

REPORT

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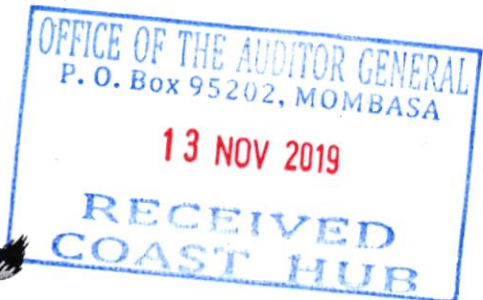
ON

**TAITA TAVETA COUNTY ASSEMBLY
 MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
 30 JUNE, 2019**

PARLIAMENT PAPERS LAID
 DATE 8/11/2021
 TABLED BY Deputy Senate
 COMMITTEE
 CLERK AT THE TABLE Kavaka M.

**Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30th June, 2019**



TAITA TAVETA COUNTY ASSEMBLY MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30th JUNE, 2019**

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

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Taita Taveta County Assembly Mortgage Scheme Fund
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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Taita Taveta County Assembly Mortgage Scheme is constituted as per the constitution of Kenya it's headed by the Speaker, who is responsible for the general policy and strategic direction of the County Assembly.

b) Key Management

The Fund's day-to-day management is under the following key organs:

| S/NO | NAME | DESIGNATION |
|------|---------------------|---------------------------------------|
| 1 | HON.JASON TUJA | Leader of Majority- Chairperson |
| 2 | HON.RONALD SAGURANI | Leader of Minority- Vice -Chairperson |
| 3 | HON.GODWIN KILELE | MCA, Budget chair - Member |
| 4 | HON. IBRAHIM JUMA | MCA, Minority Wipe - Member |

c) Fiduciary Management

The key management personnel who held office during the year ended June 30, 2019 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|---------------------|------------------------|
| 1 | Accounting Officer | Gadiel Mnyambo Maganga |
| 2 | Committee Secretary | Joseph Waduu |

d) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

1. County Assembly Public Accounts Committee
2. Office of The Controller of Budget

Taita Taveta County Assembly Mortgage Scheme Fund
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For the year ended 30th June, 2019

e) Entity Headquarters

County Assembly Headquarter
P.O. Box 1066 - 80304
Wundanyi, KENYA.

f) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Cooperative Bank of Kenya
P.o. Box 770 -80300
VOI, Kenya

g) Independent Auditors

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

h) Principal Legal Adviser

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

**Taita Taveta County Assembly Mortgage Scheme Fund
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2. FORWARD NOTE BY THE CLERK OF THE ASSEMBLY

The Taita Taveta County Assembly Mortgage Scheme fund is a revolving fund established pursuant to the Salaries and Remuneration Circular no SRC/ADM/CIR/1/13/ Vol III (128) of 17th December 2014. Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of Annual Financial Statements

For proper management of the fund, the Taita Taveta County Assembly adopted Public Finance Management (Taita Taveta County Assembly Mortgage Scheme Fund) Regulations 2014 to guide operationalization of the Fund.

The Fund started its operations in 2015 following the gazettelement of the Taita Taveta County Assembly Mortgage Scheme regulation 2015. It received an initial amount of Ksh.3M.

The Salaries and Remuneration Commission in its circular ref SRC/ADM/CIR/1/13 Vol.III (128) dated 17 December 2014 provided guidelines for access of Car Loan and Mortgage benefits by all state and public officers. Arising therefrom the County Assembly Committee Members approved and adopted the Staff Loans Policy Paper on 14th September 2015. In the FY 2015/2016 the Fund Committee Members approved and adopted the guidelines on internal administration of the Mortgage Scheme Fund.

Conclusion

FY 2018/2019 is a good year in general. Good progress is made and the momentum has been created to enable Taita Taveta County Assembly Mortgage Scheme Fund continues on a trajectory into prosperity. We have identified gaps and areas to improve on in this year.

I take this opportunity to thank the Hon Speaker and Members of County Assembly for their support. I would also want to thank my colleagues, All Heads in charge of other departments who we have worked hand in hand to ensure that Taita Taveta County Assembly achieves its mission.

I thank all staff in the entire County for their continued commitment and dedication through hard work in delivering services to the people of Taita Taveta County



Clerk of the County Assembly

**Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30th June, 2019**

3. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Taita Taveta County Assembly Mortgage Scheme Fund Financial Statements for the year ended 30th June 2019. The financial statements present the financial performance of the fund over the past year.

