

REPUBLIC OF KENYA



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REPORT



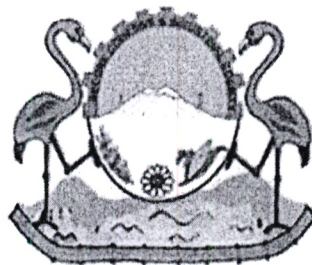
OF

THE AUDITOR-GENERAL

ON

**NAKURU COUNTY GOVERNMENT
(STAFF) CAR LOAN SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**



**COUNTY GOVERNMENT OF NAKURU MORTGAGE (STAFF) SCHEME
FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022**

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

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

County Government Of Nakuru Mortgage (Staff) Scheme Fund is established by and derives its authority and accountability from The Public Finance And Management (County Government of Nakuru Mortgage Staff scheme fund) regulations, 2018 Act on 11th May, 2018. The Fund is wholly owned by the County Government of Nakuru and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for purchase, development, renovation or repair of residential property by members of the Scheme Capital Funds.

b) Principal Activities

The principal activity of the Fund is to provide loans to the scheme members for purchase, development, renovation or repair of residential property by members of the Scheme Capital Funds.

c) Board of Committee/Fund Administration Committee

Ref	Name	Position
1	Joseph Kiuna	Chairman (15 February 2022- 30 June 2022)
2	Peter Ketyenya	Chairman (30 July 2021-14 Feb 2022)
3	Joseph MuchinaGitau	Ex-official member/ Secretary
4	Lawrence Mwangangi	Member
5	Caleb Nyamwange	Member
6	Dominic Nyabuto	Member
7	Beatrice Obwocha	Member
8	Paul Githinji	Member

d) Key Management

Ref	Name	Position
1	Benjamin Njoroge	County secretary
2	Joseph Muchina	Fund administrator
3	Dominic Nyabuto	Fund accountant

e) Registered Offices

P.O. Box 2870-20100
New Town Hall Building
Moi Road
Nakuru, KENYA

f) Fund Contacts

Telephone (254) 77777595/0711133005
E-mail: info@nakuru.go.ke
Website: www.nakurucounty.co.ke

g) Fund Bankers

Family Bank Ltd. Head Office,
Family Bank towers
P.O Box 74145-00200
Nairobi, MuindiMbingu Street
Tel: 020 325 2000 Cell: +254 703 095 000
Email: info@familybank.co.ke, www.familybank.co.ke

h) Independent Auditors



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

i) Principal Legal Adviser





The County Attorney
New Town Hall Office
Moi Road
P.O. Box 2870 20100
Kenyatta Avenue
Nakuru, Kenya

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

2. THE BOARD OF COMMITTEE (OR ANY OTHER GOVERNING BODY FOR THE FUND)

Name	Details of qualifications and experience
Insert joseph kiuna	
 <p>1. Peter Ketyenya Date of Birth 4/4/1978</p>	<p>Previously Peter Ketyenya worked with Kenya Forest Service as Deputy Director and Head of Finance. He has worked for Kenya Rural Roads Authority as General Manager, Finance. Currently CEO SPC Ltd, a financial consulting company. He is a part time lecturer at Catholic University and he hold a PhD in Finance, MBA and Bcom with 19years work experience.</p>
 <p>2. Jacquiline Mong'ina Osoro Date of Birth 4/4/1978</p>	<p>Jacquiline Osoro is a Management professional with 23 years' experience in Production Management and Human Resource in the private sector. She holds a Master's and a Bachelor of Arts Degrees from Kolhapur university India. She also has a Diploma in Human Resource management from Cambridge international college. She has certificates in Risk Assessment by Safety and Environmental Assurance Centre - Unilever Research Colworth (UK), Labour Laws & Contemporary Trends in Labour Laws by Agriculture Employers' Association, and a trained Auditor on ISO 9001:2008 - Quality Management system by SGS Kenya. She has progressive experience in Office Administration, Project Management, Tea Production, Process Design & Development, Product Quality and Consumer Safety Assurance, and Health and Environment (SHE) gained in various roles in Unilever Tea Kenya Limited. Her exposure to and success in situational labour relations as well as performance and disciplinary management is vast. She is well experienced in stake-holder engagement.</p>

