

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT  
OF  
THE AUDITOR-GENERAL**

**ON**

**KILIFI COUNTY CAR LOAN AND  
MORTGAGE SCHEME FUND**

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

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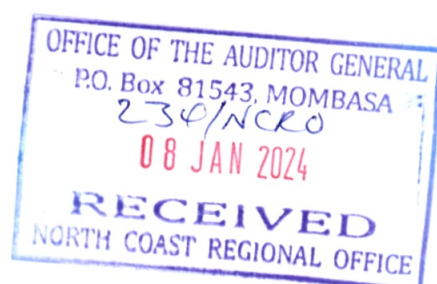
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**COUNTY GOVERNMENT OF KILIFI**  
**KILIFI COUNTY CAR LOAN AND MORTGAGE SCHEME**  
**FUND**

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

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



## Table of Contents

1. ACRONYMS.....	iii
2. KEY FUND INFORMATION AND MANAGEMENT .....	iv
3. FUND MANAGEMENT COMMITTEE .....	viii
4. MANAGEMENT TEAM .....	xii
5. CHAIRPERSON'S REPORT .....	xiii
6. REPORT OF THE FUND ADMINISTRATOR .....	xv
7. STATEMENT OF PERFORMANCE AGAINST THE COUNTY FUND'S PREDETERMINED OBJECTIVES .....	xvii
8. CORPORATE GOVERNANCE STATEMENT .....	xviii
9. MANAGEMENT DISCUSSION AND ANALYSIS .....	xxi
10. REPORT OF THE FUND MANAGEMENT COMMITTEE.....	xxiii
11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES .....	xxv
12. REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR KILIFI COUNTY CAR LOAN AND MORTGAGE SCHEME FUND .....	xxvi
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 .....	2
15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023 ..	3
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023.....	4
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023 .....	5
18. NOTES TO THE FINANCIAL STATEMENTS .....	6
19. ANNEXES .....	24
19.1. Annex I: Progress On Follow Up Of Prior Year Auditor's Recommendations.....	24
19.2. Annex II: Inter-Fund Confirmation Letter.....	25

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

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**1. ACRONYMS**

<b>Acronym</b>	<b>Meaning</b>
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSAB	Public Sector Accounting Standards Board
SRC	Salaries and Remuneration Commission
CECM	County Executive Committee Member
Kshs	Kenya Shillings

## **2. KEY FUND INFORMATION AND MANAGEMENT**

### **a) Background information**

The Kilifi County Car loan and Mortgage Scheme Fund was established and derives its authority and accountability from the provisions under Section 116 of the PFM Act, 2012 and Section 167 of the PFM Act, 2012 and Salaries and Remuneration Commission (SRC) Circular SRC/CGOVT/3/61 dated 30<sup>th</sup> September, 2014.

In the fiscal year 2015-2016, the Kilifi County Car and Mortgage Scheme Fund was established as a dynamic revolving fund in accordance with the Salaries and Remuneration Commission (SRC) Circular ref No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December, 2014. This directive outlined the Mortgage and Car Loan Schemes for State Officers and other Public Officers within the Government of Kenya.

The establishment of the Kilifi County Car Loan and Mortgage Scheme Fund was initially met with challenges, lacking the endorsement of the incumbent government to allow for budget allocation and subsequent fund transfer to initiate operations which is why it remained dormant since its inception in 2015.

A significant turning point occurred in October 2020 with the official appointment of the Fund Management Committee. Subsequently, in November 2022, the fund achieved a pivotal milestone by obtaining the necessary approvals from the Controller of Budget's office paving the way for its operational commencement in the fiscal year 2022 – 2023.

The fund is designed to offer financing solutions for the acquisition of motor vehicles for personal use and property, as well as support for property development and residential property renovation.

We are excited to embark on this journey and are committed to delivering valuable financial services to our members while upholding the highest standards of transparency and accountability. As we move forward, we look forward to engaging and collaborating with external stakeholders to mutually benefit from the opportunities our fund brings to its members.

The Fund is wholly owned by the County Government of Kilifi and is domiciled in Kenya.

### **b) Principal Activities**

The principal activity is to provide loans to staff employed in the Executive Arm of the County Government of Kilifi for;

- i) The acquisition of motor car for their personal use.
- ii) Mortgage loans to members for the purpose of;
  - a. Purchasing an existing residential property;
  - b. Development of residential property on existing land;

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

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- c. Purchase of land and construction of residential property;
- d. Construction, renovation and /or improvement of existing residential property;

The Fund is administered by the Kilifi County Car loans and Mortgage Scheme Fund Management Committee. The committee is charged with the responsibility of approving loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund.

**Core Objectives**

Providing accessibility and delivery of valuable financial services to our members while upholding the highest standards of transparency, accountability and integrity.

**c) Fund Management Committee**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Winnie Wakati Luwali	Chief Officer Finance/ Chairperson Fund Management Committee
2	Joe Ndundi Tete	Chief Officer- Lands, Energy & Physical Planning/ Member
3	Vincent Mwalimu Lugwe	Director of Human Resources / Member
4	Henry Kazungu Lughanje	County Attorney / Member
5	David Ngombo	Assistant Director of Housing / Member
6	Kimanthi Moki	Director of Transport / Member
7	Wilson Amani Yaa	Ag. Secretary County Public Service Board / Member
8	Grace Mulaa Dzombo	Fund Administrator / Secretary

**d) Key Management Team**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1.	Winnie Wakati Luwali	Chief Officer Finance/ Chairperson Fund Management Committee
2.	Joe Ndundi Tete	Chief Officer- Lands, Energy & Physical Planning/ Member
3.	Vincent Mwalimu Lugwe	Director of Human Resources / Member

**Kilifi County Car Loan and Mortgage Scheme Fund**

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

4.	Henry Kazungu Lughanje	County Attorney / Member
5.	David Ngombo	Assistant Director of Housing / Member
6.	Kimanthi Moki	Director of Transport / Member
7.	Wilson Amani Yaa	Ag. Secretary County Public Service Board / Member
8.	Grace Mulaa Dzombo	Fund Administrator

