	-	-	N/A	-

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

Head of Accountants department of beneficiary Fund:

Name Laurenna Koeh Sign [Signature] Date... 30/09/2023