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
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 <p>3. Caleb Nyamwange Date of Birth 28/12/1969</p>	<p>Caleb Nyamwange was an Advocate of High Court of Kenya, commission for Oaths and Notary Public..Mr. Nyamwange Caleb Bichang'a has a Bachelor of Social Legislation(BSL) and Bachelor of Law(LLB) graduate from Dr.BabasahebAmbedkarMarathwada University, Aurangabad. He also holds a post graduate Diploma from the School of Law.</p>
 <p>4. Joseph Muchinah Date of Birth 5/10/1979</p>	<p>He is a graduate of Bcom in Finance (First class honors) and has a Masters in Finance. He is a Certified Public Accountant (Kenya) CPA(K) and a member of the Institute of Certified Public Accountants (ICPAK).</p> <p>He is also a Certified Public Secretary CPS(K) and a member of the Institute of Certified Public Secretaries of Kenya (ICPSK).</p> <p>He previously worked at Delamere Group as the Group Financial Controller and has 14 years' experience in financial management.</p> <p>He is currently the Chief Officer in charge of Finance .</p>
 <p>5. Beatrice Obwocha Date of Birth 16/6/1981</p>	<p>Beatrice Obwocha was the online subeditor for the Nation Media Group in Kenya. She previously worked with Standard Group Limited as a reporter and online subeditor. She has a bachelor's degree in Communication Science from the University of South Africa</p>
 <p>6. Dominic Nyabuto Date of Birth 2/4/1966</p>	<p>Dominic Nyabuto previously worked as a County Accountant (Nakuru) Ministry of Finance, National Treasury and Planning. He has 29 years' experience in public sector finance and accounting.</p> <p>He is a holder Bcom Accounting option, CPA(K), PFMSM-Pretoria University of South Africa, SLDP and SMC Kenya School of Government and MBA Finance from Kenyatta University.</p> <p>He is currently the Director of Finance Nakuru County.</p>

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**






7. Paul Githinji

Paul K Githinji is a public administrator with over 16 years experience in public administration, conflict management and human resource management in public service.

He is a holder of Bachelor of arts degree in sociology from University of Nairobi and currently a masters degree program in strategic management from Jomo Kenyatta University of agriculture and technology. In addition he has undertaken various certification courses in public service, including but not limited to: Diploma in public administration, senior management course, paramilitary course among others.

He is vastly experienced in managing conflict and general public administration, experienced gained by working in public service in various station within the country, where he rose to the rank of Deputy county commissioner. During his tour of duty in the country, he interacted with people from diverse cultures and backgrounds, which helped him broaden his understanding on matters public policy implementation. In general he is a well rounded public servant who has ability and competence to handle diverse public concerns issues.

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
 <p>1. Benjamin Kirago Njoroge Date of birth :1956</p>	<p>Mr. Benjamin Kirago Njoroge joined the County Government of Nakuru in the year 2017 in the position of the County Secretary. He holds a Bachelor degree in Administration from the University of Nairobi. He has also attended several advanced Administration courses in and outside the country. Mr. Njoroge worked in the National Government as a public Administrator in various parts of the country and capacities for 34 years. He counter signs charged documents which are prepared by lawyers</p>
 <p>2. Joseph Muchinah Date of Birth 5/10/1979</p>	<p>He is a graduate of Bcom in Finance (First class honors) and has a Masters in Finance. He is a Certified Public Accountant (Kenya) CPA(K) and a member of the Institute of Certified Public Accountants (ICPAK).</p> <p>He is also a Certified Public Secretary CPS(K) and a member of the Institute of Certified Public Secretaries of Kenya (ICPSK).</p> <p>He previously worked at Delamere Group as the Group Financial Controller and has 13 years' experience in financial management.</p> <p>He is currently the Chief Officer in charge of Finance .</p>
 <p>3. Dominic Nyabuto Date of Birth 2/4/1966</p>	<p>Dominic Nyabuto previously worked as a County Accountant (Nakuru) Ministry of Finance, National Treasury and Planning. He has 28 years' experience in public sector finance and accounting.</p> <p>He is a holder Bcom Accounting option, CPA(K), PFMSM-Pretoria University of South Africa, SLDP and SMC Kenya School of Government and MBA Finance from Kenyatta University.</p> <p>He is currently the Director of Finance Nakuru County.</p>

