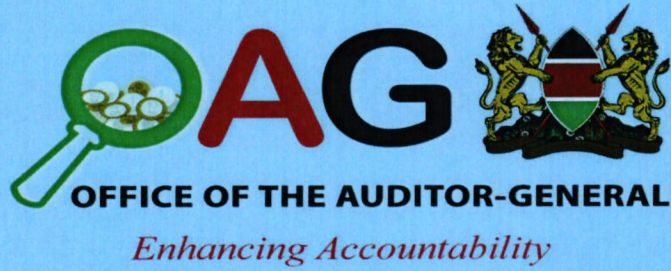


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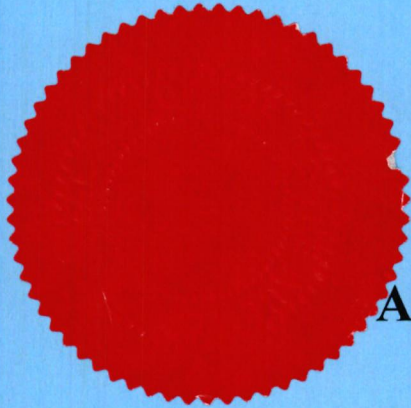


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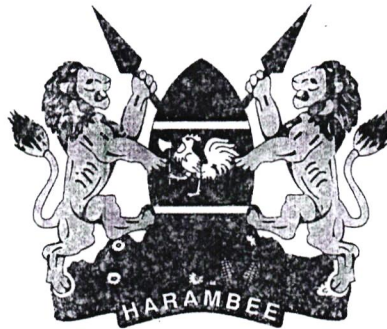
**KAJIADO COUNTY EXECUTIVE STAFF
CAR LOAN AND MORTGAGE
SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

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**KAJIADO COUNTY EXECUTIVE STAFF CAR LOAN AND MORTGAGE
SCHEME FUND.**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

**Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

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Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

1. KAJIADO COUNTY EXECUTIVE STAFF CAR LOAN AND MORTGAGE SCHEME FUND KEY INFORMATION AND MANAGEMENT

a) Background information

Kajiado county executive County Executive Committee staff car loan and mortgage scheme fund are established pursuant to Article 176(1) of the Constitution of Kenya. According to section 12 of the county government act establishes County Executive Committee. Among the function bestowed upon the county executive committee is preparation of annual financial estimate of expenditure, exercising budgetary control and performing other functions prescribed by national legislation. Section 116(1) of the Public Finance Management Act 2012 empowers the county Executive committee member for finance to Establish County public funds with the approval of the county executive committee and county assembly. Sub Section 7 requires the administrator of county [public fund to prepare accounts for each financial year and submit them for to the Auditor General. The Fund is wholly owned by the County Government of Kajiado and is domiciled in Kenya.

Arising from the above provisions and as advised by Salaries and Remuneration Commission (SRC) the fund's principal activity is to enable car loans and mortgage to be advanced to staff of the County Executive in the manner under these Regulations and prescribed by the salaries and remuneration commission Circular as may be issued and applicable from time to time and by the Kajiado County Executive Car Loans and Mortgage Scheme Fund Policy

b) Principal Activities

The Fund principal activity is to enable car loans and mortgage to be advanced to staff of the County Executive in the manner under these Regulations and prescribed by the salaries and remuneration commission Circular as may be issued and applicable from time to time and by the Kajiado County Executive Car Loans and Mortgage Scheme Fund Legislation.

c) Board of Trustees/Fund Administration Committee

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were;

| Ref | Name | Position |
|------------|----------------------|---------------------------------|
| 1 | Hon. SankaireTima | Chief Officer – County Treasury |
| 2 | Hon. Joshua Mepukori | Chief Officer – Public Service |
| 3 | Nicholas Manto Otuma | Fund Administrator |





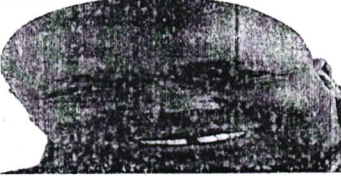
Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

d) Key Management

| Ref | Name | Position |
|------------|----------------------|---------------------------------|
| 1 | Hon. SankaireTima | Chief Officer – County Treasury |
| 2 | Hon. Joshua Mepukori | Chief Officer – Public Service |
| 3 | Nicholas Manto Otuma | Fund Administrator |
| | | |

**Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

2. FUND MANAGEMENT COMMITTEE

| Names | Year of Birth | Details of qualifications and experience | Passport |
|----------------------|---------------|---|--|
| Lenku Ole Kanar Seki | 01/01/1974 | <p>He is a member of staff, Kajiado County Executive as a county Secretary and Chairperson to the fund.</p> <p>He holds Bachelor of Arts With Over 20yrs Experience in Public Management</p> |  |
| Sankair :Tima | 01/01/1982 | <p>He is a member of staff, Kajiado County Executive as a county executive officer – Finance. He holds Bachelor of Commerce, Finance Options</p> <p>With Over 10yrs Experience in Public Management</p> |  |
| Joshua Mepukori | 01/07/1962 | <p>He is a member of staff, Kajiado County Executive as a member to the fund.</p> <p>He Holds Bachelor of Education With Over 30yrs Experience in Teaching</p> |  |
| Purity Sein | 07/01/1984 | <p>He is a member of staff, Kajiado County Public Service Board, a member to the board.</p> <p>He Holds Bachelor of Arts with Over 10yrs Experience in Public Management</p> |  |
| Nicholas Manto Otuma | 26/12/1991 | <p>He is a member of staff, Kajiado County Executive as an accountant, Fund Administrator.</p> <p>He Holds Bachelor of Commerce, Finance Option CPA Section III, With 8yrs experience.</p> |  |

Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

3. Registered Offices

a) Registered Office

P.O. Box 11-01100
Kajiado County Headquarters
Kajiado, Kenya

b) Fund Contacts

Telephone: (254) 0202043075
E-mail: treasury.cgk@gmail.com
Website: kajiado.go.ke

c) Fund Bankers

Family Bank of Kenya
P.O. Box 456-01100
Kajiado, Kenya

d) Independent Auditors

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

e) Principal Legal Adviser

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

Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

4. STATEMENT OF PERFORMANCE AGAINST FUND PREDETERMINED OBJECTIVES

The car & Mortgage Loan Scheme fund was established pursuant to the salary and remuneration Commission Circular on SRC/TS/WB/3/14 of February 2014, Section 167 of the public Finance Act 2012 mandates the Administrator of Public Fund with preparation of Annual financial statement.

For proper Management of the fund and as advised by the salaries and Remuneration commission in the circular under reference, the Kajiado County Assembly passed and adopted *Kajiado County Executive Car & Mortgage Fund Regulation 2016* to guide operationalization of the fund. The fund was established at the beginning of the 2016/2017 financial year making it first disbursement on October 2016.

During this financial year FY 2020/2021 the fund received Ksh.10M being funds received from the county treasury thus since inception we have revolving fund Balance of Kshs.195M. So far more than sixty officers have benefitted from the scheme.

The fund is the first of its kind under the devolved system of government. Being managed by qualified and professional, the committee endeavours to run the fund effectively. Together we remain committed to execute the responsibilities bestowed upon us by law in management of public fund.

The key development objectives of the Kajiado County Government Entity's 2018-2022 plan are to:

- a) To have funding to enable more employees to benefit from the scheme.

Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

5. MANAGEMENT TEAM

| Name | Details of qualifications and experience |
|----------------------|--|
| Sankaire Tima | He is a member of staff, Kajiado County Executive as a county executive officer – Finance He holds Bachelor of Commerce, Finance Options |
| Joshua Mepukori | He is a member of staff, Kajiado County Executive as a member to the fund. He Holds Bachelor of Education |
| Nicholas Manto Otuma | He is a member of staff, Kajiado County Executive as an accountant, Fund Administrator. He Holds Bachelor of Finance, Finance Option CPA Section III |

Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021


6. BOARD/FUND CHAIRPERSON'S REPORT

The car & Mortgage Loan Scheme fund was established pursuant to the salary and remuneration Commission Circular on SRC/TS/WB/3/14 of February 2014, Section 167 of the public Finance Act 2012 mandates the Administrator of Public Fund with preparation of Annual financial statement.

For proper Management of the fund and as advised by the salaries and Remuneration commission in the circular under reference, the Kajiado County Assembly passed and adopted *Kajiado County Executive Car & Mortgage Fund Regulation 2016* to guide operationalization of the fund.