The fund was established on 14th September 2015 and started with an initial amount of KShs 3M and a further KShs 30 M was Budgeted for in the period under reporting. Since then, a total of 50 loan beneficiaries have made borrowings amounting to KShs 113 M.

Financial Performance

a) Revenue

In the year ended 30th June 2019, the fund had projected revenues of KShs 60 Million consisting of Transfers from County Govt (Exchequer Issue) of 55 Million and 5 Million as revenues from Interest Received. Due to cashflow challenges, the fund didn't realise its full budget.

b) Loans

During the financial year 2018/2019, the fund had disbursed 27 Loans totalling to Kshs 49,150,000

c) Cash flows

In the FY 2018/2019, The cash and cash equivalents increased from KShs 951,402 as at 30th June 2018 to KShs 1,888,391 as at 30th June 2019.

d) Conclusion

FY 2017/2018 was a good year in general. Good progress was made and the momentum has been created to enable Taita Taveta County Assembly Mortgage Scheme Fund continues on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank the Fund Committee Members for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Taita Taveta County Assembly Mortgage scheme fund achieves its mission.

Signed: 

Fund Administrator – Mortgage Fund

**Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30th June, 2019**

4. 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 Taita Taveta County Assembly Mortgage Scheme Fund established by The Taita Taveta County Assembly Gazette Supplementary No. 16, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

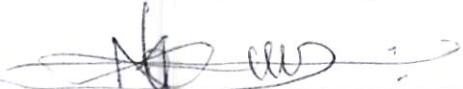
The Administrator of the Fund is responsible for the preparation and presentation of the Taita Taveta County Assembly Mortgage Scheme Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This 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 Taita Taveta County Assembly Mortgage Scheme Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Taita Taveta County Assembly Gazette Supplementary No. 16. The Administrator of the Fund is of the opinion that the Taita Taveta County Assembly Mortgage Scheme Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2019, 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 Taita Taveta County Assembly Mortgage Scheme 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

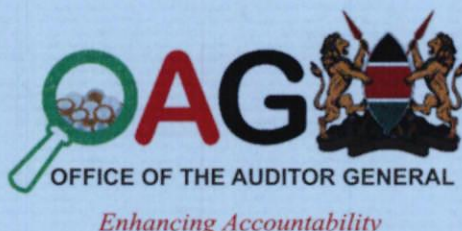
The Taita Taveta County Assembly Mortgage Scheme Fund's financial statements were approved on 7th November, 2019 and signed on its behalf by:



Fund Administrator-Mortgage Fund

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON TAITA TAVETA COUNTY ASSEMBLY MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Taita Taveta County Assembly Mortgage Scheme Fund set out on pages 8 to 33, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Taita Taveta County Assembly Mortgage Scheme Fund as at 30 June, 2019, 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 (Taita Taveta County Assembly Mortgage Scheme Fund) Regulations, 2019 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The financial statements provided for audit review revealed inaccuracies as detailed below:

- 1.1** The statement of changes in net assets as at 30 June, 2019 reflects revaluation loss of Kshs.326,487 (2017/2018-Kshs.1,194,051). However, the revaluation reserve balances were not explained or supported.

1.2 The statement of cash flows for the year ended 30 June, 2019 reflects proceeds from loan principal repayments of Kshs.25,231,322 as disclosed in Note 25 to the financial statements. However, the supporting schedule reflects a balance of Kshs.32,936,004, resulting to an unreconciled and an unexplained difference of Kshs.7,704,682.

Consequently, the accuracy and completeness of the statement of changes in net assets and statement of cash flows for the year ended 30 June, 2019 could not be confirmed.

2. Receivables from Exchange Transactions

The statement of financial position reflects current receivables from exchange transactions balance of Kshs.33,346,687 and long-term receivables from exchange transactions balance of Kshs.80,156,131, all totaling to Kshs.113,502,818 (2017/2018 - Kshs.90,826,560) as disclosed in Note 12 to the financial statements. However, included in this amount is Kshs.32,877,425 in respect of current portion of long-term receivables from exchange transactions, out of which Kshs.6,780,776 relates to loans owed by five (5) former Members of County Assembly who have defaulted in loans repayments. Further, evidence of joint registration of houses purchased in the name of the Members of Taita Taveta County Assembly Mortgage Scheme Fund was not provided for audit verification.

