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REPORT

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Hon Kimani Ichungwaho, MP
Leader of majority party
A. Shibuko

THE AUDITOR-GENERAL

ON

PUBLIC SERVICE COMMISSION CAR LOAN AND MORTGAGE SCHEME FUND

FOR THE YEAR ENDED
30 JUNE, 2021

NATIONAL ASSEMBLY
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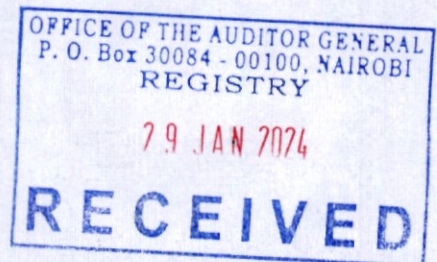




REPUBLIC OF KENYA



PUBLIC SERVICE COMMISSION



PUBLIC SERVICE COMMISSION

CAR LOAN & MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2021

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



PUBLIC SERVICE COMMISSION CAR LOAN & MORTGAGE SCHEME FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021**

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

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Public Service Commission Car Loan & Mortgage Scheme Funds
Annual Report and Financial Statements for the year Ended 30th June 2021

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1 Abbreviations, Acronyms and Glossary of Terms

A. Abbreviations and Acronyms

AEIR	Average Effective Interest Rate
Ag.	Acting
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
PSC	Public Service Commission
SAGAs	Semi-Autonomous Government Agencies

B. Glossary of Terms

Fiduciary Management - Members of management entrusted directly with the responsibility and trust for the organisation financial resources.

2 Key Fund Information and Management

a) Background Information

The Public Service Commission Mortgage and Car Loan Scheme were established by and derives its authority and accountability from the Public Finance Management Act, 2012 and are regulated by the Public Service Commission Mortgage Scheme Regulations, 2018 and the Public Service Commission Car Loan Scheme Regulations, 2018. The Schemes were operationalized on 16th March, 2016 as revolving funds as advised by the Salaries and Remuneration Commission Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) of 17th December, 2014. The Funds are wholly owned by the Public Service Commission and domiciled in Kenya.

b) Principal Activities

The principal mandate of the Funds is to provide a loan scheme for members of the PSC Secretariat for:

- i).* Acquisition of vehicle(s)
- ii).* Purchase of developed house(s);
- iii).* Purchase of land,
- iv).* Purchase of land and construction of a house;
- v).* Purchase of off-plan or ongoing development;
- vi).* Construction;
- vii).* Renovation and improvement of an existing house;
- viii).* Takeover of loans on existing mortgages; and
- ix).* Mortgage plus loan/top-up or equity release.

The Funds are administered by the PSC Car Loan and Mortgage Scheme Committee. The Committee is charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Funds.

Public Service Commission Car Loan & Mortgage Scheme Funds
Annual Report and Financial Statements for the year Ended 30th June 2021

c) Scheme Management Committee

Ref	Position	Name
1.	Chairperson	Remmy N. Mulati, MBS Deputy Commission Secretary, Corporate Services
2.	Vice Chairperson	Simiyu Njalale Ag. Deputy Director, Finance
3.	Secretary	Caroline C. Kiget Ag. Deputy Director, Human Resource Management (Corporate Services)
4.	Committee Member	Musa Cherogony Deputy Director, Legal Services
5.	Committee Member	William Migwi Deputy Director, Planning
6.	Committee Member	Sally Tanui Deputy Director, Recruitment & Selection

d) Key Management

S/No	Position	Name
1.	Officer Administering the Scheme	Dr. Simon K. Rotich Chief Executive/Commission Secretary
2.	Chairperson	Remmy N. Mulati, MBS Deputy Commission Secretary, Corporate Services
3.	Fund Accountant	CPA Julius O. Moturi, PhD Deputy Director, Accounts
4.	Fund Administrator/Secretary	Caroline C. Kiget Ag. Deputy Director, Human Resource Management (Corporate Services)

e) Fiduciary Oversight Arrangements

S/No	Position	Name
1.	Officer Administering the Scheme	Dr. Simon K. Rotich Chief Executive/Commission Secretary
2.	Chairperson	Remmy N. Mulati, MBS Deputy Commission Secretary, Corporate Services
3.	Directorate Internal Audit	Pariken Sankei Deputy Director, Internal Audit
4.	Fund Accountant	CPA. Joseph M. Njoroge Ag. Deputy Director, Accounts
5.	Secretary	Caroline C. Kiget Ag. Deputy Director, Human Resource Management (Corporate Services)

Public Service Commission Car Loan & Mortgage Scheme Funds
Annual Report and Financial Statements for the year Ended 30th June 2021

f) Registered Offices

Public Service Commission Headquarters

Commission House
P.O. Box 30095-00100 Nairobi-Kenya
Commission House
Harambee Avenue
NAIROBI, KENYA

g) Fund Contacts

Telephone: (254) 020 2223901-5, 2227471-5
E-mail: psck @ public service.go.ke
Website: <https://www.publicservice.go.ke>

h) Fund Bankers

KCB Bank Kenya Limited, KICC
P.O. Box 45129-00100
NAIROBI

i) Independent Auditor

The Auditor-General
Office of the Auditor General
Anniversary Towers, University Way

