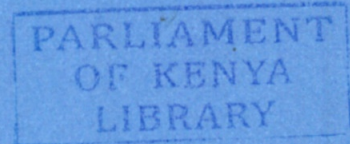


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

OF

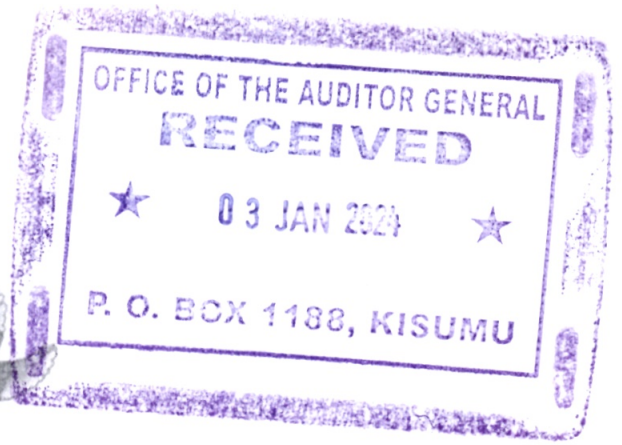
THE AUDITOR-GENERAL

ON

**VIHIGA COUNTY ASSEMBLY
MEMBERS AND STAFF MORTGAGE
AND CAR LOANS SCHEME FUND**

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

PAPERS LAID	
DATE	25/3/2024
TABLED BY	Sen. J. Kingua
COMMITTEE	—
CLERK AT THE TABLE	Polycarp



**VIHIGA COUNTY GOVERNMENT
VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF
MORTGAGE AND CAR LOANS SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023

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***Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023***

1. Key Entity Information and Management

a) Background information

Vihiga County Assembly Members Mortgage and Car Loans Scheme Fund is established by and derives its authority and accountability from the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014 and the VIHIGA COUNTY ASSEMBLY MEMBERS (CAR LOAN SCHEME FUND) REGULATIONS 2014 and 2015 on 11th July 2014 and 19th January 2016. The Fund is wholly owned by the County Government of Vihiga and is domiciled in Kenya.

The fund's objective is to provide funds for the mortgage and car loans schemes to enable the members and staff of the Assembly to: a) purchase, develop, renovate or repair their residential property and b) purchase vehicle for personal use.

The Fund's principal activity is to provide car loans and mortgage facilities to members of county assembly and staff. The Fund was initiated in 2014 with a capital of 200 million. However, as a result of giving out car grants worth Ksh.80 million to MCAs, the Fund's capital stands at Ksh.120 million.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide car loans and mortgage facilities to members of the County Assembly and Staff.

c) Fund Administration Committee

SN	Name	Position
1	Hon. Joab Ambaka Kilinga	Fund Manager/ Administrator
2	Hon. Manoah Mboku	Chairman of the Fund
3	Hon. Pauline Amwata	Member
4	Hon. Fredrick Mavisi	Member
5	Hon. Whimsy Osore	Member

d) Key Management

SN	Name	Position
1	Ambaka Kilinga	Fund Administration Manager
2	Oscar Miyinzi Jagona	Director Finance and Planning
3	Francis Rakewa	Principal Legal Counsel
4	Abigael Nyandoya	Principal Human Resource
5	Stephen Masambu	Fund Accountant

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
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For the period ended June 30th, 2023

e) Registered Offices

P.O. Box 90 50300
Clerk's Chamber
Majengo-Luanda Road/ Highway
Majengo, KENYA

f) Fund Contacts

Telephone :(254) 020 2094140
E-mail: vihigaassembly@gmail.com
Website: www.vihigacountyassembly.go.ke