**e) Fiduciary Oversight Arrangements**

SN	Position	Name
1	Director Internal Audit	Keziah Wangui Mugambi

**f) Registered Offices**

P.O. Box 519 -80108  
Kilifi County Treasury Building  
Bofa Road, Kilifi  
Kilifi, KENYA

**g) Fund Contacts**

P.O Box 519 – 80108, Kilifi  
E-mail: [cgkmortgage@kilifi.go.ke](mailto:cgkmortgage@kilifi.go.ke)  
Website: [www.kilifi.go.ke](http://www.kilifi.go.ke)

**h) Fund Bankers**

1. Kenya Commercial Bank  
Kilifi Branch  
P.O Box 528 - 80108  
Kilifi, Kenya

**i) Independent Auditors**

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

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

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**j) Principal Legal Adviser**



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

**k) County Attorney**

The County Attorney  
County Executive of Kilifi  
Kilifi Plaza, 3rd Floor  
P.O Box 519-80108







**3. FUND MANAGEMENT COMMITTEE**

Ref	Name	Details of qualifications and experience
1.	 <p><b>Winnie Wakati Luwali</b>  <b>Chief Officer Finance/                      Chairperson; Fund Management                      Committee</b></p>	<p>Born in 1990. Winnie Luwali, was appointed as Chairperson of the Fund Management Committee on December 8, 2022, she is a seasoned professional with a background in public service. In addition to her role as Chairperson, Winnie Luwali currently serves as the Chief Officer Finance, further illustrating her commitment to financial stewardship and management. Her prior role as a board member of the Kilifi County Public Service Board showcased her dedication to governance and public service excellence. She holds a Bachelor of Commerce degree from the University of Eastern Africa, complemented by a Master's in Business Administration (Strategic Management) from the University of Nairobi. Her multifaceted experience and qualifications position her as a valuable asset, driving the Fund Management Committee's mission to provide exceptional financial services while upholding transparency and accountability. Her leadership is a testament to her dedication to the success of the Kilifi County Car Loan and Mortgage Scheme Fund and its members.</p>
2.	 <p><b>Joe Ndundi Tete</b>  <b>Chief Officer- Lands, Energy &amp;                      Physical Planning/ Member</b></p>	<p>Born in 1965. Joe Tete, was appointed as a member of the Fund Management Committee on December 8, 2022. He is currently serving as the County Chief Officer in charge of Lands, Energy and Physical Planning under the County Government of Kilifi. He is a long serving graduate land surveyor in both public and private sector. He brings a vast wealth of professionalism in the land and housing profession. He holds a Bachelor's in Land Survey Technology degree from Technical University of Kenya and a Master of Science in Geoinformatics from Taita Taveta University. Tete's wealth of experience and qualifications position him as a technocrat and consultant on matters Lands and Housing in the Fund Management Committee.</p>



**Kilifi County Car Loan and Mortgage Scheme Fund**

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


3.	 <p><b>Henry Kazungu Lughanje</b> <b>County Attorney / Member</b></p>	<p>Born in 1959. Henry Kazungu Lughanje, was appointed as a member of the Fund management Committee on December 8, 2022. He is a seasoned advocate with a back ground in private practice. In addition to his role as a member of the committee he serves as the County Attorney for the County Government of Kilifi. He being the principal legal advisor to the County Government of Kilifi puts him in the best position to advise in terms of legal matters that involve the fund. He holds a Bachelor's degree in law from the University of Nairobi. He was admitted to the bar in 1988 when he signed the advocates roll.</p>
4.	 <p><b>Vincent Mwalimu Lugwe</b> <b>Director Human Resource Management/ Member</b></p>	<p>CHRP. Lugwe Mwalimu Vincent was born in 1986. He was appointed to the Fund Management Committee on December 8, 2022. He is a distinguished licensed certified human resource professional and brings a wealth of experience in managing human resources both in the public sector and private sector. Before joining the Fund Management Committee, Mr. Lugwe held the pivotal role of County Chief Officer in various departments in the County Government of Kilifi. This role underscored his strategic leadership and expertise in public service administration. Lugwe is a holder of a Bachelor of Education (Arts) degree from Kenyatta University, which forms the foundation of his academic journey. He further honed his skills and knowledge with a Master of Science (MSc) in Human Resource Management from Jomo Kenyatta University of Agriculture and Technology, solidifying his expertise in this field. Additionally, he holds a Certified Human Resource Professional CHRP (K) and other management and leadership certificates from the Kenya School of Government. Vincent's extensive background and qualifications position him as an invaluable asset to the Fund Management Committee</p>

5.	 <p><b>Kimathi Moki Kiema</b> <b>Director Transport / Member</b></p>	<p>Moki was born in 1964. He was appointed as a member of the Fund Management Committee on October 28, 2020. Moki is an accomplished professional with a distinguished career in mechanical engineering and transportation management. He brings his wealth of experience, technical prowess, and dedication to the committee's mission. He currently holds the position of Director of Transport under the County Government of Kilifi. Prior to this he held the position of Chief Superintendent Mechanical (MVP) at County Government of Mombasa from 2014 to 2016. Additionally, he served in the National Government Ministry of Water and Development for an impressive 27 years, from 1986 to 2013. He holds a Higher Diploma in Mechanical Engineering, earned from Mombasa Polytechnic and an International Diploma in logistics and Transport from the Chartered Institute of Logistics &amp; Transport (UK), further enhancing his expertise in transportation logistics. His leadership and expertise contribute significantly to the effective governance and management of the fund's resources.</p>
6.	 <p><b>David Ngombo</b> <b>Assistant Director Housing/ Member</b></p>	<p>Born in 1985. David Ngombo is an accomplished professional in the field of housing and estate management. With a strong background in civil and construction engineering. He is currently serving as the Assistant Director of Housing and Estate Management with the County Government of Kilifi; David plays a vital role in overseeing housing infrastructure and human settlements within the county. Previously, he held the position of Senior Estate Management Officer with the State Department of Housing and Urban Development in Nairobi.</p> <p>He is a graduate of the University of Nairobi, where he earned a Bachelor's degree in Civil and Construction Engineering. He is also registered with the Engineers Board of Kenya.</p> <p>David's extensive knowledge and experience encompass various aspects of housing, housing infrastructure, human settlements, and estate management which makes him a valuable asset in the Fund.</p>