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

4. BOARD/FUND CHAIRPERSON'S REPORT

I am pleased to present to you my Chairman report. This financial year the fund was lucky to be managed by two chairs namely Dr. Peter Ketyenya (30 July 2021-14 Feb 2022) and Joseph Kiuna (15 February 2022- 30 June 2022).

County Government Of Nakuru Mortgage (Staff) Scheme Fund was initially combined with Nakuru County Government (staff) Car Loan Scheme Fund .The two operated as one fund from May 2018. In accordance to The Public Finance And Management (County Government of Nakuru Mortgage Staff scheme fund) regulations, 2018, they were separated in 17th September 2021.

Forty three members have benefited from County Government Of Nakuru Mortgage (Staff) Scheme Fund so far. Out of the 17 members are men while 26 are women before separating mortgage and car loan accounts. This particular period five member of the fund benefited from the funds.

The fund accounts for the period ended 30th June 2022 showed a surplus of Ksh. 2,738,053

The committee continue to view the year ahead with confidence and hope that the fund will continue to grow.

Signed:.....

Mr Stephen Iribe Njogu

Fund Chairperson

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

5. REPORT OF THE FUND ADMINISTRATOR

I wish to present to you my report as the fund administrator of Nakuru County Government Of Nakuru Mortgage (Staff) Scheme for the year ended 30th June 2022. I will start by highlighting the formation and activities of the fund.

This scheme was established through The Public Finance and Management (County Government Of Nakuru Mortgage (Staff) Scheme) regulations, 2018. With the objective of advancing loan to members of the staff of the Nakuru County Executive at a negotiated interest rate of the 3%. The fund is administered through Family Bank who are the Bankers controller of the fund.

Separation of the account was done in 17th September 2021 and management decided to transfer Ksh. 10,753,611

Management also so it wise to transfer proceeds amounting to Ksh. 12,325,487 (twelve million three hundred and twenty five thousand four hundred and eighty seven shillings only) to the County Government of Nakuru Mortgage Staff scheme fund.

This financial period, we managed to have a surplus Ksh. 2,738,053

The fund is managed by a fund management committee which comprise of the following

Ref	Name	Position
1	Benjamin Njoroge	County secretary
2	Joseph Muchina	Fund administrator
3	Dominic Nyabuto	Fund accountant

Before any loans are disbursed to the beneficiary the committee ensure that all the requirements have been met by the applicant.

It is the responsibility of the committee to ensure that the fund is well managed and the funds advanced are properly accounted for.

Finally, I wish to assure all members that we are committed in ensuring that the fund in managed in a transparent and accountable manner.

Signed:.....

Mr Wilson Mungai

Fund Administrator

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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

Guidance

Refer to the entity's annual budget and program plan report on the extent of the county government entity's progress in attaining the plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the County entity in implementation of its program plan. Refer to the strategic plan if the entity has one.

Introduction

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

The key development objectives of the Fund as per the strategic plan for **2021-2022** are to:

- a) For purchase of residential property,
- b) For the development of residential property,
- c) For renovation or repair of residential property by members of the Scheme Capital Funds.