g) Fund Bankers

1. Cooperative Bank of Kenya
Mbale Branch
P.O. Box 816 50300
Maragoli, Kenya

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

***Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023***

2. The Board of Trustees/ Fund Administration Committee (Or Any Other Corporate Governance Body for the Fund)

Name	Details of qualifications and experience
<p>1. Joab Ambaka Kilinga</p> 	<p>Born in 1962 Bachelor of Education in Economic & Business Studies from Kenyatta University Executive Master's degree in Education, Leadership and Policy Management from Moi University Certificate in Strategic Leadership from KSG Having served in public sectors in more than a decade, he has a wealth of experience in transformative leadership and management best practices.</p>
<p>2. Hon. Manoah Mboku</p>	<p>Chairman</p>
<p>3. Hon. Pauline Amwata</p>	<p>Member</p>
<p>4. Francis Rakewa</p>	<p>Principal Legal Counsel</p>
<p>5. Peris Odari</p>	<p>Deputy Clerk</p>
<p>6. Oscar Jagona</p>	<p>Director of Finance and Planning</p>

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
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For the period ended June 30th, 2023

3. Management Team

Name	Details of qualifications and experience
1. Ambaka Kilinga Clerk	Born in 1962 Bachelor of Education in Economic & Business Studies from Kenyatta University Executive Master's degree in Education, Leadership and Policy Management from Moi University Certificate in Strategic Leadership from KSG Having served in public sector for more than a decade, he has a wealth of experience in transformative leadership and management best practices.
2. Miyinzi Oscar Jagona Director of Finance and Planning.	Born in 1978 Masters of Business Administration(2014) Bachelor of Commerce Certified Public Accountant Experience of over 20 years
3. Abigael Nyandoya H.R	Born in 1977 Masters of Business Administration(2016) Certified Human Resource Professional Experience of over 18 years
4. Francis Rakewa Principal Legal Counsel	Born in 1984 Post Graduate Diploma Experience of over 12 years
5. Stephen Masambu Accountant	Born in 1970 Bachelor of Commerce(B.Com) Certified Public Accountant Certified Investment and Financial Analyst(CIFA)

***Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023***

4. Fund Chairperson's Report

It's my pleasure to present, on behalf of the County Assembly Service Board, the Car Loan and Mortgage Fund financial statements for the year ended 30th June 2023. The financial statement presents the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured. However, this changed when a total of Ksh.80 million was converted to grant thus reducing the capital to Ksh.120 million.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund will ensure that the additional resources mobilization done to bridge the gap created as a result of conversion of Ksh.80 million to grant.

Board and Management Changes

There were no significant board and management changes during the year under review. The organization arrangement is expected to enhance efficiency in service delivery.

Review of performance.

Income

The income from interest amounted to Ksh. 2,936,546 representing 73% of the budgeted amount of Ksh. 4,000,000. There is no other income other than interest income.

During the period a total of Ksh.63,200,000 was disbursed as new and additional loans.

Expenditures

The total expenditure during the period amounted to Ksh.2,400 all of which were bank charges.

Future Outlook

The outlook of the fund for 2022/2023 looks not so promising unless the National Treasury offers more funding. Imprest account borrowed a net of Ksh. 5 million during the year as part of the inter account borrowing leaving a balance of Ksh.77,918,081. However further recoveries were made from the MCAs to the tune of Kshs 22,800,000 and a further refund was made to the Executive amounting to Kshs 3,000,000 leaving an outstanding balance of Ksh 55,118,081. The fund looks forward to continued support from the county government and development partners to the realization of its mandate.

***Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023***

Appreciation.

I take this opportunity to express my sincere gratitude and appreciation to the county government, stakeholders, management and staff for their continued support which made us achieve these results.

I look forward to your continued support in the year 2023/2024.

Signed:

Hon Manoah Karega Mboku
Fund Chairman.



***Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023***

5. Report of the Fund Administrator.

It is my pleasure to present the Vihiga County Assembly Member and Staff Mortgage and Car Loan Scheme Fund's financial statements for the year ended 30th June 2022. The financial statements present the financial performance of the fund over the past year.

The fund was established on 1st May 2014 and started with an initial amount of Ksh. 200 million since then a total of 143 loan beneficiaries have made borrowings amount to Ksh. 401 million.

Financial performance

a) Revenue

In the year ended 30th June 2023 the fund had projected revenues of Ksh. 4,000,000. Out of the projected revenue the fund was able to realize Ksh.2,936,546 in actual revenues representing 73% performance an improvement from the previous by 14%.