The fund was established at the beginning of the 2016/2017 financial year making it first disbursement on October 2016.

The fund is the first of its kind under the devolved system of government. Being managed by qualified and professional, the committee endeavours to run the fund effectively. Together we remain committed to execute the responsibilities bestowed upon us by law in management of public fund.

Signed:  _____

Hon. Lenku Kanar Ole Seki

(Chairperson)

**Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

7. REPORT OF THE FUND ADMINISTRATOR

Section 116 (7) of the Public Finance Management Act 2012 requires that at the end of each financial year, the administrator of the county public fund shall prepare financial statements in report in respect of that fund.

The administrator in charge of Kajiado County Executive Staff Car Loan & Mortgage Fund is responsible for the preparation and presentation of fund's financial statement, which gives a true and fair view of the state of affairs of the fund for and as at the end of the financial year ended June 30, 2021. 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 recording records, which disclose with reasonable accuracy at any time the financial position of the entity.
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that key is free from material misstatement, whether due to error or fraud.

1 Safeguarding the Assets of the fund.
- iv) Selecting and applying appropriate accounting policies; and
- v) Making accounting estimates that are reasonable in the circumstances

The Fund Administrators of Kajiado County Executive Staff Car loan & Mortgage Scheme fund accepts responsibility for the fund's financial statement which have been prepared using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Administrator is of the opinion that the fund's financial statement gives a true and fair view of the state of fund's transaction during the financial year ended June 30, 2021, and of fund's financial position as at the date. The Administrator of the Kajiado County Executive Car Loan & Mortgage Fund Further confirms the completeness of the accounting records Maintained for the funds which have been relied upon in the preparation of the fund's financial statements as well as the adequacy of the system of internal controls.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement

Approval of the financial Statement.

The Fund's financial statements were approved and signed by Accounting Officer on 20th August, 2021.

**Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

Signed: _____



Nicholas Manto Otuma

(Fund Administrator)

8. CORPORATE GOVERNANCE STATEMENT

In the FY 2020/2021, the management committee held thirteen meetings during the financial year and the Allowances are paid based on the SRC Circular 2014.

Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

9. MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year 2020/2021, the Kajiado County Executive Car Loan and Mortgage Fund Management Committee approved and disbursed Ten Mortgages totalling to Kshs.26,752,380 and one Car Loan which was Insurance Settlement for a claim amounts to Kshs.1,413,000 to the county executive staff members, all the members are servicing their loans.

The Management Committee, as at the close of the financial year, had some pending applications from the county executive members which will be proceed in the next financial year, though not all will be proceed for lack of sufficient funds compared to the total amount of applications.

**Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

**10. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

We didn't have any CSR this fiscal year.

**Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

11. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are Car Loan and Mortgage facilitation to Kajiado County Executive Staff.

Results

The results of the Fund for the year ended June 30th, 2021 are set out on page 18

Trustees

The members of the Board of Trustees who served during the year are shown on page 6 The changes in the Board during the financial year are as shown below:

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 and Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Member of the Board

Date:  _____

12. STATEMENT OF MANAGEMENT’S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Kajiado County Executive Car loan & Mortgage fund established by Kajiado County Assembly shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

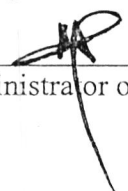
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kajiado County Executive 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, 2021, 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 Kajiado County Executive Car loan & Mortgage fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

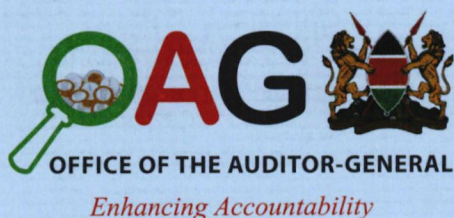
Approval of the financial statements

The Fund’s financial statements were approved by the Board on 26/11 2021 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON KAJIADO COUNTY EXECUTIVE STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021

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

Qualified Opinion

I have audited the accompanying financial statements of Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund set out on pages 17 to 44, which comprise of the

Report of the Auditor-General on Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2021

statement of financial position as at 30 June, 2021, 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 significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund as at 30 June, 2021, 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 Kajiado County Public Finance Management (Executive Staff Car Loan Mortgage Scheme Fund) Regulations, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1 Variance in Fund Administration Expenses

The statement of financial performance reflects fund administration expenses amounting to Kshs.2,063,500. Review of the administrative expenses however indicates that Kshs.3,728,900 was withdrawn from the fund bank account for operations in the year under review resulting to unaccounted for Kshs.1,665,400. Management explained that the variance was as a result of valuation fees which was added back to the respective borrowers' loan amounts. However, the valuation fees was not disclosed in the financial statements. The details of the loan applicants to whom the valuation expenses related to and the respective valuation reports were not provided for audit review.