Key Fund and Information Management (Continued)

P.O. Box 30084-00100
GPO 00100
NAIROBI, KENYA

j) Principal Legal Adviser

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

3 Fund Administration Committee

Name	Details of Qualifications and Experience
 <p data-bbox="164 577 472 651"><i>Remmy N. Mulati, MBS</i> Chairperson</p>	<p data-bbox="539 297 1450 499">Mr. Mulati is the Deputy Commission Secretary (Corporate Services) and is responsible for coordination of all Commission's corporate and support services. He was appointed to the position in March 2019. Previously, he served as Director, Board Management Services until he was appointed Ag. Deputy Commission Secretary.</p> <p data-bbox="539 521 1450 640">He holds a Master's degree in Public Administration, and a Bachelors' Degree in Arts and has attended numerous professional development training, workshops, and seminars locally and internationally.</p> <p data-bbox="539 663 1450 864">Mr Mulati is a career administrator with more than 30 years of progressive experience, having worked in various capacities in the public service, and has a deep understanding of Government administration. He is also an affiliate of the Africa Association of Public Administration and Management (AAPAM).</p> <p data-bbox="539 902 1450 1021">In recognition of his contribution to public service, he was awarded the Order of the Moran of the Burning Spear (MBS) by His Excellency the President of the Republic of Kenya.</p>
 <p data-bbox="164 1337 408 1402"><i>Simiyu Njalale</i> Vice Chairperson</p>	<p data-bbox="539 1059 1450 1133">Simiyu is an Acting Deputy Director, Finance with more than 20 years' of experience in the public sector.</p> <p data-bbox="539 1155 1450 1402">He holds a Bachelor of Business Administration (Accounting) and is a Chartered Accountant certified by the Association of Chartered Certified Accountants (ACCA). He is also in possession of the Strategic Leadership Development Programme and Senior Management Course certifications from the Kenya School of Government.</p>
 <p data-bbox="164 1765 429 1832"><i>Caroline C. Kiget</i> Fund Secretary</p>	<p data-bbox="539 1435 1450 1592">Ms. Kiget is the Head of Human Resource Management (Corporate Services) appointed to the position in 2019. She is a respected Human Resource practitioner with over fifteen years of HR management experience in the public sector.</p> <p data-bbox="539 1626 1450 1861">She holds a Master's degree in Human Resource Management, a Bachelor of Arts degree in Social Studies, and a Higher National Diploma in Human Resource Management. She has the Strategic Leadership Development Programme and Senior Management Course certifications from the Kenya School of Government. Ms. Kiget is also a member of the Institute of Human Resource Management.</p>

Public Service Commission Car Loan & Mortgage Scheme Funds
Annual Report and Financial Statements for the year Ended 30th June 2021

Name

Details of Qualifications and Experience



William Migwi
Committee Member

Mr. Migwi is the Deputy Director Planning and has over 20 years' experience in Economics, Research and Policy in international organizations, civil society organizations and the public sector.

He holds a Master of Philosophy in Economics, Bachelor of Arts degree in Economics and is a Certified Public Accountant (K). He is in possession of the Strategic Leadership Development Programme and Senior Management Course certifications from the Kenya School of Government.



Musa Cherogony
Committee Member

Mr. Cherogony is the Deputy Director, Legal Services and is an advocate of the High Court of Kenya. He has more than 20 years' experience in the private and public sectors.

He holds a Bachelor of Law (LLB), Diploma in Law from the Kenya School of Law and a Diploma in Legislative Drafting. He is in possession of the Strategic Leadership Development Programme and Senior Management Course certifications from the Kenya School of Government.



Ms. Sally Tanui
Committee Member

Ms. Tanui is the Deputy Director, Recruitment & Selection and is a respected Human Resource practitioner with over 15 years of HR experience in the public sector.

She holds an Executive MBA, a Bachelor of Arts degree and a Higher National Diploma in Human Resource Management. She is in possession of the Strategic Leadership Development Programme and Senior Management Course certifications from the Kenya School of Government. Ms. Tanui is also a member of the Institute of Human Resource Management.

4 Management Team

Name	Details of Qualifications and Experience
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Dr. Simon K. Rotich, CBS
Secretary/CEO
Officer Administering the Scheme

Dr. Rotich is the Secretary/Chief Executive of the Commission. He was appointed on 1st August 2019 and is a career administrator with over thirty years of progressive experience, having worked in various capacities in the public service. Prior to his appointment served as the Deputy Commission Secretary, Corporate Services. He also served as Chief Executive Officer of the Commission on Implementation of the Constitution.