Progress on attainment of Strategic development objectives

Program	Objective	Outcome	Indicator	Performance
<i>County Government of Nakuru Mortgage (Staff) Scheme Fund</i>	For purchase, development, renovation or repair of residential property by members of the Scheme Capital Funds.	provide staff member with a good condition residential property	Built a house for member	In this period a staff member has a home

7. Corporate Governance Statement

- Succession plan of members is laid down by the Act governing it and comes with office held the county executive committee member for finance (chairperson), chief officer treasury, chief officer public service management, county attorney office and comes with office held.
- The act it then indicated that the county secretary appoints other committee members by maintaining the gender rule for two directors appointed and the two chief officers.
- roles and functions of the committee is to supervise and control the day to day administration of the fund, may appoint such other staff to attend its meeting, may appoint a financial institution to administer the fund on behalf of the committee, determine and regulate interest payable to loanees, approve all housing developments and financing proposals, enter into agreements with persons or legal entities for the purposes of providing services to the fund, develop equitable criteria for the beneficiaries of the fund, establish management guidelines and engage such staff as may be necessary for the discharge of its functions and such other duties as may be directed by the chairperson for the proper management of the fund.
- Remuneration: members are paid allowances and disbursements for expenses as approved by the salaries and remuneration commission on the advice of the county executive committee member.

County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

8. Management Discussion and Analysis

This scheme was established through The Public Finance and Management (County Government Of Nakuru Mortgage (Staff) Scheme Fund) regulations, 2018. With the objective of advancing loan to members of the staff of the Nakuru County Executive at a negotiated interest rate of the 3%. The fund is administered through Family Bank who are the Bankers controller of the fund.

Separation of the account was done in 17th September 2021 and management decided to transfer Ksh. 10,753,611.

Management also so it wise to transfer proceeds amounting to Ksh. 12,325,487 (twelve million three hundred and twenty five thousand four hundred and eighty seven shillings only) to the County Government Of Nakuru Mortgage (Staff) Scheme Fund.

This financial period, the fund managed to have a surplus Ksh. 2,738,053

9. Environmental and Sustainability Reporting

There was no CSR undertaken during the year.

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

10. Report of The Committee

The Committee submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are provide a loan scheme for purchase, development, renovation or repair of residential property by members of the Scheme Capital Funds.

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 1-7

Committee

The members of the Board of Committee who served during the year are shown on page vi- ix. 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. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the County Government Of Nakuru Mortgage (Staff) Scheme Fund for the year/period ended June 30, 2022 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



.....
Chair of the committee

Date: 15th September 2022

11. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by The Public Finance And Management (County Government Of Nakuru Mortgage (Staff) Scheme Fund) regulations, 2018 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, 2022. 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 The Public Finance And Management (County Government of Nakuru Car Loan Staff scheme fund) regulations, 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

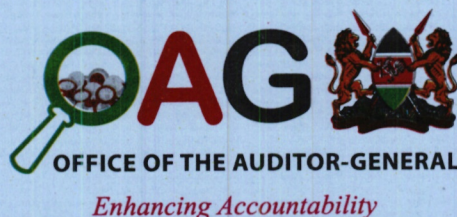
The Fund's financial statements were approved by the Board on **15th September 2022** and signed on its behalf by:

..........

Fund Administrator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NAKURU COUNTY GOVERNMENT (STAFF) CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

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 the 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 overall governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Nakuru County Government (Staff) Car Loan Scheme Fund set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Nakuru County Government (Staff) Car Loan Scheme Fund as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and Public Finance Management (the Nakuru County Government (Staff) Car Loan Scheme Fund) Regulations, 2018.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

1.1 Comparative Balances

Review of the financial statements revealed that comparative balances to the financial statements were presented as at 17 September, 2022. However, the comparative balances could not be verified for completeness and disclosure as per the requirements of the International Public Sector Accountants Standard No.1 on presentation of the financial statements. Further, the Fund had not prepared and submitted the annual report and the financial statements from its inception in 2018. This is contrary to Regulation 15(1)(d) of the Fund which requires the Fund Administrator to submit the statement of account relating to the Fund to the Auditor-General on annual basis.