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

7.	 <p><b>Wilson Amani Yaa</b> <b>Ag. CEO County Public Service Board / Member</b></p>	<p>Born in 1978. CMEP Wilson brings in a wealth of experience in Human Resource Management and Strategy development both from the private and public sectors.</p> <p>Prior to his appointment to the Fund, he served as the Director of Strategy, Policy, Human Resources and Operations at the Kilifi County Public Service Board. Currently, he is the serving Acting Board Secretary/Chief Executive Officer.</p> <p>Mr. Yaa holds a first-class Masters of Arts degree in Global Development and Social Justice from St. John’s University, (New York, USA), A Masters of Arts degree in Monitoring and Evaluation from African Nazarene University and a Bachelor of Arts (Hons.) degree in Integrated Community Development from Daystar University. Additionally, he holds a Diploma in Supplies Management from the former Mombasa Technical Training Institute.</p> <p>He is also a certified monitoring and evaluation professional (CMEP) and also a member of the Kenya Institute of Management (KIM), Development Studies Association (DSA) and Evaluation Society of Kenya (ESK).</p>
8.	 <p><b>CPA Grace Mulaa Dzombo</b> <b>Fund administrator</b></p>	<p>Born in 1988. CPA Grace M. Dzombo was appointed as the Fund Administrator on 28th October, 2020. Grace brings a wealth of experience as a dedicated Accountant within the Finance Department of the County Government of Kilifi. Her professional journey is underpinned by her status as a Certified Public Accountant of Kenya (CPA(K)), reflecting her commitment to excellence and fervent drive for professional growth. Grace holds a Bachelor of Commerce degree with a major in Finance from Kenyatta University. She is currently engaged in the pursuit of a Master’s in Business Administration (MBA) from the esteemed University of Nairobi. Having successfully navigated the coursework phase, she is now actively involved in formulating her proposal, an endeavour that underscores her commitment to acquiring advanced knowledge and skills.</p>

**4. MANAGEMENT TEAM**

Ref	Name	Details of qualifications and experience
1.	 <b>CPA Grace Mulaa Dzombo</b> <b>Fund administrator</b>	Born in 1988. CPA Grace M. Dzombo was appointed as the Fund Administrator on 28th October, 2020. Grace brings a wealth of experience as a dedicated Accountant within the Finance Department of the County Government of Kilifi. Her professional journey is underpinned by her status as a Certified Public Accountant of Kenya (CPA(K)), reflecting her commitment to excellence and fervent drive for professional growth. Grace holds a Bachelor of Commerce degree with a major in Finance from Kenyatta University. She is currently engaged in the pursuit of a Master’s in Business Administration (MBA) from the esteemed University of Nairobi. Having successfully navigated the coursework phase, she is now actively involved in formulating her proposal, an endeavour that underscores her commitment to acquiring advanced knowledge and skills.

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

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## **5. CHAIRPERSON'S REPORT**

The Kilifi County Government initiated the Kilifi County Car Loan and Mortgage Scheme Fund in 2015, aligning with the Salaries and Remuneration Commission Guidelines. This initiative was designed with the primary aim of facilitating staff members in acquiring residential homes and motor vehicles for personal use, thereby serving as an incentive to attract, retain, and motivate our valued employees. The Fund officially commenced operations in the year under review although it started with an initial budgetary allocation of Ksh 39,000,000 in the financial year 2018/2019 and Ksh 120,000,000 being allocated in the financial year 2022/2023.

The financial statements of the Kilifi County Car Loan and Mortgage Scheme Fund for the Fiscal Year 2022/23 provide a comprehensive overview of the Fund's financial performance over the past year.

### **Sustainability**

The County Government of Kilifi has supported this initiative through funding, totaling Ksh 159,000,000 as of the reporting date. We are witnessing a growing interest among our staff in the car loan and mortgage options, and the Scheme remains committed to educating its members while continually reviewing the processes in place to ensure optimal utilization of this facility.

The Fund and its stakeholders are increasingly emphasizing the importance of ensuring sustainability, not only for its investments but also for its resource mobilization and financing capabilities with the goal of securing the Fund's continued operation as a going sustainable entity.

### **Board and Management Changes**

The governance and management of the Scheme strictly adhere to the regulations outlined in the Kilifi Car Loan and Mortgage Scheme Fund Regulations of 2020, as well as the guidelines provided by the Salaries and Remuneration Commission.

In the year under review, significant changes occurred in key management positions as a result of appointments in accordance with the regulations governing the Fund Management Committee. Notably, Mr. Wilberforce Mwinga served as the previous Chairperson of the Committee.

The appointments made during this period included Ms. Winnie Luwali as Chief Officer of Finance, Mr. Joe Tete as Chief Officer of Lands, Mr. Wilson Yaa as Ag. CEO County Public Service Boards and Mr. Lughanje as County Attorney. Additionally, Mr. Vincent Lugwe assumed the role of Director of Human Resources, succeeding Ms. Judith Ngani, who resigned for new career opportunities. Despite these transitions, the operational effectiveness of the Fund remained unwavering.

### **Review of performance**

#### **Income**

The total income during the year was KShs. 29,801 attributes to interest received from Interest Income from Mortgage Loans/Car Loans. The fund received kshs.120,000,000 during the year.

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

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**Expenditure**

The total expenditures during the period amounted to Kshs. 4,655,360 which comprised of bank charges of Ksh 13,035 and fund administration expenses.

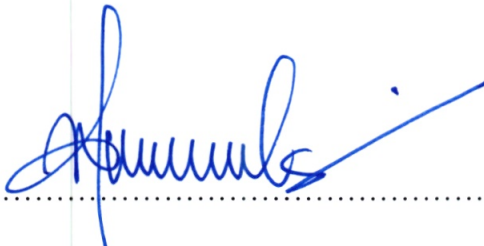
**Future Outlook**

Our vision for the Kilifi County Car and Mortgage Scheme Fund in the upcoming fiscal year, 2023/2024, is exceptionally promising. The services and opportunities provided by our program have already begun to yield positive outcomes, significantly enhancing the quality of life for our dedicated staff and their families.