He holds a Master of Public Administration degree, a Bachelor of Arts degree in Philosophy & Linguistics, and a Postgraduate Diploma in Mass Communication. He has attended numerous training, workshops and seminars locally and internationally. He is also in possession of the Strategic Leadership Development Programme and Senior Management Course certifications from the Kenya School of Government.

He is a member of the Kenya Association of Public Administration and Management (KAPAM), an affiliate of Africa Association of Public Administration and Management (AAPAM).




In recognition of his contribution to the public service, Dr. Rotich was awarded the Order of the Chief of the Burning Spear (CBS) by His Excellency the President of the Republic of Kenya



Remmy N. Mulati, MBS
Chairperson

Mr. Mulati is the Deputy Commission Secretary (Corporate Services) and Chairs the Mortgage and Car Loan Scheme Fund.

Public Service Commission Car Loan & Mortgage Scheme Funds
Annual Report and Financial Statements for the year Ended 30th June 2021

Name	Details of Qualifications and Experience
	<p>Mr. Simiyu is the Acting Deputy Director, Finance and vice chairperson of the committee.</p>
<p><i>Simiyu Njalale</i> Vice Chairperson</p>	
	<p>Ms. Kiget is the Head of Human Resource Management (Corporate Services) and in charge of the secretariat to the Fund.</p>
<p><i>Caroline C. Kiget</i> Fund Secretary</p>	
	<p>CPA. Njoroge heads the Accounts Unit and has over 20 years' of experience in the accounting and finance fields in the private and public sector.</p>
<p><i>CPA. Joseph Njoroge</i> Fund Accountant</p>	<p>He holds a Bachelor of Commerce (Finance) degree and he is a Certified Public Accountant (K).</p>

5 Chairman's Report



The Public Service Commission Staff Mortgage and Car Loan Schemes were established on 16th March 2016 as guided by the relevant government regulations in order to facilitate staff to acquire motor vehicles and residential houses. The purpose of the Schemes is to motivate staff and contribute towards the attraction and retention of requisite skills in the Commission in line with the constitutional principles under Article 230(5) of the Constitution. In addition, the schemes acquire property at favourable interest rates as well, as a means for the employer to retain staff.

I am pleased to present the PSC Staff Mortgage and Car Loan Schemes financial statements for the Financial year 2020/21. The schemes received funding from the National Treasury to a tune of 307,000,000 as at the time of reporting. The Commission wishes to appreciate the Government's support through the National Treasury.

The year 2020/2021 marks the fifth year of implementation of the Car Loan and Mortgage Schemes. The Schemes have successfully admitted thirty-four (34) staff. The most evident challenge has been the low uptake of the facility by staff. To address these challenges the Commission is currently in the process of reviewing their frameworks in order to provide more favourable terms to staff and ensure optimal uptake of the facility. Despite the above, challenges, PSC staff have immensely benefited from this facility.

Encouraged by the progress seen in the last eight years, the medium and long-term focus for the Scheme still remains to motivate Commission staff by facilitating their purchase of cars and access to mortgage facilities. I am confident that our goal will guarantee that all staff have access to the facilities which will not only improve their well-being but also contribute to the Government's national agenda on affordable housing.

R.N. Mulati, MBS

.....
Remy N. Mulati, MBS
Chairperson, Scheme Management Committee

6 Report of the Fund Manager/ Administrator



The year 2021 marks the fifth year of implementation of the Car Loan and Mortgage Scheme. The Scheme has successfully admitted twenty-five (25) members and nine (9) members to the mortgage and car loan schemes respectively. The most evident challenge has been the low uptake of the facility by staff. The most cited reasons by staff include age, high external costs, and insufficient loan thresholds.

The Scheme Fund Administrator is pleased to submit their report together with the financial statements for the year ended 30th June 2021.

A handwritten signature in black ink, appearing to read 'S. Rotich'.

.....
FCS, Dr. Simon K. Rotich, CBS
Fund Administrator

7 Statement of Performance against Predetermined Objectives

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting Officer to include in the financial statement, a statement of the national government Fund's performance against predetermined objectives.

The PSC Staff Mortgage and Car Loan Scheme falls under the strategic pillar of capacity building for the Commission and the core objective of improving terms and conditions of service within the current Strategic Plan for the FY 2019- FY 2024. To realize this objective, the PSC Staff Mortgage and Car Loan Scheme, relies on the strategic plan to guide the achievement of set targets during each financial year.

PSC Mortgage and Car Loan Scheme secretariat develops the committee's annual work plans based on the above improvement of terms and conditions pillar. Assessment of the Committee's performance against its annual work plan is done on a quarterly basis. The Scheme achieved its performance targets set for the FY 2020/2021 period for its strategic pillar, as indicated in the diagram below:

Strategic Pillar/Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Improved Terms & Conditions	Implement PSC Mortgage & Car Loan scheme to attract, retain and maintain a motivated work force	<ul style="list-style-type: none"> • PSC Mortgage & Car Loan Scheme disbursement reports • Number of Staff who accessed mortgage and car loans • Number of meetings held in a year 	<ul style="list-style-type: none"> • Compile staff requests and table before the PSC Mortgage Loan Scheme Committee • Submit recommendations to Scheme Administrator • Periodic review of regulations and operational documents 	Processing of all applications for loans received by the Committee.