In the circumstance, the propriety, accuracy and recoverability of the of receivables from exchange transactions balance of Kshs.113,502,818 as at 30 June, 2019 could not be confirmed.

3. Current Portion of Borrowings

The statement of financial position as at 30 June, 2019 reflects current portion of borrowings balance of Kshs.4,950,000 as disclosed in Note 19 to the financial statements. This balance represents domestic borrowings during the year. However, support documents for the borrowing were not provided for audit review. This is contrary to Section 149(2) (a) and (b) of the Public Finance Management Act, 2012, which states that 'in carrying out a responsibility imposed by Section (1), an Accounting Officer shall, in respect of entity concerned ensure that the entity keeps financial and accounting records that comply with this Act and that all expenditure made by the entity is lawful, authorized, effective, efficient, economical and transparent'.

Consequently, the propriety, validity, accuracy and completeness of current portion of borrowing balance of Kshs.4,950,000 as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Taita Taveta County Assembly Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in

Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.60,000,000 and Kshs.50,459,829 respectively resulting to under-funding of Kshs.9,540,171 or 16% of the budget. Similarly, the Fund expended Kshs.50,522,840 against an approved budget of Kshs.60,000,000 resulting to under-expenditure of Kshs.9,477,160 or 16% of the budget. The Fund Management ought to relook at the budget preparation process with a view to making it as effective and realistic as possible in order to achieve the objective for which the Fund was established.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Presentation of Financial Statements

The financial statements provided for audit review revealed the following anomalies,

- 1.1** The report of Board of Trustees, the Management Team, Chairperson of the Board report, corporate governance report, management discussion and analysis report and corporate social responsibility /sustainability reports were not included in the financial statements contrary to the Public Sector Accounting Standards Board (PSASB) template.
- 1.2** Report of the Independent Auditor is omitted from the table of contents.

Consequently, the financial statements presented for the year ended 30 June, 2019 do not conform to International Public Sector Accounting Standard No. 1 on presentation of financial statements as prescribed and published by the Public Sector Accounting Standards Board.

2. Unsupported Loan Disbursements

As previously reported, the statement of financial position as at 30 June, 2019 reflects current portion of long term receivables from exchange transactions balance of Kshs.33,346,687 and long term receivables from exchange transactions balance of Kshs.80,156,131, all totaling to Kshs.113,502,818 (2017/2018 - Kshs.90,826,560) as disclosed in Note 12 to the financial statements. Further, the statement of cash flows for the year ended 30 June, 2019 reflects loan disbursements of Kshs.49,150,000 (2017/2018 - Kshs.24,825,862). However, evidence of the properties purchased having a charge registered in the name of the Board and the names entered on all the documents of title for the properties was not provided for audit verification. This is contrary to Part III Section 15(1) of the Public Finance (Taita Taveta County Assembly Mortgage Scheme Fund) Regulations, 2019, which states that “the Board shall have a charge registered on the property financed through a loan granted under this regulation and shall have its name entered on all the documents of title for such property’.

Consequently, the ownership of the properties purchased and the validity of loan disbursements of Kshs.49,150,000 for the year ended could not be confirmed. Further, the Fund may be in breach of the Law and Regulations governing issuance of mortgage.

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Failure to Develop Risk Management Strategy

The Taita Taveta County Assembly Mortgage Scheme Fund Board did not develop risk management strategies. Without a risk management strategy, the Board may not be effectiveness in managing a robust business operation of the Fund. This is contrary to Section 158 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations.

Consequently, the Management did not comply with the law and regulations governing operations of the Fund.

2. Failure to Maintain Mortgage Protection and Fire Policies

The Management has not developed mortgage protection and fire policies with an insurance firm approved by the financier, contrary to Part III Section 16(1) of The Public Finance Management (Taita Taveta County Assembly Mortgage Scheme Fund Regulations, 2019) which states that "A borrower shall take out and maintain a mortgage protection policy and a fire policy with an insurance firm approved by the Board". Failure to develop these policies is contrary to the Law and exposes the Fund to risk of loss in case of death or total disability of the borrower.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 services disclosing, as applicable, matters related 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 of the Fund is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the Fund's 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 sustainability of service basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