We are focused on solidifying the fund's position as a robust and sustainable financial resource. To achieve this, we are dedicated to nurturing a highly motivated workforce and implementing structures that enhance our operational efficiency and overall effectiveness.

In our journey towards these goals, we eagerly anticipate on-going support from the county government as its continued collaboration and assistance will play a pivotal role in helping us fulfill our mission and maximize the benefits we bring to the community and the region at large.

In conclusion, the Kilifi County Car Loan and Mortgage Scheme Fund stands as a testament to our commitment to the welfare of our employees and our dedication to achieving broader national goals.



..... Date.....



**Winnie Wakati Luwali**

**Chairperson, Fund Management Committee**

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

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**6. REPORT OF THE FUND ADMINISTRATOR**

The Kilifi County Car Loan and Mortgage Scheme Fund, established in accordance with existing government regulations, proudly presents its Financial Statements for the year ending June 30, 2023. These Financial Statements encompass the statement of financial performance, statement of financial position, statement of changes in net assets, and statement of cash flow.

Our commitment to prudent financial management and reporting is in strict adherence to the Public Finance Management (PFM) Act, 2012; Public Financial Management (County Government) Regulations, 2015, and International Public Sector Accounting Standards (IPSAS).

The Kilifi County Car Loan and Mortgage Fund management committee, in collaboration with the loan's appraisal committee, oversees the implementation and administration of the Scheme. These committees convene regularly to assess loan applications and provide recommendations. Since its inception, the Kilifi County Executive has allocated a total of Ksh 159,000,000 to the scheme. In the fiscal year under review, the scheme received funding amounting to Ksh 120,000,000.

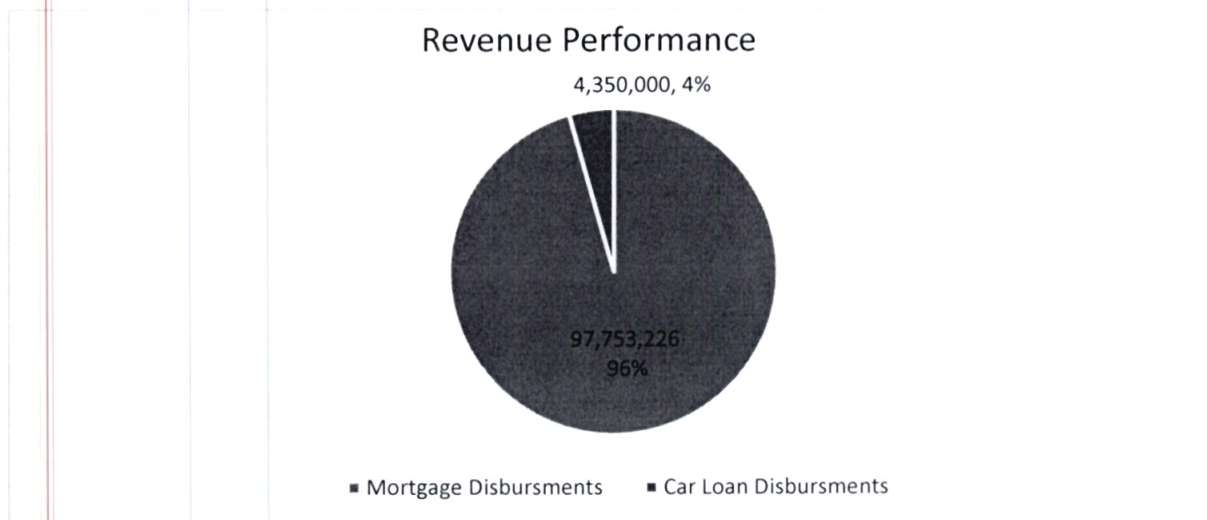
**Financial Performance**

During the reporting period, the Kilifi County Car Loan and Mortgage Scheme Fund successfully facilitated 18 mortgage and car loans to its staff. Consequently, a total of Ksh 102,103,226 was disbursed to support staff mortgages and car loans.

The table below, presents an analysis of revenue performance during the year.

	<b>Car Loan &amp; Mortgage (Kshs)</b>
Revoted Funds from 2021/2022	38,999,800
Transfer Fy 2022/2023 from County Government	120,000,000
Car Loans issued	<b>4,350,000</b>
Mortgage loans issued	<b>97,753,226</b>





### **Conclusion**

The commencement of the Fund operations marks a promising beginning. As we strategize for the upcoming year, our Scheme is dedicated to cultivating a conducive environment for optimal productivity by providing a competitive loan scheme for our staff members. We have identified areas for improvement and will work towards addressing these gaps in the coming years.

Our unwavering commitment remains centred on our mission of extending financial support to our beneficiaries while upholding the utmost transparency and adhering to the highest standards of financial accountability, in strict accordance with governmental regulations and international accounting norms.

We extend our heartfelt gratitude to the Kilifi County Executive for their continuous support and to our dedicated committees, whose efforts have transformed our schemes into invaluable resources for our staff.

I would like to take this moment to express my appreciation to the Fund management committee for their unwavering support. Additionally, I would like to extend my gratitude to the loan's appraisal committee for their relentless efforts in ensuring that we fulfill our mandate effectively.

I encourage all staff members to utilize the facility for improvement of their welfare and to remain resilient and focused in the performance of their duties.

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

**7. STATEMENT OF PERFORMANCE AGAINST THE COUNTY FUND'S  
 PREDETERMINED OBJECTIVES**

**Introduction**

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

The key strategic objectives for the Fund are stated in the Kilifi County Integrated Development Plan (CIDP) 2023-2027 Plan. However, to achieve the objective of the Salaries and Remuneration Commission (SRC) circular Ref. No SRC/ADM/CIR/1/13 Vol. III (128) dated 17<sup>th</sup> December 2014 that initialized the establishment of the fund, the Fund incorporated the following as part of its strategic objectives;

- a.) To attract and retain productive and motivated human resources and improve staff living standards for smooth service delivery
- b.) Ensure that the Fund has relevant policies and activities in place to support the achievement and uptake of the facilities.