8 Corporate Governance Statement

a) Introduction

The PSC Mortgage and Car Loan Scheme is a revolving Fund established pursuant to the Public Finance Management (PFM) Act of 2012, the PFM (National Government) Regulations of 2015 and the SRC circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014.

The object and purpose of the Scheme is provided for in Section 4 of the PSC Mortgage Scheme Regulations and shall be to provide a loan scheme for the purchase, development or renovation of residential property by members of the Scheme. The specific purpose of the Scheme is to motivate staff by providing mortgage and car loan facilities.

The Scheme is committed to complying with the set out corporate governance regulations. The Scheme has a formal corporate governance framework with the scheme management committee having overall oversight of all activities. In addition to the existing legal and regulatory framework referenced in this report, the committee also administers its own procedures by passing resolutions.

b) Appointment of Scheme Committee Members

The Scheme Management Committee is appointed by the Secretary/CEO on a personal basis. The committee is made up of six (6) members including the Chairperson and Secretary. The membership of the Scheme is integrative with representation from corporate services, legal services, finance & planning and human resource management.

The day-to-day running of the scheme is delegated to the Secretary of the Scheme who is also the head of Human Resource Management (Corporate Services). The overarching strategic, compliance, financial and administrative functions however, rest with the Scheme Management Committee.

c) Roles & Functions of the Scheme Committee

Section 7 of the PSC Staff Mortgage Regulations, 2018 states the roles and functions of the scheme management committee which include but are not limited to :-

1. Preparation of work plan and budget for the Committee;
2. Procurement/identification of service providers;
3. Sensitization of staff on the Car Loan and Mortgage schemes Fund;

4. Receiving and processing of applications for loans in accordance with the existing terms and conditions of borrowing;
5. Oversight and supervision of the day to day running of the funds;
6. Maintenance of proper books and records of account of the income and expenditure, assets and liabilities of the funds;
7. Receive gifts and donations, grants or endowments made to the funds;
8. Consider and recommend approval of financial statements to the Authorized officer; and
9. Quarterly reporting on the schemes.

d) Attendance and Scheme Committee meetings

The committee meets regularly as required in order to deliberate on staff requests and to monitor performance of the scheme funds and achievement of work plan objectives. The committee plays an oversight role over the Scheme activities.

e) Conflict of interest

The Members of the Scheme Management Committee are required to declare any conflict of interest at the start of each meeting.

f) Audit

The fund is audited by the Internal Audit Unit within the Commission and the Office of the Auditor-General.

Public Service Commission Car Loan & Mortgage Scheme Funds
Annual Report and Financial Statements for the year Ended 30th June 2021

9 Management Discussion and Analysis

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

This section provides an overview of the Scheme's financial position as at the close of FY 2020/21.

The Public Service Commission mortgage and car loan funds had a surplus of ksh.2,895,581 in the financial year ending June,2021 compared with a surplus of ksh. 2,230,916 in the financial year ending June,2020

The assets of the funds for financial year ending June, 2021 amounted to ksh.313,407,967 compared with ksh 255,512,385 for the financial year ended June,2020.

The number of existing loans increased from twenty three(23) in year ending June 2020 to twenty-nine (29) in the current financial year ended June,2021. However, two loans were cleared during the period ending June,2021.. The outstanding loans amounted to ksh.185,102,408.

b. Fund's key projects or investment decisions implemented or ongoing

Other than giving staff Mortgage and Car loan, the funds also earn interest from fixed deposit accounts with the bank where surplus funds is deposited. A fund held in fixed deposit accounts by the end of the period is ksh.122,274,058 .

c. Number and amount of Loans issued during the period, loans outstanding at end of the period and loans repaid during the period.

<i>No. of loans Issued</i>	<i>Amount Issued</i>	<i>Loan Outstanding</i>	<i>Loan Repaid</i>
9	59,603,629	185,102,408	25,824,498

d. Fund's compliance with statutory requirements

The scheme has made effort to comply with the necessary statutory requirements in administration and management of the funds.

e. Major risks facing the Fund, material arrears in statutory and other financial obligations.

The fund is exposed to Interest rate risk through decline in Asset value resulting from unexpected fluctuations in interest rates. Interest rate risk is probable because the fund has invested in bank deposits which earn interest on daily basis.

10 Environmental and Sustainability Reporting

The Scheme Management Committee supports the sustainability agenda and acknowledges that environmental and sustainability reporting has become a vital aspect in Public Institutions. The Committee has made efforts to ensure sustainability of the fund as well as promote conservation of the environment in its operations.