14 October, 2021

Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30th June, 2019

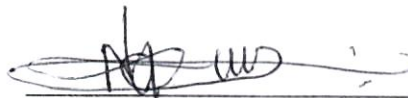
5.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE, 2019

| | Note | FY 2018/2019 KShs | FY 2017/2018 KShs |
|---|------|----------------------|----------------------|
| Revenue from non-exchange transactions | | | |
| Public contributions and donations | 1 | - | - |
| Transfers from the County Government | 2 | - | - |
| Fines, penalties and other levies | 3 | - | - |
| Revenue from exchange transactions | | | |
| Interest income | 4 | 2,283,507 | 2,873,461 |
| Other income | 5 | - | - |
| Total revenue | | 2,283,507 | 2,873,461 |
| Expenses | | | |
| Fund administration expenses | 6 | 1,346,100 | 1,232,400 |
| General expenses | 8 | 26,740 | 7,150 |
| Finance costs | 9 | - | - |
| Total expenses | | 1,372,840 | 1,239,550 |
| Other gains/losses | | | |
| Gain/loss on disposal of assets | 10 | - | - |
| Surplus/(deficit) for the period | | 910,667 | 1,633,911 |

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 7th November, 2019 and signed by:



Clerk of the Assembly



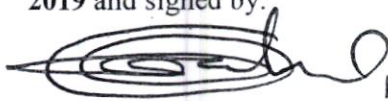
Fund Administrator– Mortgage Fund

**Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30th June, 2019**

5.2. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2019

| | Note | FY2018/2019 KShs | FY2017/2018 KShs |
|---|------|---------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 11 | 1,888,391 | 951,402 |
| Current receivables from exchange transactions | 12 | 33,346,687 | 17,990,718 |
| Prepayments | 13 | 915,934 | - |
| Inventories | 14 | - | - |
| Non-current assets | | | |
| Property, plant and equipment | 15 | - | - |
| Intangible assets | 16 | - | - |
| Long term receivables from exchange transactions | 12 | 80,156,131 | 72,835,842 |
| Total assets | | 116,307,143 | 91,777,962 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 17 | - | - |
| Provisions | 18 | - | - |
| Current portion of borrowings | 19 | 4,950,000 | 3,950,000 |
| Employee benefit obligations | 20 | - | - |
| Non-current liabilities | | | |
| Non-current employee benefit obligation | 20 | - | - |
| Long term portion of borrowings | 19 | - | - |
| Total liabilities | | 4,950,000 | 3,950,000 |
| Net assets | | 111,357,143 | 87,827,962 |
| Revolving Fund | | 107,945,000 | 85,000,000 |
| Reserves | | 867,564 | 1,194,051 |
| Accumulated surplus | | 2,544,578 | 1,633,911 |
| Total net assets and liabilities | | 111,357,142 | 87,827,962 |

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 7th November, 2019 and signed by:



Clerk of the Assembly



Fund Administrator– Mortgage Fund

Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30th June, 2019

5.3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE, 2019

| | Revolving Fund | Revaluation Reserve | Accumulated surplus | Total |
|-----------------------------------|--------------------|---------------------|---------------------|--------------------|
| | | KShs | KShs | KShs |
| Balance as at 1 July 2017 | 70,000,000 | - | - | 70,000,000 |
| Surplus/(deficit) for the period | - | - | 1,633,911 | 1,633,911 |
| Funds received during the year | 15,000,000 | - | - | 15,000,000 |
| Revaluation gain | - | 1,194,051 | - | 1,194,051 |
| Balance as at 30 June 2018 | 85,000,000 | 1,194,051 | 1,633,911 | 87,827,962 |
| Balance as at 1 July 2018 | 85,000,000 | 1,194,051 | 1,633,911 | 87,827,962 |
| Surplus/(deficit) for the period | - | - | 910,667 | 910,667 |
| Funds received during the year | 22,945,000 | - | - | 22,945,000 |
| Revaluation gain | - | (326,487) | - | (326,487) |
| Balance as at 30 June 2019 | 107,945,000 | 867,564 | 2,544,578 | 111,357,142 |

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 **7th November, 2019** and signed by:



Clerk of the Assembly



Fund Administrator– Mortgage Fund

Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30th June, 2019

5.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE, 2019

| | | | |
|--|----|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Public contributions and donations | 1 | - | - |
| Transfers from the County Government | 2 | - | - |
| Interest income | 4 | 2,283,507 | 2,570,878 |
| Receipts from other operating activities | | - | - |
| Total Receipts | | 2,283,507 | 2,570,878 |
| Payments | | | |
| Fund administration expenses | 6 | 1,346,100 | 1,232,400 |
| General expenses | 8 | 26,740 | 7,150 |
| Finance cost | 9 | - | - |
| Total Payments | | 1,372,840 | 1,239,550 |
| Net cash flows from operating activities | | 910,667 | 1,331,328 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | - | - |
| Proceeds from sale of property, plant and equipment | | - | - |
| Proceeds from loan principal repayments | 25 | 25,231,322 | 3,749,902 |
| Loan disbursements paid out | 24 | (49,150,000) | (24,825,862) |
| Net cash flows used in investing activities | | (23,918,678) | (21,075,961) |
| Cash flows from financing activities | | | |
| Transfers from the County Government | 2 | 22,945,000 | 15,000,000 |
| Additional borrowings (During the year) | 19 | 1,000,000 | 3,950,000 |
| Repayment of borrowings | | - | - |
| Net cash flows used in financing activities | | 23,945,000 | 18,950,000 |
| Net increase/(decrease) in cash and cash equivalents | | 936,989 | (794,633) |
| Cash and cash equivalents at 1 JULY | 11 | 951,402 | 1,746,034 |
| Cash and cash equivalents at 30 JUNE | 11 | 1,888,391 | 951,402 |
| As per Statement of Financial Position | | 1,888,391 | 951,402 |

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 7th November, 2019 and signed by:



Clerk of the Assembly

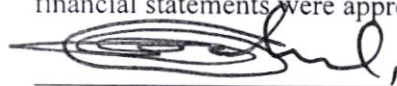


Fund Administrator-Mortgage Fund

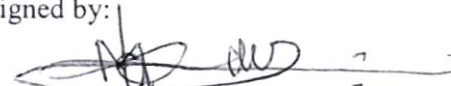
**5.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE PERIOD ENDED 30TH JUNE, 2019**

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % utilisation |
|------------------------------------|-------------------|-------------|-------------------|----------------------------|------------------------|---------------|
| | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 |
| | KShs | KShs | KShs | KShs | KShs | |
| Revenue | | | | | | |
| Public contributions and donations | - | - | - | - | - | 0% |
| Transfers from County Govt. | 40,000,000 | - | 40,000,000 | 22,945,000 | 17,055,000 | 57% |
| Interest income | 5,000,000 | - | 5,000,000 | 2,283,507 | 2,716,493 | 46% |
| Other income | 15,000,000 | - | 15,000,000 | 25,231,322 | (10,231,322) | 168% |
| Total income | 60,000,000 | - | 60,000,000 | 50,459,829 | 9,540,171 | 84% |
| Expenses | | | | | | |
| Fund administration expenses | 1,500,000 | - | 1,500,000 | 1,346,100 | 153,900 | 90% |
| General expenses | 30,000 | - | 30,000 | 26,740 | 3,260 | 89% |
| Loans Advanced | 58,470,000 | - | 58,470,000 | 49,150,000 | 9,320,000 | 84% |
| Total expenditure | 60,000,000 | - | 60,000,000 | 50,522,840 | 9,477,160 | 84% |
| Surplus for the period | - | - | - | 63,011 | 63,011 | 0% |

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 7th November, 2019 and signed by:



Clerk of the Assembly



Fund Administrator-Mortgage Fund

**Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

5.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

| Standard | Effective date and impact: |
|---------------------------------------|--|
| IPSAS 39: Employee Benefits | Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. |

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

| Standard | Effective date and impact: |
|---|---|
| IPSAS 40: Public Sector Combinations | Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations. |

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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.

4. Budget information

The original budget for FY 2018/2019 was approved by the County Assembly 30th June 2019. 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.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section - of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. 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 costs 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 FairValue.

6. 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.

7. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cashflows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. 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.

9. 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

10. 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.

11. Borrowing costs

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

12. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, Orto 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.

13. 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.