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

1.2 Statements of Cash Flows

The statement of cash flows reflects cash and cash equivalents of an amount of Kshs.18,973,061 which includes net cash flows from operating activities of an amount of Kshs.363,307. However, casting the accuracy of the net cash flow from operating activities revealed an amount of Kshs.144,507 which was at variance with reported amount of Kshs.363,307 resulting to unexplained and unreconciled variance of Kshs.218,800. Further, review and casting the accuracy of the decrease in receivables from exchange transaction in Note 12, reflects an amount of Kshs.8,098,353 which is at variance with the reported proceeds from loan principal of an amount of Kshs.8,078,991 resulting to unexplained and unreconciled variance of Kshs.19,362.

In the circumstances, the accuracy and completeness of the amounts of Kshs.363,307 and Kshs.8,078,991 in respect of net cash flows from operating activities and proceeds from loan principal respectively in the statement of cash flow could not be confirmed.

1.3 Statement of Changes in Net Assets

Statements of changes in net assets reflects total net assets of an amount of Kshs.26,281,788. However, review of the statement of financial position reflects comparative balance of Kshs.15,580,026 in respect of the total net assets which is at variance with the statement comparative balance of Kshs.15,572,967 resulting to unexplained and unreconciled variance of Kshs.7,059. Further, review of the statement of financial performance reflects surplus of Kshs.208,821 which is at variance with the statement amount of Kshs.207,089 resulting to unexplained and unreconciled variance of Kshs.1,732.

In the circumstances, the accuracy and completeness of the amounts of Kshs.26,281,788 in respect of total net assets in the statement of changes in net assets could not be confirmed.

2. Unsupported Use of Goods and Services

The statement of financial performance reflects an amount of Kshs.144,507 in respect of use of goods and services and as disclosed in Note 7 to the financial statements. However, supporting documents including payment vouchers and schedules were not provided for audit review. Further, the expenditure was not recorded in the cash book.

In the circumstances, the accuracy and completeness of the amounts of Kshs.144,507 in respect of use of goods and services could not be confirmed.

3. Unsupported Accrued Expenses

The statement of financial position reflects trade and other payables from exchange transactions of Kshs.142,142 in respect of accrued expenses and as disclosed in Note 17 to the financial statements. However, supporting documents including payment vouchers and schedules were not provided for audit review.

In the circumstance, the accuracy and completeness of the amount of Kshs.142,142 in respect of accrued expenses could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nakuru County Government (Staff) Car Loan 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 adverse 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, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with the Public Sector Accounting Standards Board Requirement on Presentation of the Financial Statements

The Fund submitted the financial statements for audit during the year under review. However, inconsistencies on presentation revealed omissions of the Fund name instead the entity was used as detailed in the approved template sections of the preamble information and significant accounting policies. Further, section I of the significant accounting policies in respect of ultimate and holding entity, indicated that the "The entity is a County Public Fund established by xxxx Act under Ministry xxxx. Its ultimate parent is the County Government xxxx" which was not customized in line with the Fund details as required by the prescribed reporting template.

In the circumstances, the Fund did not comply with the Public Sector Accounting Standards Board (PSASB) guidelines.

2. Unapproved Budget

The statement of comparison of budget and actual amounts reflects total revenue and expenditure final budget of Kshs.353,735 and Kshs.202,272 respectively. However, the Fund's budget of income and expenditure was not approved contrary to Regulation 31 (a) of the Public Financial Management (County Governments) Regulations, 2015 which requires that all revenue and expenditure shall be entered into the county government budget estimates and approved for one year only.