Most staff who have benefited from the mortgage facility have installed solar panels for heating and lighting in their residential homes. This is not only a financial consideration of increasing the value of the home and improving efficiency, but contributes to energy conservation, reduction of greenhouse gas emission and mitigating against climate change.

Most home owners also preferred construction or purchase of houses outside the city of Nairobi which contributes to easing congestion in the city. This also limits pressure on available but limited city resources.

The fuel prices in the country have drastically risen which has encouraged staff who have benefited from car loan to buy motor vehicles with high fuel economy. Low fuel consuming vehicle are cost effective and they also reduce carbon emissions. This goes hand in hand to reduce air pollution and contribute to energy independence by reducing oil imports.

With the current technology advancement home owners have taken advantage of Internet fibre through provision of space for the same during construction this ensure reliable high-speed connectivity.

In addition, the Committee has in place a framework to ensure the fund remains a going concern and remains available for both current and future staff of the Commission. It also regularly sensitizes newly appointed staff to ensure dissemination of information and attract new staff to take up the facility.

Public Service Commission Car Loan & Mortgage Scheme Funds
Annual Report and Financial Statements for the year Ended 30th June 2021

11 Report of Fund Administration Committee

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

Principal Activities

The principal activities of the Funds are;

1. To provide a loan Scheme for the purchase, development or renovation of residential property by members of the scheme.
2. To provide a loan scheme for the purchase of cars by members of the scheme.

Performance

The performance of the Fund for the year ended June 30, 2021, is set out on page 1-5.

Administration Committee

The members of the Administration Committee who served during the year are shown on page vi - viii.

Auditors

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

By Order of the Board

R.N. Mulati, MBS

.....
Remmy N. Mulati, MBS

Chair of the Scheme Management Committee

12 Statement of Management's Responsibilities

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund established by the Constitution or an Act of Parliament shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the 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 Salaries and Remuneration Commission circular SRC/ADM/CIR/1/13/VOL/111(128). 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, 2021, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern.

Public Service Commission Car Loan & Mortgage Scheme Funds
Annual Report and Financial Statements for the year Ended 30th June 2021

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

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

R.N. Mulati, MBS

Remy N. Mulati, MBS
Chairman of the Fund



FCS, Dr. Simon K. Rotich, CBS
Fund Administrator

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PUBLIC SERVICE COMMISSION CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Public Service Commission Car Loan and Mortgage Scheme Fund set out on pages 1 to 22, which comprise of the

Report of the Auditor-General on Public Service Commission Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2021

statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of cash flows, statement of changes in net assets, 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, the financial statements present fairly, in all material respects, the financial position of Public Service Commission Car Loan and Mortgage Scheme Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Late Submission of Financial Statements

The financial statements of the Fund for the year ended 30 June, 2021, were submitted to the Auditor-General on 30 October, 2023, approximately two (2) years after the end of the. This was contrary to Section 84(3) of the Public Finance Management Act, 2012 which requires an Administrator of a National Public Fund to prepare financial statements

and submit them to the Auditor General within three months after the end of the financial year.

In the circumstances, the Fund Management was in breach of the law.

2. Unconfirmed Procurement of an Institution to Manage Car and Mortgage Schemes

The Fund Management entered into an agreement on 27 February, 2018 with a financial institution to manage the Car Loan and Mortgage Schemes. However, procurement records indicating how the bank was identified and awarded the tender were not provided for audit review.

In the circumstances, it was not confirmed whether the procurement of the bank was competitive and transparent.

3. Unfavourable Clauses in Contract Agreement with a Financial Institution

The statement of financial position reflects car loan and mortgage revolving funds amounting to Kshs.15,000,000 and Kshs.85,000,000, respectively. Review of the Agreement dated 27 February, 2018 between the Funds and the financial institution managing the Car Loan and Mortgage Schemes revealed the following anomalies:

3.1 Irregular Loan Interest

The agreement provides for an interest rate of five (5) percent on the loans. This is contrary to Part 6 of the Salaries and Remuneration Commission Circular No. SRC/ADM/CIR/1/13/Vol.III (128) dated 17 December, 2014 which approved an interest rate of three (3) percent per annum for the duration of the loan.

3.2 High Administration Fees

The agreement provides for charging of 4% and 3.5% administration fee on interest earned from car loans and mortgage loans, respectively. Further, the financial institution charges a negotiation fee of 1% on car and mortgage loans taken and a monthly ledger fee of Kshs.350. These have increased the cost of the loans.

3.3 Under Utilized Funds

The agreement requires the Funds to maintain lien deposit account which should at all times have a balance equivalent to the total aggregate disbursed loan principal amount which earns interest of 1.5% per annum. This has denied the beneficiaries from accessing the loans and denied the Funds optimal revenue due to the low interest rate on the lien amount.

In the circumstances, the effectiveness and achievement of value for money for the Funds could not be confirmed.