14. Comparative figures

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

**Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Events after the reporting period

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

16. Currency

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

**Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

6. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

| Description | FY2018/2019 | FY2017/2018 |
|------------------------------------|-------------|-------------|
| | KShs | KShs |
| Donation from development partners | - | - |
| Contributions from the public | - | - |
| Total | - | - |

2. Transfers from County Government

| Description | FY2018/2019 | FY2017/2018 |
|--|-------------------|-------------------|
| | KShs | KShs |
| Transfers from County Govt. – operations | 22,945,000 | 15,000,000 |
| Payments by County on behalf of the entity | | - |
| Total | 22,945,000 | 15,000,000 |

3. Fines, penalties and other levies

| Description | FY2018/2019 | FY2017/2018 |
|------------------------|-------------|-------------|
| | KShs | KShs |
| Late payment penalties | - | - |
| Fines | - | - |
| Total | - | - |

4. Interest income

| Description | FY2018/2019 | FY2017/2018 |
|-------------------------------------|------------------|------------------|
| | KShs | KShs |
| Interest income from loans mortgage | 2,283,507 | 2,570,878 |
| Interest Accrued from Mortgage | 469,262 | 302,583 |
| Total interest income | 2,752,769 | 2,873,461 |

**Taita Taveta County Assembly Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

| Description | FY2018/2019 | FY2017/2018 |
|--------------------------------------|-------------|-------------|
| | KShs | KShs |
| Insurance recoveries | - | - |
| Income from sale of tender documents | - | - |
| Miscellaneous income | | |
| Total other income | - | - |

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

6. Fund administration expenses

| Description | FY2018/2019 | FY2017/2018 |
|-----------------------------|------------------|------------------|
| | KShs | KShs |
| Staff costs (Note 7) | 1,346,100 | 1,232,400 |
| Loan processing costs | - | - |
| Professional services costs | - | - |
| Total | 1,346,100 | 1,232,400 |

7. Staff costs

| Description | FY2018/2019 | FY2017/2018 |
|------------------------------|------------------|------------------|
| | KShs | KShs |
| Salaries and wages | - | - |
| Staff gratuity | - | - |
| Staff training expenses | - | - |
| Social security contribution | - | - |
| Other staff costs | 1,346,100 | 1,232,400 |
| Total | 1,346,100 | 1,232,400 |

**Taita Taveta County Assembly Mortgage Scheme Fund
 Reports and Financial Statements
 For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

| Description | FY2018/2019 | FY2017/2018 |
|-------------------------------------|---------------|--------------|
| | KShs | KShs |
| Consumables | - | - |
| Electricity and water expenses | - | - |
| Fuel and oil costs | - | - |
| Insurance costs | - | - |
| Postage | - | - |
| Printing and stationery | - | - |
| Rental costs | - | - |
| Security costs | - | - |
| Telecommunication | - | - |
| Hospitality | - | - |
| Depreciation and amortization costs | - | - |
| Other expenses-Bank Charges | 26,740 | 7,150 |
| Total | 26,740 | 7,150 |

**Taita Taveta County Assembly Mortgage Scheme Fund
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For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

| Description | FY2018/2019 | FY2017/2018 |
|------------------------------|-------------|-------------|
| | KShs | KShs |
| Interest on Bank overdrafts | - | - |
| Interest on loans from banks | - | - |
| Total | - | - |

10. Gain on disposal of assets

| Description | FY2018/2019 | FY2017/2018 |
|-------------------------------|-------------|-------------|
| | KShs | KShs |
| Property, plant and equipment | - | - |
| Intangible assets | - | - |
| Total | - | - |

11. Cash and cash equivalents

| Description | FY2018/2019 | FY2017/2018 |
|--|------------------|----------------|
| | KShs | KShs |
| Fixed deposits account | - | - |
| On – call deposits | - | - |
| Current account | 1,888,391 | 951,402 |
| Others | - | - |
| Total cash and cash equivalents | 1,888,391 | 951,402 |

**Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

| Financial institution | Account number | FY2018/2019 | FY2017/2018 |
|----------------------------------|----------------|------------------|----------------|
| | | KShs | KShs |
| a) Fixed deposits account | | | |
| Kenya Commercial bank | | - | - |
| Equity Bank, etc. | | - | - |
| Sub- total | | - | - |
| b) On - call deposits | | | |
| Kenya Commercial bank | | - | - |
| Equity Bank - etc. | | - | - |
| Sub- total | | - | - |
| c) Current account | | | |
| Cooperative Bank -Mortgage | | 1,888,391 | 951,402 |
| Bank B | | - | - |
| Sub- total | | 1,888,391 | 951,402 |
| d) Others(specify) | | | |
| Cash in transit | | - | - |
| Cash in hand | | - | - |
| M Pesa | | - | - |
| Sub- total | | - | - |
| Grand total | | 1,888,391 | 951,402 |