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 because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Risk Management Policy

During the year under review, the Fund did not have a risk management strategy. This is contrary to section 158 of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

Under the circumstance, Management was not able to identify risks and develop mitigating strategies.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

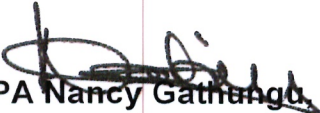
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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

08 May, 2023

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

13. Statement of Financial Performance For The Year Ended 30th June 2022

	Note	2021-2022	17 September 2021
		Kshs	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	4,460,785	354,591
Other Income	5	104,480	7,260
Total Revenue		4,565,265	361,851
Expenses			
Employee Costs	6		
Professional fees	7	1,827,212	128,167
Depreciation and Amortization Expense	8	-	-
Finance Costs	9		
Total Expenses		1,827,212	128,167
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit)For The Period		2,738,053	233,684

.....
Name: Mr Wilson Mungai
Administrator of the Fund

.....
Name: Jacinta Mwangi
Fund Accountant
ICPAK Member Number: 8593

County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

14. Statement of Financial Position As At 30 June 2022

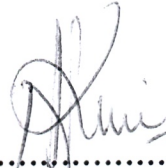
	Note	2021-2022	17 September 2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	33,934,161	10,753,611
Current Portion of Long- Term Receivables From Exchange Transactions	12	15,955,480	16,862,537
Prepayments	14	-	-
Inventories	15	-	-
		49,889,641	27,616,148
Non-Current Assets			
Property, Plant and Equipment	16	-	-
Intangible Assets	17	-	-
Long Term Receivables from Exchange Transactions	12	151,214,690	141,333,418
		151,214,690	141,333,418
Total Assets		201,104,332	168,949,566
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17	1,373,244	1,456,531
Provisions	19	-	-
Current Portion of Borrowings	20	-	-
Employee Benefit Obligations	23	-	-
		1,373,244	1,456,531
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	23	-	-
Total Liabilities		1,373,244	1,456,531
Net Assets			
Revolving Fund		192,825,487	163,325,487
Reserves		-	-
Accumulated Surplus		6,905,601	4,167,548
Total Net Assets and Liabilities		201,104,332	168,949,566

County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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 **15th September 2022** and signed by:



.....
Name: Mr Wilson Mungai
Administrator of the Fund



.....
Name: Jacinta Mwangi
Fund Accountant
ICPAK Member Number: 8593

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

15. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	151,000,000	-	3,933,864	154,933,864
Surplus/(Deficit) For the Period			233,684	233,684
Funds Received During the Year				-
Transfers	12,325,487			12,325,487
Revaluation Gain				
Balance As At 17 September 2022	163,325,487	-	4,167,548	167,493,035
Balance As At 1 July 2021	163,325,487	-	4,167,548	167,493,035
Surplus/(Deficit) For the Period		-	2,738,053	2,738,053
Funds Received During the Year	29,500,000			29,500,000
Transfers		-	-	-
Revaluation Gain				
Balance As At 30 June 2022	192,825,487	-	6,905,601	199,731,088

.....
Name: Mr Wilson Mungai
Administrator of the Fund

.....

Name: Jacinta Mwangi
Fund Accountant
ICPAK Member Number: 8593

County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

16. Statement of Cash Flows for The Year Ended 30 June 2022

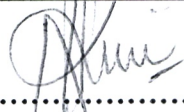
	Note	2021-2022	17 September 2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		4,460,785	354,591
Receipts from other operating activities		104,480	7,260
Total receipts		4,565,265	361,851
Payments			
Fund administration expenses		1,817,908	125,457
General expenses/Bank charges		9,304	2,710
Finance cost		-	-
Other payments		-	-
Net cash flows from operating activities	21	2,621,177	572,648
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		15,109,373	1,090,012
Loan disbursements paid out		(24,050,000)	(5,000,000)
Net cash flows used in investing activities		(8,940,627)	(3,909,988)
Cash flows from financing activities			
Proceeds from revolving fund receipts		29,500,000	12,325,487
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		29,500,000	12,325,487

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Net increase/(decrease)in cash & cash Equivalents		23,180,550	8,988,147
Cashandcashequivalentsat1 July	11	10,753,611	1,765,464
Cash and cash equivalents at 30 June	11	33,934,161	10,753,611