4. Irregular Consolidation of Two Separate Funds

The financial statements are in respect of Public Service Commission Car Loan Scheme and the Public Service Commission Mortgage Scheme. However, the two schemes are established under Public Service Commission Car Loan Scheme Regulations, 2018 and the Public Service Commission Mortgage Scheme Regulations, 2018, respectively. No explanation was provided for consolidating the financial statements for the two Schemes which are distinct. This is contrary to Section 84(1) of the Public Finance Management Act, 2012 which requires an Administrator of a National Public Fund established by the Constitution or an Act of Parliament to prepare financial statements for the Fund for each financial year in a form prescribed by the Accounting Standards Board.

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of 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 controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain 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 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 controls 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 controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal 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 controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 March, 2024

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10/10/10

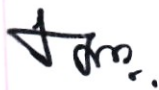
Public Service Commission Car Loan & Mortgage Scheme Funds
Annual Report and Financial Statements for the year Ended 30th June 2021

14 Statement of Financial Performance for the year ended 30th June 2021.

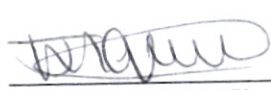
Description	Note	2020/21 Kshs.	2019/20 Kshs.
Revenue from non-exchange transactions			
Transfers from other Parent Ministry/ SC/SAGA			
Revenue from exchange transactions			
Interest income	6	8,871,461	6,545,435
Other income	7	53,200	53,550
		8,924,661	6,598,985
Total revenue		8,924,661	6,598,985
Expenses			
Administration costs	8	5,464,895	3,920,828
Use of goods and services			
Other Expenses	9	53,200	53,550
Finance costs			
Total expenses		5,518,095	3,974,378
Other gains/losses			
Gain/loss on disposal of assets			
Surplus/(deficit) before tax		3,406,567	2,624,607
Taxation	10	510,985	393,691
Surplus/Deficit after Tax		2,895,581	2,230,9156

(The notes set out on pages 15 to 21 form an integral part of these Financial Statements).

The financial statements were approved on 30/09/23..... and signed by:



FCS, Dr. Simon K. Rotich, CBS
Fund Administrator



CPA. Joseph M. Njoroge
Fund Accountant
ICPAK M/No: 6386



Remmy N. Mulati, MBS
Chairperson of the Fund

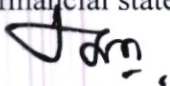
Public Service Commission Car Loan & Mortgage Scheme Funds
Annual Report and Financial Statements for the year Ended 30th June 2021

15 Statement of Financial Position as at 30th June 2021


Description	Note	2020/21	2019/20
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	11	128,305,559	109,169,045
Receivables from exchange transactions	12	14,858,102	-
Receivables from Non- exchange transactions		-	-
Prepayments		-	-
Inventory		-	-
Total Current Assets		143,163,661	109,169,045
Non-current assets			
Receivables from exchange transactions	12	170,244,306	146,343,340
Property, plant, and equipment		-	-
Intangible assets		-	-
		170,244,306	146,343,340
Total assets		313,407,967	255,512,385
Liabilities			
Trade and other payables		-	-
Total Current Liabilities		-	-
Total liabilities		-	-
Net assets		313,407,967	255,512,385
Car loan revolving fund		42,000,000	37,000,000
Mortgage revolving fund		265,000,000	215,000,000
Accumulated surplus (<i>Reserves</i>)		6,407,967	3,512,385
Total net assets and liabilities		313,407,967	255,512,385

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

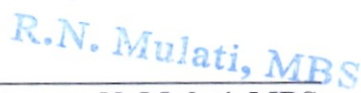
The Fund financial statements were approved on 30/09/2023 and signed by:



 FCS, Dr. Simon K. Rotich, CBS
 Fund Administrator



 CPA. Joseph M. Njoroge
 Fund Accountant
 ICPAK M/No: 6386



 R.N. Mulati, MBS
 Chairperson of the Fund

16 Statement of Changes in Net Assets for the year ended 30th June 2021

Description	Mortgage Fund	Car Loan Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2019	156,124,118.45	30,157,351	186,281,469	186,281,469
Surplus/(deficit) for the period	2,035,453	195,463	2,230,916	2,230,916
Funds received during the year	60,000,000	7,000,000	67,000,000	67,000,000
Transfers	-	-	-	-
As at 30 June 2020	218,159,572	37,352,814	255,512,385	255,512,385
As at 1 July 2020	218,159,572	37,352,814	255,512,385	255,512,385
Surplus/(deficit) for the period	2,588,105	307,477	2,895,581	2,895,581
Funds received during the year	50,000,000	5,000,000	55,000,000	55,000,000
Transfers	-	-	-	-
As at 30 June 2021	270,747,676	42,660,290	313,407,967	313,407,967

Public Service Commission Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2021