Taita Taveta County Assembly Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from exchange transactions

| Description | FY2018/2019 | FY2017/2018 |
|---|--------------------|-------------------|
| | KShs | KShs |
| Current receivables from exchange transactions | | |
| Interest receivable | 469,262 | 302,583 |
| Current loan repayments due | 32,877,425 | 15,709,918 |
| Relievable from County Assembly | - | 1,978,217 |
| Less: impairment allowance | - | - |
| Total Current receivables | 33,346,687 | 17,990,718 |
| Non-Current receivables | | |
| Long term receivables from exchange transactions | 80,156,131 | 72,835,842 |
| Total Non-current receivables | 80,156,131 | 72,835,842 |
| Total receivables from exchange transactions | 113,502,818 | 90,826,560 |

**Taita Taveta County Assembly Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

| Description | FY2018/2019 | FY2017/2018 |
|---------------------------|----------------|-------------|
| | KShs | KShs |
| Prepaid rent | - | - |
| Prepaid insurance | 915,934 | - |
| Prepaid electricity costs | - | - |
| Total | 915,934 | - |

14. Inventories

| Description | FY2018/2019 | FY2017/2018 |
|--|-------------|-------------|
| | KShs | KShs |
| Consumable stores | - | - |
| Spare parts and meters | - | - |
| Catering | - | - |
| Total inventories at the lower of cost and net realizable value | - | - |

Taita Taveta County Assembly Mortgage Scheme Fund
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 For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

| | Land and Buildings | Motor vehicles | Furniture and fittings | Computers and office equipment | Total |
|-------------------------------------|--------------------|----------------|------------------------|--------------------------------|-------|
| Cost | KShs | KShs | KShs | KShs | KShs |
| At 1st July 2017 | - | - | - | - | - |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| Transfers/adjustments | - | - | - | - | - |
| At 30th June 2018 | - | - | - | - | - |
| At 1st July 2018 | | | | | |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| Transfer/adjustments | - | - | - | - | - |
| At 30th June 2019 | - | - | - | - | - |
| Depreciation and impairment | | | | | |
| At 1 st July 2017 | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Impairment | - | - | - | - | - |
| At 30th June 2018 | - | - | - | - | - |
| At 1st July 2018 | | | | | |
| Depreciation | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| Impairment | - | - | - | - | - |
| Transfer/adjustment | - | - | - | - | - |
| At 30th June 2019 | - | - | - | - | - |
| Net book values | | | | | |
| At 30 th June 2018 | - | - | - | - | - |
| At 30 th June 2019 | - | - | - | - | - |

Taita Taveta County Assembly Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

| Description | FY2018/2019 | FY2017/2018 |
|------------------------------------|-------------|-------------|
| | KShs | KShs |
| Cost | | |
| At beginning of the year | - | - |
| Additions | - | - |
| At end of the year | - | - |
| Amortization and impairment | | |
| At beginning of the year | - | - |
| Amortization | - | - |
| At end of the year | - | - |
| Impairment loss | - | - |
| At end of the year | - | - |
| NBV | - | - |

17. Trade and other payables from exchange transactions

| Description | FY2018/2019 | FY2017/2018 |
|---------------------------------------|-------------|-------------|
| | KShs | KShs |
| Trade payables | - | - |
| Refundable deposits | - | - |
| Accrued expenses | - | - |
| Other payables | - | - |
| Total trade and other payables | - | - |

18. Provisions

| Description | Leave provision | Bonus provision | Other provision | Total |
|---|-----------------|-----------------|-----------------|-------|
| | KShs | KShs | KShs | KShs |
| Balance at the beginning of the year | - | - | - | - |
| Additional Provisions | - | - | - | - |
| Provision utilised | - | - | - | - |
| Change due to discount and time value for money | - | - | - | - |
| Transfers from non-current provisions | - | - | - | - |
| Total provisions | - | - | - | - |

**Taita Taveta County Assembly Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

| Description | FY2018/2019 | FY2017/2018 |
|---|------------------|------------------|
| | KShs | KShs |
| Balance at beginning of the period | 3,950,000 | - |
| External borrowings during the year: 19 (a) | - | - |
| Domestic borrowings during the year: 19 (b) | 1,000,000 | 3,950,000 |
| Repayments of external borrowings during the period | - | - |
| Repayments of domestics' borrowings during the period | - | - |
| Balance at end of the period | 4,950,000 | 3,950,000 |