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of staff	To ensure all staff have access to Mortgage facilities	Number mortgages successfully applied	% of staff taking Mortgage facilities	During the FY 2022/2023, eighteen (18) staff were facilitated with mortgages and car loans.

## **8. CORPORATE GOVERNANCE STATEMENT**

### **The Kilifi County Car Loan and Mortgage Scheme Fund**

The Kilifi County Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Kilifi County Car Loan and Mortgage Scheme Fund Regulations, 2020.

Its mandate is to provide car and mortgage loans to members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the Fund management committee at its apex. The operations of the fund are governed by the Kilifi County Car Loan and Mortgage Scheme Fund Regulations, 2020, the PFM Act, 2012, PFM Regulations, SRC Circulars and any other government legislations.

### **The Fund Management Committee**

Section 6 & 10 of the Kilifi County Car Loan and Mortgage Scheme Fund Regulations, 2020 provides for appointment of the Fund Management Committee and administrator of the fund. The committee shall be made up of six members including the Chairperson and a Secretary identified for appointment through the CECM Finance. The Fund management committee is responsible for the long-term strategic direction of the fund. It exercises leadership, enterprise, integrity and judgement in directing the Fund.

The committee are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator but the Fund management committee is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate.

All members of the Fund management committee have been taken through a comprehensive induction programme, and are adequately trained on their roles as members. The members are professional, committed and guided by the core values of the Fund in execution of their duties.

### **Committee Meetings**

The committee meets at least once a month or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets. The committee also plays an oversight role over all other financial and operational issues. The committee held four full board meetings and one induction meeting held in the financial year under review as summarized below:

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

<b>Fund Management Meeting Date</b>	<b>Members Present</b>
25 <sup>th</sup> November, 2022	Mr. Wilberforce Mwinga Katumo Ms Grace Mulaa Dzombo Mr. Kimanthi Moki Mr. Vincent Lugwe Mr. Gideon Mumba Mr. David Ngombo Ms Rehema Wasi Mwabaya
7 <sup>th</sup> to 10 <sup>th</sup> March, 2023: Induction Training	Hon. Yaye Shosi Ahmed Mr Henry Kazungu Lughanje Ms Winnie Wakati Luwali Mr Joe Tete Ms Grace Mulaa Dzombo Mr. Kimanthi Moki Mr. Vincent Lugwe Mr. Wilson Yaa Mr. David Ngombo Ms Rehema Wasi Mwabaya
25 <sup>th</sup> April, 2023	Ms Winnie Wakati Luwali Mr Joe Tete Ms Grace Mulaa Dzombo Mr. Kimanthi Moki Mr. Vincent Lugwe Mr. Wilson Yaa Mr. David Ngombo

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

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<b>Fund Management Meeting Date</b>	<b>Members Present</b>
	Ms Rehema Wasi Mwabaya
2 <sup>nd</sup> May, 2023	Ms Winnie Wakati Luwali Mr Joe Tete Ms Grace Mulaa Dzombo Mr. Kimanthi Moki Mr. Vincent Lugwe Mr. Wilson Yaa Mr. David Ngombo Ms Rehema Wasi Mwabaya
15 <sup>th</sup> June, 2023	Ms Winnie Wakati Luwali Ms Grace Mulaa Dzombo Mr. Kimanthi Moki Mr. Vincent Lugwe Mr. Wilson Yaa Mr. David Ngombo Ms Rehema Wasi Mwabaya

## **9. MANAGEMENT DISCUSSION AND ANALYSIS**

### **a. Operational and financial performance of the Fund during the period**

The Scheme commenced operations in the financial year 2022/2023. Actual Loan disbursement during the year totalled to Kshs. 102,103,226 whilst fund administration expenses amounted to Kshs. 4,655,360. Included in the loan amount are Mortgages amounting to Kshs. 97,753,226 issued to fifteen (15) employees and Car loans amounting to Kshs. 4,350,000 issued to three (3) employees.

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 staff with an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

### **b. Fund's Key Projects or Investments Decision implemented or ongoing**

The Fund has continued to invest in the car loan and mortgage scheme for the staff. This is intended to provide affordable housing for staff while at the same time facilitating their staff to conveniently commute to and from work.

### **c. Fund's compliance with statutory requirements**

The Fund complied with all its statutory and tax obligations in the implementation of its mandate. Further the Fund complied with all the necessary laws and regulations applicable in the management of the funds

### **d. Risk management activities**

The Scheme is putting in place a risk management framework for risk identification and mitigation. Further, it has embedded risk management in all its planning, execution, evaluation and business continuity arrangements.

Some of the key risks facing the scheme fund include:

- i. **Strategic Risks:** These are risks that affect the ability to carry out the long-term goals and objectives of the fund due to inadequate funding.
- ii. **Compliance Risks:** These are risks associated with non-compliance with applicable laws and regulations could result in litigation and conflict of interest.

- iii. **Financial Risks:** The risk of financial loss that may include ineffectiveness of internal controls, inadequate funding, inability to service the loans and delay in financial reporting due to reliance on third party financial information. The delaying funding may also result in the Fund's inability to fund all the applications hence delay in issuing loans and acquisition of the properties.
- iv. **Operational Risk:** The risk of direct and indirect loss or inability to provide core services especially to stakeholders, resulting from inadequate or failed financial processes, resources and systems.

**e. Financial Probity and Governance**

To obtain assurance on compliance and prudence in the management of the fund finances, the Scheme prepares the financial statements for the Car Loan and Mortgage funds which are subjected to both internal and external audit. The audit findings and recommendations will enable the Fund to strengthen the fund operational and financial systems.