17 Statement of Cash Flows for the year ended 30th June 2021

Description	Note	2020/21	2019/20
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from other Parent Ministry/ SC/SAGA		-	-
Interest received		8,871,461	6,545,435
Other income		-	-
Total receipts		8,871,461	6,545,435
Payments			
Taxation		510,985	393,691
Use of goods and services		-	-
Administration costs		5,464,895	3,920,828
Total payments		5,975,880	4,314,516
Net cash flow from operating activities	13	2,895,581	2,230,916
Cash flows from investing activities			
Purchase of PPE and intangible assets		-	-
Proceeds from sale of PPE		-	-
Proceeds from loan principal repayments		22,120,091	11,751,624
Loan disbursements paid out		(60,879,159)	(50,332,334)
Net cash flows used in investing activities		(38,759,068)	(38,580,709)
Cash flows from financing activities			
Receipts into the mortgage revolving fund		50,000,000	60,000,000
Receipts into the car loan revolving fund		5,000,000	7,000,000
Net cash flows used in financing activities		55,000,000	67,000,000
Net increase/(decrease) in cash and cash equivalents		19,136,514	30,650,207
Cash and cash equivalents at 1 July 2017	11	109,169,045	78,518,839
Cash and cash equivalents at 30 June 2018	11	128,305,559	109,169,045

18 Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2021

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Transfers from other Parent Ministry/ SC/SAGA	-	-	-	-	-	
Interest income	-	-	-	8,871,461	(8,871,461)	0%
Other income	-	-	-	53,200	(53,200.00)	0%
Total Revenue	-	-	-	8,924,661	(8,924,661)	0%
Expenses						
Administration costs	-	-	-	5,464,895	(5,464,895)	0%
Use of goods and services				0		
Other Expenses				53,200		
Taxation	-	-	-	510,985	(510,985)	
	-	-	-	-	-	
Expenditure	-	-	-	6,029,080	(5,975,880)	0%
Surplus for the period	-	-	-	2,895,581	(2,948,781)	0%
Capital Expenditure	55,000,000	-	55,000,000	55,000,000	-	100%

Budget notes

The fund is funded by The National Treasury through exchequer releases. Total capital expenditure for financial year 2020/2021 is ksh.55,000,000 comprising ksh 5,000,000 and ksh.50,000,000 for car loan fund and mortgage fund respectively.

19 Notes to the Financial Statements

1. General Information

Public Service Commission Car Loan & Mortgage Scheme Funds were established on 16th March, 2016 in line with SRC's circular Ref No.SRC/ADM/CIR/1/13 Vol.111 (128) and derives their authority and accountability from The Public Finance Management Act, 2012 The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activities are:

1. To provide a loan Scheme for the purchase, development or renovation of residential property by members of the scheme.
2. To provide a loan scheme for the purchase of cars by members of the scheme.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Public Service Commission Car Loan & Mortgage fund. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Public Service Commission Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2021

3. Adoption Of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • 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 the 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.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 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: <ol 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.
Amendments to Other IPSAS resulting from IPSAS 41,	Applicable: 1st January 2023: 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.

Public Service Commission Car Loan & Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended 30th June 2021

Standard	Effective date and impact:
Financial Instruments	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) 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> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p>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 Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

Public Service Commission Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2021

Standard	Effective date and impact:
	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 the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

4. 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 Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

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 for each period.

b. Budget information

The original budget for FY 2020/21 was approved in June, 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. The Fund's budget is prepared on a different basis from 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. 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

Public Service Commission Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2021

Significant Accounting Policies (continued)

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 as per the statement of financial performance has been presented under section 18 of these financial statements.

c. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

d. Financial Assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net

Significant Accounting Policies (continued)

assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Public Service Commission Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2021

Significant Accounting Policies (continued)

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

e. Financial Liabilities

Classification

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

f. Contingent liabilities

The Fund 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.

g. Contingent assets

The Fund 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 Fund 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.

h. Nature and purpose of reserves

The Fund does not create and maintain reserves in terms of specific requirements as interest earned are revolved back to the fund.

Significant Accounting Policies (continued)

i. Changes in accounting policies and estimates

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

j. Related parties

The Fund regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Fund Managers, Fund Administrator and Fund Accountant.

k. 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 KCB Bank-KICC Branch the end of the financial year.

l. Comparative figures

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

m. Events after the reporting period

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

n. Currency

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

Public Service Commission Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2021

Notes to the Financial Statements

6 Interest income

Description	2020/21	2019/20
	Kshs.	Kshs.
Interest Income From Mortgage Loans	7,593,030	5,311,733
Interest Income From Car Loans	691,972	622,705
Interest Income On Bank Deposits	586,460	610,997
Other (<i>Specify</i>)	-	-
Total Interest Income	8,871,461	6,545,435

7 Other income

Description	2020/21	2019/20
	Kshs.	Kshs.
Other Incomes (<i>Income from bank charges to loanee</i>)	53,200	53,550
Income from Sale of Tender documents	-	-
Miscellaneous income (<i>Specify</i>)	-	-
Total Other Income	53,200	53,550

8 Administration costs

Description	2020/21	2019/20
	Kshs.	Kshs.
Car loans administration costs	433,284	425,631
Mortgage loans administration	5,031,611	3,495,197
Total Administration costs	5,464,895	3,920,828