In the circumstances, the accuracy and completeness of fund administration expenses of Kshs.2,063,500 for the year ended 30 June, 2021 could not be confirmed.

1.2 Variance in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.21,490,070 which vary with the amount of Kshs.14,760,322 reflected in Note 6 to the financial statements resulting to an unexplained variance of Kshs.6,729,748 .

In the circumstances, the validity, accuracy and completeness of the cash and cash equivalents balance of Kshs.21,490,070 as at 30 June, 2021 could not be confirmed.

1.3 Variance in Long Term Receivables from Loan Disbursement

The statement of financial position reflects long term loan disbursed balance of Kshs.148,655,035 which vary with the balance of Kshs.176,292,551 supported by the County Government of Kajiado payroll for the month of June, 2021 by Kshs.27,637,516.

Further, the receivables balance does not include mortgage of Kshs.4,000,000 granted to a member of staff in the year 2019/2020 which was not recovered. In a letter dated 1 December, 2020 the applicant requested to defer the mortgage for one year to December, 2021 which was one and a half years after the mortgage was issued. The security for the mortgage was also not provided for audit review.

In the circumstances, the validity, accuracy and completeness of long term loan disbursed balance of Kshs.148,655,035 as at 30 June, 2021 could not be confirmed.

1.4 Variance in Revolving Fund

The statement of financial position reflects revolving fund balance of Kshs.193,950,000 which vary with the amount of Kshs.195,182,802 reflected in Note 8 to the financial statements resulting to an unexplained variance of Kshs.1,232,802.

In the circumstances, the validity, accuracy and completeness of the revolving fund balance of Kshs.193,950,000 as at 30 June, 2021 could not be confirmed.

1.5 Misstatements in Accumulated Surplus

The statement of financial position reflects accumulated surplus comparative balance of Kshs.1,141,724 which vary with the opening accumulated deficit balance of Kshs.2,017,281 reflected in the statement of changes in net assets resulting to an unexplained variance of Kshs.3,159,005 which has not been explained. Further, the statement of changes in net assets reflects accumulated surplus of Kshs.1,232,848 which vary with the computed accumulated deficit balance of Kshs.1,926,158 resulting to an unexplained variance of Kshs.693,310.

Under the circumstances, the accuracy of the accumulated surplus balance of Kshs.1,232,802 as at 30 June, 2021 could not be confirmed.

1.6 Misstatements in Statement of Cash Flows

The statement of cash flows reflects net decrease in cash and cash equivalents of Kshs.2,591,044 which vary with the computed amount of Kshs.2,499,921 resulting to an unexplained variance of Kshs.91,123. Further, the cash and cash equivalents balance at the beginning of the year of Kshs.21,490,070 reflected in the statement of cash flows vary with the comparative opening balance of Kshs.17,216,851 reflected in the statement of financial position resulting to an unexplained variance of Kshs.4,273,219 .

In the circumstances, the accuracy and completeness of the statements of cash flows and the cash and cash equivalents balance of Kshs.21,490,070 for the year ended 30 June, 2021 could not be confirmed.

2. Other Income

The statement of financial performance for the year ended 30 June, 2021 reflects other income balance of Kshs.1,413,000 being receipt from CIC Insurance Group in respect of compensation for loss of vehicle registration KCL 681K. A review of the bank statement revealed that the beneficiary of the car loan was paid the amount on 23 February, 2021

while the outstanding loans schedule reflects arrears of Kshs.898,768 as at 28 February, 2021 which is not secured in the absence of the car purchased on loan. It was not clear why the beneficiary was paid the whole of amount of compensation for the total loss yet his loan was still outstanding and the vehicle under joint ownership between the borrower and the Fund.