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

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**10. REPORT OF THE FUND MANAGEMENT COMMITTEE**

The Fund Management Committee 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 Fund's principal activities involve providing loans to staff employed in the Executive Arm of the County Government of Kilifi for;

- iii) The acquisition of motor car for their personal use.
- iv) Mortgage loans to members for the sole purpose of;
  - e. Purchasing an existing residential property;
  - f. Development of residential property on existing land;
  - g. Purchase of land and construction of residential property;
  - h. Construction, renovation and /or improvement of existing residential property

**Results**

The results of the Fund for the year ended June 30, 2023 are set out on pages 1 to 5.

**Fund Management Committee**

The governance and management of the Scheme strictly adhere to the regulations outlined in the Kilifi Car Loan and Mortgage Scheme Fund Regulations of 2020, as well as the guidelines provided by the Salaries and Remuneration Commission.

The members of the Fund management who served during the year are as shown on page ix to xiii.

In the year under review, significant changes occurred in key management positions as a result of appointments in accordance with the regulations governing the Fund Management Committee as shown below:

S/No.	Name	Position in committee	Period Served
1	Mr. Wilberforce Katumo Mwinga	Chairperson	27 <sup>th</sup> October 2022 to 8 <sup>th</sup> December 2022
2	Winnie Wakati Luwali		8 <sup>th</sup> December 2022 - Current
3	Mr Henry Kazungu Lughanje	Member	8 <sup>th</sup> December 2022- Current
4	Mr Vincent Mwalimu Lugwe	Member	27 <sup>th</sup> October 2022 - Current



**Kilifi County Car Loan and Mortgage Scheme Fund**

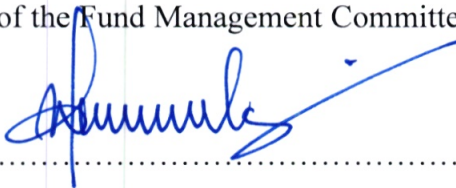
**Annual Report and Financial Statements for the year ended June 30, 2023**

S/No.	Name	Position in committee	Period Served
5	Mr Eric Randu	Member/ Chief Officer Lands	27 <sup>th</sup> October 2022- 8 <sup>th</sup> December 2022
6	Mr Joe Ndundi Tete		8 <sup>th</sup> December 2022 - Current
7	Wilson Amani Yaa	Member	8 <sup>th</sup> December 2022 - Current

**Auditors**

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

By Order of the Fund Management Committee.



.....  
**Winnie Wakati Luwali**

**Chairperson, Fund Management Committee**

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

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**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 Fund 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 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 Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 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 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 Fund Management Committee on 22<sup>nd</sup> September, 2023 and signed on its behalf by:

  
.....

**CPA Grace Mulaa Dzombo**  
**Fund Administrator**  
**Kilifi County Car Loan & Mortgage Scheme Fund**

# REPUBLIC OF KENYA

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



*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON KILIFI COUNTY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of the Kilifi County Car Loan and Mortgage Scheme Fund set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of

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

significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kilifi County Car Loan and Mortgage Scheme Fund and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year reflects the final budgeted receipts and actual on a comparable basis of Kshs.163,769,794 and Kshs. 159,029,601 respectively resulting in underfunding of Kshs. 4,740,193(or 3%) of the budget. Similarly, the statement reflects actual expenditure of Kshs.106,758,586 against a final budget of Kshs.163,769,794 resulting in under absorption of Kshs.57,011,208(or 35%) of the budget.

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

My opinion is however not modified in respect of the above 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.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and the Fund Management Committee**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain the 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.

The Fund Management Committee is 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 control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 Kilifi County Car Loan and Mortgage Scheme Fund policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Kilifi County Car Loan and Mortgage Scheme Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**12 February, 2024**

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

**Kilifi County Car Loan and Mortgage Scheme Fund**

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

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023**

Description	Note	2022/2023 Kshs	2021/2022 Kshs
<b>Revenue From Exchange Transactions</b>			
Interest Income on Staff Car and Mortgage Loans	1	29,801	-
Other Income	2	4,248,525	
<b>Total Revenue</b>		<b>4,278,326</b>	<b>-</b>
<b>Expenses</b>			
Fund Administration Expenses	3	4,655,360	200
<b>Total Expenses</b>		<b>4,655,360</b>	<b>200</b>
<b>Surplus/(Deficit) for the Period</b>		<b>(377,034)</b>	<b>(200)</b>

The financial statements on pages 1 to 5 were approved on September 22, 2023.



.....  
**Name: Grace Mula Dzombo**  
**Administrator of the Fund**  
**ICPAK M/No: 26813**



.....  
**Name: David Ingosi Kazungu**  
**Fund Accountant**  
**ICPAK M/No: ASSOC/ 3614**



**Kilifi County Car Loan and 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**

	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	56,502,889	38,999,800
Current portion of receivables	5	16,651	
<b>Non-Current Assets</b>			
Long-term receivables from exchange transactions - Loans to Staff	6	102,103,226	-
<b>Total assets</b>		<b>158,622,766</b>	<b>38,999,800</b>
<b>Current Liabilities</b>			
Trade and Other payables exchange transactions		-	-
<b>Total Net Assets</b>		<b>158,622,766</b>	<b>38,999,800</b>
<b>Net assets</b>			
Revolving Fund		159,000,000	39,000,000
Accumulated surplus/ (deficit)		(377,234)	(200)
<b>Total Net Assets</b>		<b>158,622,766</b>	<b>38,999,800</b>

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 September 22, 2023. and signed by:



.....  
**CPA Grace Mulaa Dzombo**  
**Administrator of the Fund**  
**ICPAK Member Number:26813**



.....  
**Name: David Ingosi Kazungu**  
**Fund Accountant**  
**ICPAK M/No: ASSOC/3614**

*Kilifi County Car Loan and Mortgage Scheme Fund*

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

**15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>Revolving Fund</b>	<b>Accumulated surplus</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Balance as at 1 July 2021</b>		-	-
Funds Received During the Year	39,000,000	-	<b>39,000,000</b>
Surplus/(deficit) for the period	-	(200)	<b>(200)</b>
<b>Balance as at 30 June 2022</b>	<b>39,000,000</b>	<b>(200)</b>	<b>38,999,800</b>
<b>Balance as at 1 July 2022</b>	<b>39,000,000</b>	<b>(200)</b>	<b>38,999,800</b>
Funds Received During the Year	<b>120,000,000</b>	-	<b>120,000,000</b>
Surplus/(deficit) for the period	-	<b>(377,034)</b>	<b>(377,034)</b>
<b>Balance as at 30 June 2023</b>	<b>159,000,000</b>	<b>(377,234)</b>	<b>158,622,766</b>