.....
Name: Mr Wilson Mungai
Administrator of the Fund



.....
Name: Jacinta Mwangi
Fund Accountant
ICPAK Member Number: 8593

17. Statement Of Comparison Of Budget And Actual Amounts For The Period

	Originalbudget	Adjustments	Finalbudget	Actualon comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Public Contributions And Donations	-	-	-	-	-	
Transfers From County Govt.	-	-	-	-	-	
Interest Income	4,460,785	-	4,460,785	4,067,677	393,108	9%
Other Income	104,480	-	104,480	-	104,480	100%
Total Income	4,565,265	-	4,565,265	4,067,677	497,588	
Expenses						
Fund Administration Expenses	1,587,908	-	1,587,908	1,355,892	232,016	15%
General Expenses	230,000	-	230,000	28,800	201,200	87%
Finance Cost	-	-	-	-	-	
Total Expenditure	1,817,908	-	1,817,908	1,384,692	433,216	
Surplus For The Period	2,747,357	-	2,747,357	2,682,985	64,372	

Budget notes

1. *Other income*

There was no income realised due to some individual defaulted the loan.

2. *Fund administration Committee members are yet to be paid for the meetings held..*

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

18. Notes to the Financial Statements

1. General Information

County Government Of Nakuru Mortgage (Staff) Scheme Fund entity is established by and derives its authority and accountability from The Public Finance And Management (County Government Of Nakuru Mortgage (Staff) Scheme Fund) regulations, 2018 Act. The entity is wholly owned by the Nakuru County Government and is domiciled in Kenya. The entity's principal activity is to provide affordable car loans facilities to its member staff.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

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

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

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

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be</p>

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
Discontinued Operations	measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

(iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

3. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on 11 August 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of ksh.10,500,000 on the FY 2021-2022 budget following the governing body's approval.

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

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 no. 13 of these financial statements.

Summary Of Significant Accounting Policies (Continued)

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

a) 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.

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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)

b) 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.

c) 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.

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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.

d) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

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.

e) Employee benefits– Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

f) 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)

g) 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.

h) 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.

i) 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.

j) Comparative figures

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

k) Events after the reporting period

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

l) Ultimate and Holding Entity

The entity is a County Public Fund established by xxx Act (*state the legislation establishing the Fund*) under the Ministry of xxx. Its ultimate parent is the County Government of XXX.

m) Currency

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

Summary Of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
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6. Notes To The Financial Statements

1. Public contributions and donations

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

(Provide brief explanation for this revenue)

4. Interest income

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Interest Income From Mortgage Loans	4,460,785	354,591
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	4,460,785	354,591

(Provide brief explanation for this revenue)

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Notes to the Financial Statements Continued

5. Other income

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	104,480	7,260
Total Other Income	104,480	7,260

(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. Employee Costs

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other <i>(Specify)</i>	-	-
Total	-	-

7. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs (ledger plus bank interest)	1,587,908	125,457
Administration Fees (Committee allowance)	230,000	-
Committee Allowances	-	-
Bank Charges	6,024	2,710
Cheque book charges	3,280	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
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Description	2021/22	17 Sep 2021
	Kshs.	Kshs.
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Bank Charges	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other (<i>Specify</i>)	-	-
Total	1,827,212	128,167

8. Depreciation and Amortization Expense

Description	2021/22	17 Sep 2021
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

9. Finance costs

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Property,PlantAndEquipment	-	-
Intangible Assets	-	-
Total	-	-

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
County Government of Nakuru Mortgage (Staff) Scheme Fund account	33,934,161	10,753,611
Xxx County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others	-	-
Total Cash And Cash Equivalents	33,934,161	10,753,611

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

Financial Institution	Account number	2021-2022	17 Sep 2021
		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			
Family Bank	019000048965	33,934,161	10,753,611
Bank B		-	-
Sub- Total		33,934,161	10,753,611
d) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		33,934,161	10,753,611