Under the circumstance, the validity, accuracy and completeness of the other income amount of Kshs.1,413,000 for the year ended 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kajiado County Executive Staff Car Loan and 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.

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. Irregular Loan Disbursements

As reflected in Note 10 to the financial statements, the Fund disbursed loans totalling to Kshs.28,165,400 which include a loan of Kshs.2,070,000 to a staff member who could not be traced in the payroll under mortgage repayment. Management explained that the employee was not in the payroll because she had not cleared with the former employer. No explanation was provided for granting a loan to an employee who did not qualify for the loan. Further, the loans granted during the year included an additional loan of Kshs.3,000,000 granted to a staff member who had taken a loan of Kshs.3,000,000 in the year 2019/2020 contrary to Section 23(5) of the Kajiado County Public Finance Management (Executive Staff Car Loan and Mortgage Scheme Fund) Regulations, 2016, which states that no borrower shall be eligible for more than one mortgage loan at a time from the Fund.

The Management was in breach of the law.

2. Failure to Develop and Implement Loan Policy

Review of the financial statements and records provided for audit review revealed that the Fund had no documented policies, procedures and guidelines on processing of loan applications, loan approval and loan recovery, leaving the Fund to rely on undocumented Regulations without specific procedures to be followed contrary to Regulation 16(b) of the Kajiado County Public Finance Management (Executive Staff Car Loan and Mortgage Scheme Fund) Regulations, 2016.

The Management was in breach of the law.

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year under review reflects actual receipts and actual expenses on comparable basis of Kshs.2,163,749 and Kshs.2,072,671 against no budget . This is contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer of a County Government entity shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund, or supplementary estimates.

In the circumstances, authority of the expenditure without a corresponding budget could not be confirmed.

The Management was in breach of the law.

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 overall governance were not effective.

Basis for Conclusion

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 to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 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 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 July, 2022

Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
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 For the year ended June 30, 2021

14. FINANCIAL STATEMENTS

14.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th
 JUNE 2021


| | | | |
|---|---|---------------------|-----------------------|
| Revenue from non-exchange transactions | | | |
| Public contributions and donations | | - | - |
| Transfers from the County Government | 1 | 300,000.00 | 750,000.00 |
| Fines, penalties and other levies | | - | - |
| | | 300,000.00 | 750,000.00 |
| Revenue from exchange transactions | | | |
| Interest income | 2 | 450,794.07 | 308,990.76 |
| Other income | 3 | 1,413,000.00 | - |
| | | - | - |
| Total revenue | | 2,163,749.07 | 1,058,990.76 |
| Expenses | | | |
| Fund administration expenses | 4 | 2,063,500.00 | 3,066,100.00 |
| General expenses | | - | |
| Finance costs | 5 | 9,170.97 | 10,172.00 |
| Total expenses | | 2,072,670.97 | 3,076,272.00 |
| Other gains/losses | | | |
| Gain/loss on disposal of assets | | | |
| Surplus/(deficit) for the period | | 91,123.10 | (2,017,281.24) |


Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
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14.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 | | | |
|--|---|-----------------------|-----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 21,490,069.67 | 17,216,850.83 |
| Current Portion of Long-term Receivables | | 26,019,766.00 | |
| | | - | 17,216,850.83 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | - | - |
| Intangible assets | | - | - |
| Long term receivables from Loan Disbursed | | 148,655,035.00 | 183,585,744.66 |
| | | | |
| Total assets | | 196,164,870.67 | 200,802,594.00 |
| Net assets | | 196,164,870.67 | 200,802,594.00 |
| Revolving Fund | 8 | 193,950,000.00 | 184,250,000.00 |
| Reserves | | - | - |
| Accumulated surplus | | 1,232,801.98 | 1,141,723.88 |
| Total net assets and liabilities | | 195,182,801.98 | 185,391,723.88 |

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 26/6/21 2021 and signed by:


 Administrator of the Fund
 Name: Nicholas Ojwang


 Fund Accountant
 Name: CPA K. Pulei
 ICPAK Member Number: 12844

Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
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14.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

| | | | | |
|-----------------------------------|-----------------------|---|-----------------------|-----------------------|
| | | | | |
| Balance as at 1 July 2019 | 160,000,000.00 | - | 3,159,005.12 | 163,159,005.12 |
| Surplus/(deficit) for the period | - | - | - | (2,017,281.24) |
| Funds received during the year | 24,250,000.00 | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2020 | 184,250,000.00 | - | (2,017,281.24) | 182,232,718.76 |
| | | | | |
| Balance as at 1 July 2020 | 184,250,000.00 | - | (2,017,281.24) | 182,232,718.76 |
| Surplus/(deficit) for the period | | - | 91,123.10 | 91,078.10 |
| Funds received during the year | 9,700,000.00 | - | - | 9,700,000.00 |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2021 | 193,950,000.00 | - | 1,232,847.98 | 195,182,801.98 |

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14.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | | | |
|---|----|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from the County Government | 1 | 300,000.00 | 750,000.00 |
| Interest received | 2 | 450,794.07 | 308,990.76 |
| Insurance Recovery | | 1,413,000.00 | - |
| Total Receipts | | 2,163,749.07 | 1,058,990.76 |
| Payments | | | |
| Fund administration expenses | 3 | (2,063,500.00) | (3,066,100.00) |
| Finance cost | 4 | (9,170.97) | (10,172.00) |
| Total Payment | | (2,072,670.97) | (3,076,272.00) |
| Net cash flows from operating activities | | 91,078.10 | (2,017,281.24) |
| Cash flows from investing activities | | | |
| Proceeds from loan principal repayments | 9 | 15,874,336.22 | 18,929,911.00 |
| Loan disbursements paid out | 10 | (28,165,380.00) | (45,800,000.00) |
| Net cash flows used in investing activities | | (12,291,043.78) | (26,870,089.00) |
| Cash flows from financing activities | | | |
| Proceeds from revolving fund receipts | | 9,700,000.00 | 24,250,000.00 |
| Additional borrowings | | - | - |
| Repayment of borrowings | | - | - |
| Net cash flows used in financing activities | | 9,700,000 | 24,250,000.00 |
| Net increase/(decrease) in cash and cash equivalents | | (2,591,043.78) | (2,620,089.00) |
| Cash and cash equivalents at 1 JULY | | 21,490,069.67 | 21,795,533.41 |
| Cash and cash equivalents at 30 JUNE | | 14,760,321.67 | 17,216,850.17 |

Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
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14.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021

| | KShs | KShs | KShs | KShs | KShs |
|------------------------------------|------|------|------|-----------------------|------|
| Revenue | | | | | |
| Public contributions and donations | - | - | - | - | - |
| Transfers from County Govt. | - | | | 300,000.00 | |
| Interest income | - | - | - | 450,794.07 | - |
| Other income | - | - | - | 1,413,000.00 | - |
| Total income | - | - | - | 2,163,749.07 | - |
| | | | | | |
| Expenses | | | | | |
| Fund administration expenses | - | - | - | (2,063,500.00) | - |
| General expenses | - | - | - | - | - |
| Finance cost | - | - | - | (9,170.97) | - |
| Total expenditure | - | - | - | (2,072,670.97) | - |
| Surplus for the period | - | - | - | 91,078.10 | - |

14.6. 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 2020

| Standard | 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 are covered purely under Public Sector combinations as amalgamations. <i>(State the impact of the standard to the entity if relevant)</i> |

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

| Standard | Effective date and impact: |
|------------------------------------|---|
| IPSAS 41: Financial Instruments | Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; |

Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund
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| Standard | Effective date and impact: |
|---|--|
| | <ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p> |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the entity if relevant)</i></p> |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <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>Other Improvements to IPSAS</p> | <p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and |

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| Standard | Effective date and impact: |
|----------|---|
| | <p>Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p> |
| | <p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p> |

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

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 2020/2021 was approved by the County Assembly on 5th June 2020. 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 5th June 2020 on the 2020-2021 budgets following the governing body's approval.

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

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 actual as per the statement of financial performance has been presented under section 11.1 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 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.

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 a entity of financial assets is impaired. A financial asset or a 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 cash flows 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 a 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. Nature and purpose of reserves

The Entity has no reserve funding or anticipates creating and maintains reserves in future.

11. 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.

12. Employee benefits– Retirement benefit plans

The Entity does not provide retirement benefits for its directors and board of trustee. Neither does it have a defined contribution plans.

13. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. 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.

15. 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.

16. 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

Kajiado County Executive Staff Car Loan and Mortgage Scheme Fund established by Kajiado County Public Finance Management (Executive Staff Car Loan and Mortgage Scheme Fund) Regulations 2016.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made e.g

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.

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 employed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. 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 company's management based on prior experience and their assessment of the current economic environment.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

b) Liquidity risk management

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) 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:

| | KShs | Other currencies | Total |
|---|------|------------------|-------|
| | KShs | KShs | KShs |
| At 30 June 2021 | | | |
| Financial assets (investments, cash ,debtors) | - | - | - |
| Liabilities | | | |
| Trade and other payables | - | - | - |
| Borrowings | - | - | - |
| Net foreign currency asset/(liability) | - | - | - |

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

| | Change in currency rate | Effect on surplus/ deficit | Effect on equity |
|------|----------------------------|-------------------------------|---------------------|
| | KShs | KShs | KShs |
| 2018 | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |
| 2019 | | | |
| 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 company's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

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

Sensitivity analysis

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) 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.

e) Foreign currency risk

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

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

| | Other currencies | | Total |
|---|------------------|-----|-------|
| | KSh | KSh | KSh |
| At 30 June 2021 | | | |
| Financial assets (investments, cash ,debtors) | - | - | - |
| Liabilities | | | |
| Trade and other payables | - | - | - |
| Borrowings | - | - | - |
| Net foreign currency asset/(liability) | - | - | - |

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

| | Change in exchange rate | Effect on currency costs | Effect on equity |
|------|----------------------------|-----------------------------|---------------------|
| | KShs | KShs | KShs |
| 2020 | | | |
| Euro | - | - | - |
| USD | - | - | - |
| 2019 | | | |
| Euro | - | - | - |
| USD | - | - | - |

D) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Capital risk management

h) 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:

| | 2020/2021 | 2019/2020 |
|---|-----------------------|-----------------------|
| | KSh's | KSh's |
| Revaluation reserve | - | - |
| Revolving fund | 185,250,000.00 | 184,250,000.00 |
| Accumulated surplus | 1,232,847.98 | 1,141,723.88 |
| Total funds | 185,182,847.98 | 185,391,723.88 |
| Total borrowings | - | - |
| Less: cash and bank balances | 14,760,321.67 | 17,216,850.17 |
| Net debt/(excess cash and cash equivalents) | - | - |
| Gearing | - | - |

14.7. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

| Description | 2020/2021 | 2019/2020 |
|--|-------------------|-------------------|
| | KShs | KShs |
| Transfers from County Govt. – operations | 300,000.00 | 750,000.00 |
| Payments by County on behalf of the entity | - | - |
| Total | 300,000.00 | 750,000.00 |

2. Interest income

| Description | 2020/2021 | 2019/2020 |
|------------------------|-------------------|-------------------|
| | KShs | KShs |
| Interest Jan 2020 | 49,762.36 | 15,853.55 |
| Interest Feb 2020 | 51,025.14 | 18,694.97 |
| Interest March 2020 | 52,882.57 | 19,465.88 |
| Interest April 2020 | 66,754.35 | 21,103.95 |
| Interest May 2020 | 61,082.62 | 5,963.83 |
| Interest June 2020 | 48,593.97 | 2,344.10 |
| Interest July 2020 | 43,805.18 | |
| Interest August 2020 | 31,373.95 | 2,663.48 |
| Interest Sept 2020 | 11,081.25 | 2,784.79 |
| Interest October 2020 | 14,334.79 | 1,116.21 |
| Interest November 2020 | 12,215.05 | |
| Interest December 2020 | 7,882.53 | |
| Total | 450,794.07 | 318,990.76 |

Note: The interest is as a result of fund savings. It is remitted on quarterly basis to the fund main account.