In the table below we present an analysis of the revenue performance during the year.

Revenue Classification	Evenue budget(Kshs)	Actual(Kshs)	Realisation(%)
Revenue	Kshs.	Kshs.	
Interest income	4,000,000	2,936,546	73%
Total income	4,000,000	2,936,546	73%

b) Loans

During the financial year 2022/2023, the fund disbursed new loans plus top ups totaling to Kshs. 63,200,000 bringing the loan beneficiaries to date to 144.

c) Cash Flows

In the FY 2022/2023, we have had liquidity issues. This was a result of previous borrowings by the County Assembly totaling to Ksh. 80,918,081 and the fact that the number of potential borrowers has increased by over 100 beneficiaries. The cash and cash equivalents decreased from Kshs. 6,133,895 as at 30th June 2022 to Kshs.444,249 as at 30th June 2023. However due to

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023

delays from treasury disbursements, payroll deductions for car loan and mortgage for June had not been received which result to our debtors.

d) Conclusion

FY2022/2023, Ksh 3 million was paid to the County Executive through the imprest account which has reduced the imprest of Ksh.80,918,081 that was owed to Kshs.55,118,081 after recovering Ksh 22,800,000 that was owed by Mcas since it is the assembly that had paid their taxes.

I take this opportunity to thank the board of management for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Vihiga County Assembly Car Loans and Mortgage Fund achieve its mission.

***Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023***

6. Statement of Performance against the County Fund's Predetermined Objectives.

The funds capital reduced by Ksh. 80 million when all the car loans of county assembly members were converted to grants. This has greatly impacted on the fund's sustainability since in the next 5 year cycle, it may not meet the needs of would-be beneficiaries. This financial year, the fund had purposed to issue out new loans to all the newly elected MCAs. However, only 21 of them benefited with Ksh.63,200,000 were issued out.

Introduction

Section 164 (2) (f) of the Public Finance Management Act,2012 requires that at the end of cash 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 Vihiga County Assembly Car Loans and Mortgage Fund 5 year strategic plan are to:

- a) Provide quality mortgage facilities for the members of the county assembly and staff.
- b) Provide car loans to enable members and staff purchase their own cars.

The fund started with a seed capital of Ksh. 200 million. This however has been reduced as a result of grants worth Ksh 80 million and therefore new loan applicants have to wait for monthly repayments to access the facility. This is after all the members of county assembly being given car loans and mortgage.

**Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023**

Progress on attainment of Strategic development objectives.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Car Loan and Mortgage	To provide car loan and mortgage facilities to members	Increased uptake of loans	Increased home ownership and mobility	In the FY22/23 we gave out a total of Kshs. 63.2 million as loans
Program 1	Objective	Outcome	Indicator	Performance

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.

Progress on attainment of Strategic development objectives.

Below we provide the progress on attaining the stated objectives.

Program	Objective	Outcome	Indicator	Performance
Mortgage and Car Loan Scheme	To provide members of County Assembly and staff acquire decent housing and personal transport.	Increased ownership of modern housing.	Over 125 MCA's and staff have had access to modern housing or bought motor vehicles for personal use or both.	In FY 22/23 we increased the loans uptake by Ksh 63.2 million

***Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023***

Corporate Governance Statement.

7. The Fund Management Committee

The Vihiga County Assembly Car Loan and Mortgage Scheme are a revolving fund established pursuant to the salaries and remuneration commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management(PFM) Act 2012. Its mandate is to provide car loans to staff members. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with board management its apex. The operations of the fund are governed by the Vihiga County Assembly Car Loan regulations 2015. The structure is designed to ensure an informed decision-making process based on accurate reporting to the committee.

The regulations 2015 provides that the committee members shall be made up five trustees, including the chairman and shall consist of a chairman and six other members identified for appointment through a competitive process. The board of management is responsible for the Long term strategic direction of the fund and recruitment of the fund administrator and senior management. The board of management exercises leadership, enterprise, integrity and judgment in directing the fund.