The table below shows the classification of borrowings into external and domestic borrowings:

| | FY2018/2019 | FY2017/2018 |
|---|------------------|------------------|
| | KShs | KShs |
| External Borrowings | | |
| Dollar denominated loan from 'organization' | - | - |
| Sterling Pound denominated loan from 'organization' | - | - |
| Euro denominated loan from organization' | - | - |
| Domestic Borrowings | 4,950,000 | 3,950,000 |
| Kenya Shilling loan from KCB | - | - |
| Kenya Shilling loan from Barclays Bank | - | - |
| Kenya Shilling loan from Consolidated Bank | - | - |
| Borrowings from other government institutions | - | - |
| Total balance at end of the year | 4,950,000 | 3,950,000 |

The table below shows the classification of borrowings long-term and current borrowings:

| Description | FY2018/2019 | FY2017/2018 |
|---|-------------|------------------|
| | KShs | KShs |
| Short term borrowings (current portion) | - | 3,950,000 |
| Long term borrowings | - | - |
| Total | - | 3,950,000 |

(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

| Description | Defined benefit plan | Post-employment medical benefits | Other Provisions | Total |
|---|----------------------|----------------------------------|------------------|-------|
| | KShs | KShs | KShs | KShs |
| Current benefit obligation | - | - | - | - |
| Non-current benefit obligation | - | - | - | - |
| Total employee benefits obligation | - | - | - | - |

21. Cash generated from operations

| | FY2018/2019 | FY2017/2018 |
|--|-------------|-------------|
| | KShs | KShs |
| Surplus for the year before tax | | |
| Adjusted for: | | |
| Depreciation | - | - |
| Gains/losses on disposal of assets | - | - |
| Interest income | - | - |
| Finance cost | - | - |
| Working Capital adjustments | | |
| Increase in inventory | - | - |
| Increase in receivables | - | - |
| Increase in payables | - | - |
| Net cash flow from operating activities | - | - |

22. Related party balances

a) Nature of related party relationships

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

| | FY2018/2019 | FY2017/2018 |
|---------------------------------|-------------|-------------|
| | KShs | KShs |
| Transfers from related parties' | - | - |
| Transfers to related parties | - | - |

c) Key management remuneration

| | FY2018/2019 | FY2017/2018 |
|-----------------------------|-------------|-------------|
| | KShs | KShs |
| Board of Trustees | - | - |
| Key Management Compensation | - | - |
| Total | - | - |

d) Due from related parties

| | FY2018/2019 | FY2017/2018 |
|----------------------------|-------------|-------------|
| | KShs | KShs |
| Due from parent Ministry | - | - |
| Due from County Government | - | - |
| Total | - | - |

e) Due to related parties

| | FY2018/2019 | FY2017/2018 |
|---------------------------------|-------------|-------------|
| | KShs | KShs |
| Due to parent Ministry | - | - |
| Due to County Government | - | - |
| Due to Key management personnel | - | - |
| Total | - | - |

23. Contingent assets and contingent liabilities

| Contingent liabilities | FY2018/2019 | FY2017/2018 |
|-------------------------------|-------------|-------------|
| | KShs | KShs |
| Court case - against the Fund | - | - |
| Bank guarantees | - | - |
| Total | - | - |

(Give details)

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24. Loan disbursements paid out

| | FY2018/2019 | FY2017/2018 |
|-----------------------------|--------------------|--------------------|
| | KShs | KShs |
| Loan disbursements paid out | 49,150,000 | 24,825,862 |
| Total | 49,150,000 | 24,825,862 |

25. Proceeds from loan principal repayments

| | FY2018/2019 | FY2017/2018 |
|-----------------------------|--------------------|--------------------|
| | KShs | KShs |
| Loan principal receivable | 25,231,322 | 3,749,902 |
| less loan principal Accrued | | |
| Total | 25,231,322 | 3,749,902 |

**Taita Taveta County Assembly Mortgage Scheme Fund
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7. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---------------------|--|-----------------------------------|--|
| 1.0 | Outstanding Loan Balances | | Joseph Waduu | On Progress | 30th June 2019 |
| 2.0 | Compensation of Employees | | Joseph Waduu | On Progress | 30th June 2019 |
| 3.0 | Budget Utilization | | Joseph Waduu | On Progress | 30th June 2019 |
| 4.0 | Changes of Accounting Basis | | Joseph Waduu | On Progress | 30th June 2019 |
| | | | | | |