3. Other income

| Description | 2020/2021 | 2019/2020 |
|-------------|-----------|-----------|
| | | |

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| | KShs | KShs |
|--------------------------------------|---------------------|----------|
| Insurance recoveries | 1,413,000.00 | - |
| Income from sale of tender documents | - | - |
| Miscellaneous income | - | - |
| Total other income | 1,413,000.00 | - |

4. Fund administration expenses

| Description | 2020/2021 | 2019/2020 |
|---------------------------------|---------------------|---------------------|
| | KShs | KShs |
| Committee Allowances | 2,063,500.00 | 3,066,100.00 |
| | - | - |
| Total fund Admin Expense | 2,063,500.00 | 3,066,100.00 |

The expense is as a result of meetings held during Last FY on the valuations process.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Finance costs

| Description | 2020/2021 | 2019/2020 |
|---|-----------|-----------|
| | KShs | KShs |
| Account Maintenance Fee | 9,170.97 | 10,172.00 |
| Transfer charges and Other Bank Charges | - | - |
| Total | 9,170.97 | 10,172.00 |

Bank Charges are financial cost incurred due to bank account maintenance fee, Cheque transfer to loan beneficiaries printing of bank statements and printing of cheque books

6. Cash and cash equivalents

| Description | FY 2020/2021 | FY 2019/2020 |
|---------------------------------|---------------|---------------|
| | KShs | KShs |
| Fixed deposits account | - | - |
| On – call deposits | - | - |
| Current account | 14,760,321.67 | 17,216,850.83 |
| Total cash and cash equivalents | 14,760,321.67 | 17,216,850.83 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Property, plant and equipment

The fund by its nature cannot maintain fixed assets such as Property, plant & Machinery and therefore did not have any as at the time of reporting.

8. Revolving Fund Account.

| Description | FY2020/2021 | FY2019/2020 |
|--------------------------------|----------------|----------------|
| | KShs | KShs |
| Revolving Fund Account | | |
| Revolving Fund During the Year | 195,182,801.98 | 184,250,000.00 |
| Revolving Fund during the Year | 195,182,801.98 | 184,250,000.00 |

This the accumulated amount having been release from the county treasury to the fund account at Family bank for disbursement of loan.

9. Proceeds from loan principal repayments.

| Description | FY2020/2021 | FY2019/2020 |
|---|---------------|---------------|
| | KShs | KShs |
| Revolving Fund Account | | |
| Proceeds from loan principal repayments | 15,874,336.22 | 18,929,911.00 |
| Proceeds from loan principal repayments during the Year | 15,874,336.22 | 18,929,911.00 |

The amount being principal repayment made during the year net of interest paid during the year.

10. Loan disbursements paid out.

| Description | FY2020/2021 | FY2019/2020 |
|---|---------------|---------------|
| | KShs | KShs |
| Loan disbursements paid out | | |
| Loan disbursements paid out | 28,165,400.00 | 45,800,000.00 |
| Loan disbursements paid out during the Year | 28,165,400.00 | 45,800,000.00 |

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

| Financial institution | Account number | 2020/2021 | 2019/2020 |
|-------------------------------------|----------------|---------------|---------------|
| | | KShs | KShs |
| a) Current account | | | |
| Family Bank Account | | 14,760,321.67 | 17,216,850.83 |
| Sub- total | | 14,760,321.67 | 17,216,850.83 |
| b) Others(specify) | | | |
| Cash not recorded in Bank Statement | | 6,729,748.00 | 3,574,897.39 |
| Sub- total | | 6,729,748.00 | 3,574,897.39 |
| Grand total | | 21,490,069.67 | 20,791,748.22 |

The Cash and Cash Equivalent balance is the cash book running balance as at 30th June, 2021. As it is noted, the bank statements do not include principal payments recorded in the cash book at the end of the year.

In the history of the fund, this year has seen to be the lowest loan volume taken by staff. This year alone Kshs. 26,032,380.00 being new disbursement making.

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15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue/ Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status | Timeframe |
|--|--------------------------------------|--|---|----------|-----------|
| Draft Report for FY 2019/2020 | Non-Preparation of the Ledger | For this FY 2020/21 We have prepared the ledger | Fund Administrator Nicholas Otunga | Resolved | |
| | Accuracy of the Financial Statements | For this FY 2020/21 We have resolved the issue of accuracy | Fund Administrator Nicholas Otunga | Resolved | |
| | Non-Maintenance of Loans Register | For this FY 2020/21 We have prepared the Loan Register | Fund Administrator Nicholas Otunga | Resolved | |
| | | | | | |
| | | | | | |

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.

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