9 Other Expenses

Description	2020/21	2019/20
	Kshs.	Kshs.
Other expenses (<i>Income from bank charges to loanee</i>)	53,200	53,550
Income from Sale of Tender documents	-	-
Miscellaneous income (<i>Specify</i>)	-	-
Total Other income	53,200	53,550

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10 Taxation

Description	2020/21	2019/20
	Kshs.	Kshs.
Income tax charge	-	-
Tax Charged On Interest Income	510,985	393,691
Income Tax expense	510,985	393,691

11 Cash and cash equivalents

Description	2020/21	2019/20
	Kshs.	Kshs.
Public Service Commission Car Loan Scheme	5,350,904	43,427
Fixed Deposits Account	122,274,058	108,573,741
On-Call Deposits	-	-
Public Service Commission Mortgage scheme	680,597	551,878
Others (<i>Specify</i>)	-	-
Total Cash and Cash equivalents	128,305,559	109,169,045

Detailed analysis of the cash and cash equivalents

Financial Institution		2020/21	2019/20
	Account number	Kshs.	Kshs.
Public Service Commission Mortgage Scheme	1221809512	680,597	551,878
KCB-Bank -KICC Branch			
Public Service Commission Car Loan Scheme	1221809245	5,350,904	43,427
KCB-Bank -KICC Branch			
Sub- Total		6,031,501	595,305
Fixed Deposits (AEIR 0.825% p.a)			
KCB-Bank -KICC Branch		122,274,058	108,573,741
Grand Total		128,305,559	109,169,045

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Notes to the Financial Statements (continued)

12 Receivables from exchange transactions

Description	2020/21		2019/20	
	Kshs.		Kshs.	
Current Receivables				
Interest Receivable		-		-
Current Loan Repayments Due	14,858,102	-		-
Other Exchange Debtors		-		-
Less: Impairment Allowance		-		-
Total Current Receivables	14,858,102	-		-
Non-Current Receivables				
Long Term Loan Repayments Due	170,244,306		146,343,340	
Total Non- Current Receivables	170,244,306	-	146,343,340	-
Total Receivables From Exchange Transactions	185,102,408	-		-
Ageing analysis (receivable from exchange transactions)	2020/21	% of Totals	2019/20	% of Totals
Less than 1 year	14,858,102	8%		
Between 1-2 years	3,699,433	2%	4,299,440	3%
Between 2-3 years	3,920,224	2%	5,598,275	4%
Over 3 years	162,624,649	88%	136,445,625	93%
Total (tie to totals above)	185,102,408	100%	146,343,340	100%

13 Net cash flows from operating activities

Description	2020/21		2019/20	
	Kshs.		Kshs.	
Surplus/ (deficit) for the year before tax	8,871,461		6,545,435	
Adjusted for:				
Taxation	(510,985)		(393,691)	
Administration costs	(5,464,895)		(3,920,828)	
Increase in payables				
Use of Goods and services		-		-
Working capital adjustments	2,895,581.45		2,230,916	
Net cash flow from operating activities	2,895,581.45		2,230,916	

14 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 Fund'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 Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2021				
Receivables From Exchange Transactions-Car loans and mortgages	185,102,408	185,102,408	0	0
Receivables From Non-Exchange Transactions		-	0	0
Bank Balances	128,305,559	128,305,559	0	0
Total	313,407,967	313,407,967	-	-

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Description	Total amount	Fully performing	Past due	Impaired
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2020				
Receivables From Exchange Transactions- Car loans and mortgages	146,343,340	146,343,340	0	0
Receivables From Non-Exchange Transactions		-	0	0
Bank Balances	109,169,045	109,169,045	0	0
Total	255,512,385	255,512,385	-	-

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 Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the Fund's short, medium, and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The fund has no payables during the financial year.

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund 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 Fund'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.

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The Fund's Finance Department is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

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

d) Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund'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.

e) 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 Fund capital structure comprises of the following funds:

Description	2020/21	2019/20
	Kshs.	Kshs.
Revolving fund	307,000,000	252,000,000
Accumulated surplus (<i>Reserves</i>)	6,407,967	3,512,385
Total funds	313,407,967	255,512,385
Less: cash and bank balances	128,305,559	109,169,045
Net debt/(excess cash and cash equivalents)	185,102,408	146,343,340
Gearing	59%	57%

Public Service Commission Car Loan & Mortgage Scheme Fund
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Notes to the Financial Statements (continued)

15 Events after the Reporting Period

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

16 Ultimate And Holding Entity

The Entity is a Fund under the sponsorship of Public Service Commission which is a Constitutional Commission.

17 Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.

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20 Annexes

Annex I: Progress on Follow-Up of Prior Year Auditor's Recommendations

The funds have been audited for the first time so there are no reports for the previous year.



FCS, Dr. Simon K. Rotich, CBS
Fund Administrator

Date.....30/09/23.....

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