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

**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

**Direct Method**

	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest income		13,150	-
Other Income		4,248,525	-
<b>Total Receipts</b>		<b>4,261,675</b>	-
<b>Payments</b>			
Fund Administration Expenses		4,655,360	200
<b>Total Payments</b>		<b>4,655,360</b>	<b>200</b>
<b>Net cash flows from operating activities</b>	<b>8</b>	<b>(393,685)</b>	<b>(200)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Proceeds from loan principal repayments		99,645	-
Loan disbursements paid out		(102,202,871)	-
<b>Net cash flows used in investing activities</b>		<b>(102,103,226)</b>	-
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Proceeds from revolving fund receipts		120,000,000	39,000,000
<b>Net cash flows used in financing activities</b>		<b>120,000,000</b>	<b>39,000,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>17,503,089</b>	<b>38,999,800</b>
Cash and cash equivalents at 1 July 2022		38,999,800	-
<b>Cash and Cash equivalents at 30 June 2023</b>		<b>56,502,889</b>	<b>38,999,800</b>

**Note: The Statement of Cashflow has been prepared under the Direct method. The Net cash flows from operating activities have been reconciled with the Indirect Method as disclosed in Note 8.**

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

	Original budget	Adjustments	Final budget	Actual comparable basis	Performance difference	% utilisation
<b>Revenue:</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>
Transfers from County Govt.	-	120,000,000	120,000,000	120,000,000	-	100%
Revenue from exchange transactions	-	4,769,994	4,769,994	4,278,326	491,668	90%
Revoted funds from 2021/22		38,999,800	38,999,800	38,999,800	-	100%
<b>Budgeted Revenue</b>	<b>-</b>	<b>163,769,794</b>	<b>163,769,794</b>	<b>159,029,601</b>	<b>4,740,193</b>	<b>97%</b>
<b>Expenses:</b>						
Fund Administration Expenses	-	9,539,994	9,539,994	4,655,360	4,884,634	49%
Loans to Staff	-	154,229,800	154,229,800	102,103,226	52,126,574	66%
<b>Budgeted Expenditure</b>	<b>-</b>	<b>163,769,794</b>	<b>163,769,794</b>	<b>106,758,586</b>	<b>57,011,208</b>	<b>65%</b>

**Budgetary notes**

1. *Transfers from the County Government represents the County Government of Kilifi Supplementary Budget.*
2. *Interest Income represents interest on loans issued and interest received from car loans and mortgage loans issued during the financial year ended 30 June 2023.*
3. *Fund Administration expenses represents the cost of operationalization of the fund. Budget absorption rate was 49%.*

## **18. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Kilifi County Car Loan and Mortgage Scheme Fund entity is established by and derives its authority and accountability from the Public Finance Management Act (PFMA) 2012. The Fund is wholly owned by the County Government of Kilifi and is domiciled in Kenya. The entity's principal activity is to provide financing to the members of staff employed under the Executive Arm of the County Government to purchase motor vehicle for personal use; purchase, develop, renovate or improvement of residential property.

### **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 (**Kshs**), 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*

<b>Standard</b>	<b>Effective date and impact</b>
<b>IPSAS 41: Financial Instruments</b>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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>

Standard	Effective date and impact
	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul> <p><b>The standard has no impact on the Kilifi County Car Loan and Mortgage Scheme Fund.</b></p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul> <p><b>The standard has no impact on the Kilifi County Car Loan and Mortgage Scheme Fund.</b></p>
<p>Amendments to Other IPSAS resulting from IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p>

Standard	Effective date and impact
41, Financial Instruments	<p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><b>The standard has no impact on the Kilifi County Car Loan and Mortgage Scheme Fund</b></p>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> 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	<b>Applicable 1<sup>st</sup> January 2025</b>

Standard	Effective date and impact
	<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>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

The Fund did not early – adopt any new or amended standards in the financial year 2022/2023.

**Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

**Transfers from other government entities**

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



**ii. Revenue from exchange transactions**

**Interest income**

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

**b) Budget information**

The original budget for FY 2022/23 was approved by the County Assembly on 30<sup>th</sup> 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 Ksh 120,000,000 on the FY 2022/2023 budget following the County Assembly's approval.

The Fund'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.

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 15 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) Financial instruments**

**Initial recognition and measurement**

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 Fund's financial statements.

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.

### **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.

## **Financial liabilities**

### **Classification**

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

#### **f) Inventories**

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

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

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

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

#### **g) Provisions**

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

#### **h) Social Benefits**

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

**Summary of Significant Accounting Policies (Continued)**

**i) 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.

**1.1.1 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.

**j) 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.

**k) Related parties**

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

**l) Cash and cash equivalents**

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

**m) Comparative figures**

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

**Summary of Significant Accounting Policies (Continued)**

**1.1.2 5. Significant judgments and sources of estimation uncertainty**

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

**a) Estimates and assumptions –**

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

**Notes to the Financial Statements**

**1. Interest income**

Description	2022/2023	FY2021/2022
	Kshs	Kshs
Interest Income from Mortgage Loans/Car Loans	29,801	-
<b>Total</b>	<b>29,801</b>	<b>-</b>

*The delay in Fund operations resulted in reporting of low interest income.*

**2. Other Income**

Description	2022/2023	FY2021/2022
	Kshs	Kshs
Fees and other charges - Insurance and Legal	4,248,524.78	
<b>Total</b>	<b>4,248,524.78</b>	

**3. Fund Administration Expenses**

Description	2022/2023	FY2021/2022
	Kshs	Kshs
Domestic travel and subsistence	205,600	-
Hospitality supplies and services	320,000	-
Committee Allowances	354,000	-
Administration Fees	1,251,200	-
insurance	2,511,525	
Bank Charges	13,035	200
<b>Total</b>	<b>4,655,360</b>	<b>200</b>