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

12. Receivables from exchange transactions

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Current Receivables		
Interest Receivable	187,799	154,211
Current Loan Repayments Due	15,767,681	16,708,326
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
Total Current Receivables	15,955,480	16,862,537
Non-Current Receivables		
Long Term Loan Repayments Due	151,214,690	141,333,418.00
Total Non- Current Receivables	151,214,690	141,333,418
Total Receivables From Exchange Transactions	167,170,171	158,195,955

Additional disclosure on interest receivable

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years		-
Accrued interest receivable from of long-term loans of previous years	87,895	116,190
Interest receivable from current portion of long-term loans issued in the current year	99,904	38,021
Current loan repayments due		
Current portion of long-term loans from previous years	-	
Accrued principal from long-terms loans from previous periods		
Current portion of long-term loans issued in the current year	15,767,681	16,708,326

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
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13. Prepayments

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
Total	-	-

14. Inventories

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
Total Inventories At The Lower Of Cost And Net Realizable Value	-	-

County Government Of Nakuru Mortgage (Staff) Scheme Fund
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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 2020	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Depreciation And Impairment	-	-	-	-	-
At 1 st July 2020	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-

County Government Of Nakuru Mortgage (Staff) Scheme Fund
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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer/Adjustment	-	-	-	-	-
At 30 th June 2022	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30 th June 2021	-	-	-	-	-
At 30 th June 2022	-	-	-	-	-

County Government Of Nakuru Mortgage (Staff) Scheme Fund
Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

16. Intangible assets

Description	2021-2022	17 Sep 2021
	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	2021-2022	17 Sep 2021
	Kshs	Kshs
Trade Payables	-	-
Refundable Deposits	-	-
Accrued Expenses	1,373,244	1,456,531
Other Payables	-	-
Total Trade And Other Payables	1,373,244	1,456,531

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End Of The Year (30.06.2022)	-	-	-	-

County Government Of Nakuru Mortgage (Staff) Scheme Fund
Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

19. Borrowings

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
Balance At End of The Period	-	-

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

	2021-2022	17 Sep 2021
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organisation'	-	-
Sterling Pound Denominated Loan From 'Y Organisation'	-	-
Euro Denominated Loan from Z Organisation'	-	-
Domestic Borrowings	-	-
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	-	-

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

Description	2021-2022	17 Sep 2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Statements for the year ended June 30, 2022**

Notes To The Financial Statements (Continued)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

21. Cash generated from operations

	2021-2022	17 Sep 2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	2,738,053	233,684
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory		
Increase In Receivables	-33,588	-38,021
Increase In Payables	-83,287	376,985
Net Cash Flow From Operating Activities	2,621,177	572,648

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Other Disclosures

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 Committee; etc

b) Related party transactions

	2021-2022	17 Sep 2021
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

	2021-2022	17 Sep 2021
	Kshs	Kshs
Board Of Committee	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2021-2022	17 Sep 2021
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Other Disclosures Continued

e) Due to related parties

	2021-2022	17 Sep 2021
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

23. Contingent assets and contingent liabilities

Contingent Liabilities	2021-2022	17 Sep 2021
	Kshs	Kshs
Court Case Xxx Against The Fund	-	-
Bank Guarantees	-	-
Total	-	-

(Give details)

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Other Disclosures Continued

24. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021	-	-	-	-
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

County Government Of Nakuru Mortgage (Staff) Scheme Fund
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(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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

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

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2021	-	-	-	-
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

c) Market risk

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
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The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

i. Foreign currency risk

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

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

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

County Government Of Nakuru Mortgage (Staff) Scheme Fund
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Foreign currency sensitivity analysis

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

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

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 2,088 (2022: KShs 208,821). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 1,102 (2021 – KShs 22,042)

County Government Of Nakuru Mortgage (Staff) Scheme Fund
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d) Capital risk management

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

	2021-2022	17 Sep 2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

**County Government Of Nakuru Mortgage (Staff) Scheme Fund
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19. Progress On Follow Up Of Prior Year Auditor’s Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

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.