Notes to the Financial Statements continued

4. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
Current account	56,502,889	38,999,800
<b>Total cash and cash equivalents</b>	<b>56,502,889</b>	<b>38,999,800</b>

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

Financial institution	Account number	Kshs	Kshs
Current account			
Kenya Commercial bank			
CGK-Car Loan& Mortgage Scheme	1250660564	56,502,889	38,999,800
<b>Grand total</b>		<b>56,502,889</b>	<b>38,999,800</b>

5. Current Portion of Receivables

Description	2022/2023	2021/2022
	Kshs	Kshs
Interest Receivable	16,651	-
<b>Total cash and cash equivalents</b>	<b>16,651</b>	<b>-</b>

6. Long-term receivables from exchange transactions - Loans to Staff

Description	2022/2023	2021/2022
	Kshs	Kshs
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	102,103,226	-
<b>Total Non- Current receivables</b>	<b>102,103,226</b>	<b>-</b>
<b>Total Non-current receivables</b>	<b>-</b>	<b>-</b>
<b>Total Receivables from Exchange Transactions</b>	<b>102,103,226</b>	<b>-</b>



**Notes to the Financial Statements continued**

**7. Trade and other payables from exchange transactions**

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade payables	-	-
<b>Total trade and other payables</b>	<b>-</b>	<b>-</b>

**8. Cash generated from operations**

	2022/2023	2021/2022
	Kshs	Kshs
<b>Surplus for the year before tax</b>	(377,034)	(200)
<b>Adjusted for:</b>		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	(16,651)	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>(393,685)</b>	<b>(200.00)</b>

**9. Related party balances**

**a) Nature of related party relationships**

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Fund Management Committee

**b) Related party transactions**

Description	2022/2023	2021/2022
	Kshs	Kshs
Transfers From Related Parties'	120,000,000	39,000,000
Transfers To Related Parties	-	-

**Notes to The Financial Statements (Continued)**

**c) Key management remuneration**

Description	2022/2023	2021/2022
	Kshs	Kshs
Fund Committee Allowances	354,000	-
<b>Total</b>	<b>354,000</b>	<b>-</b>

**10. Contingent assets and contingent liabilities**

None during the year

**11. 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:

**Notes to the Financial Statements continued**

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2023</b>				
Receivables From Exchange Transactions	102,103,226	102,103,226	-	-
Bank Balances	56,502,889	56,502,889	-	-
<b>Total</b>	<b>158,606,115</b>	<b>158,606,115</b>	-	-
<b>At 30 June 2022</b>				
Bank Balances	56,502,889	38,999,800	-	-
<b>Total</b>	<b>56,502,889</b>	<b>38,999,800</b>	-	-

**b) Liquidity risk management**

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

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

Description	Over 5 months	Total
	Kshs	Kshs
<b>At 30 June (Current FY)</b>		
Trade Payables	-	-
<b>Total</b>	-	-
<b>At 30 June (Comparative FY)</b>		
Trade Payables	-	-
<b>Total</b>	-	-

**Notes To the Financial Statements (Continued)**

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

Description	Other currencies		Total
	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>			
Debtors/ Receivables	102,103,226	-	102,103,226
<b>Liabilities</b>			
Trade And Other Payables	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	<b>102,103,226</b>	<b>-</b>	<b>102,103,226</b>

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

**Notes To the Financial Statements (Continued)**

**Foreign currency sensitivity analysis**

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
<b>(Current FY)</b>			
Euro	10%	-	-
USD	10%	-	-
<b>(Comparative FY)</b>			
Euro	10%	-	-
USD	10%	-	-

**ii. Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

***Management of interest rate risk***

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

**Notes to the Financial Statements continued**

**iii. 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
Revolving fund	159,000,000	39,000,000
Accumulated surplus	(377,234)	(200)
<b>Total funds</b>	<b>158,622,766</b>	<b>38,999,800</b>
Less: cash and bank balances	(56,502,889)	(38,999,800)
Net debt/ (excess cash and cash equivalents)	<b>(56,502,889)</b>	-
<b>Gearing</b>		

**12. Events after the reporting period**

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

**13. Ultimate and Holding Entity**

The Kilifi County Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December, 2014 and Section 167 of the Public Finance Management (PFM) Act 2012.

Its mandate is to provide car and mortgage loans to members of staff. The operations of the fund are governed by the Kilifi County Car Loan and Mortgage Scheme Fund Regulations, 2020, the PFM Act, 2012, PFM Regulations, SRC Circulars and any other government legislations

Its ultimate parent is the County Government of Kilifi.

**14. Currency**

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

**19. Annexes**

**19.1 Annex I: Progress on Follow Up of Prior Year Auditor's recommendations**

The Scheme is a new Fund reporting for the 1<sup>st</sup> Time. It did not have any Audit follow up issues.



.....  
**Winnie Wakati Luwali**

**Chairperson/Fund Management Committee**



.....  
**Grace Mulaa Dzombo**

**Secretary/ Fund Administrator**

**KILIFI COUNTY CAR LOAN AND MORTGAGE SCHEME FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**19.2 Annex II: Inter-Fund Confirmation Letter**



KILIFI COUNTY CAR LOAN AND MORTGAGE SCHEME FUND  
P.O BOX 519 – 80108  
KILIFI.

**Confirmation of amounts received by Kilifi County Car Loan and Mortgage Scheme Fund as at 30 June 2023**

Reference Number	Date Disbursed	Amounts Disbursed by County Executive, Kilifi (Kshs) as at 30 June 2023				Amount Received by Kilifi County Car Loan and Mortgage Scheme (KShs) as at 30 <sup>th</sup> June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
97	May 16, 2023	120,000,000	-	-	120,000,000	120,000,000	0
Total							

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

**Fund Administrator:**

**Name:** Grace Mulaa Dzombo

**Sign** ..... *[Signature]* .....

**Date** ..... *30/06/23* .....

The *Kilifi County Car Loan and Mortgage Scheme Fund* wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> 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.