The management is provided with full, appropriate and timely information that enable them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day to day running of the operations of the fund is delegated to the fund administrator but the board of management is responsible for establishing and maintaining the funds system of internal controls for the realization of its mandate of providing financial support for improved access to water and sanitation in areas without adequate service.

All members of the fund management committee have been taken through a comprehensive induction program and are adequately trained on their roles as board members. The members are professional, committed and guided by the mission, vision and core values of committees, individual members and the fund administrator are evaluated by an independent body against targets agreed at the beginning of the year.

Fund management committee meetings

The committee meets monthly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets and to approve loans by members and staff. The committee also pays an oversight role over all financial operation issues. The members held seven full board and two special board meetings during the FY2022/2023.

Audit and risk committee

In ensuring that corporate governance and integrity is enhanced in between the governance of the fund, the county assembly service board has established an audit and risk committee. The committee was established to advice the board on institutional risk management and compliance. The members of this committee during the year under review were:

**Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023**

S/NO	NAME	POSITION IN COMMITTEE	PERIOD SERVED
1	Mr. Nerbert Avutswa	Chairman	5 years
2	Ms. Lucy Anangwe	Member	5 years
3	Ms. Harriet Mahasi	Member	5 years
4	Ms. Linet Mugalitsi	Secretariat	5 years
5	Ms. Brenda Ajema	Secretariat	5 years

STATEMENT OF COMPLIANCE

The board confirms that the fund has throughout the FY2022/2023 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with principles of good corporate governance.

Internal Control And Risk Management

Internal Control

The board is responsible for reviewing the effectiveness of the fund systems of internal control which is designed to provide reasonable but not absolute assurance regarding the safeguarding of assets against unauthorized use or disposition and maintenance of proper accounting records and reliability of financial information used within a business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing instructions

The fund has a code of ethics and services charter that is applicable to all employees. These have a number of standing instructions to employees of the fund designed to enhance internal control.

Organizational structure

A clear organization structure exists detailing lines of authority and control responsibilities. The professionalism and competence of the staff is maintained through both rigorous and recruitment policies and performance appraisal system which establishes, targets and reinforces accountability and awareness of controls. It identifies appropriate training requirements, training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities and that the fund can meet its future management requirements.

Strategic plan

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund and the annual targets to meet to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on annual basis approves the work supported by the financial plan for the year. Progress against the plan is monitored on quarterly basis.

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023

8. Management Discussion and Analysis

The fund has continued to grow over the years and the management has put measures in place to safeguard against risks.

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 program focuses on unpredictability of changes in the business environment and seeks to minimize 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 credit is only extended to staff within an established credit history.

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

BUSINESS PERFORMANCE

Revenue

The fund earned revenues amounting to KShs. 2,936,546 from interest on loans.

Cash flow

The cash and cash equivalents decreased from KShs.6,133,895 as at 30 June 2022 to KShs.444,249 as at 30 June 2023. There was a significance cash outflow as a total of 63.2 million was disbursed as loans.

OPERATIONAL PERFORMANCE

The fund's core operating activity has been the offering car loans and mortgage to members of county assembly (MCA's) and staff. The county assembly has supported the fund and increased collections from members of staff has also added to the fund's better performance.

Conclusion

We appreciate the unrelenting support from the board of management, staff, the county government, National Treasury and all the key stakeholders. We look forward to the continued partnership and cooperation in areas of mutual interest in the FY 2023/2024

9. Report of the fund Administration

The trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund continue to be provision of car loans and mortgage.

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1 to page 20

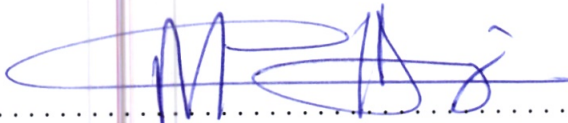
Trustees

The members of the Board of management who served during the year are shown on page ii.

Auditors

The Auditors 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



.....
Chair of the Fund Administration Committee

Date: 29.09.2023

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
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For the period ended June 30th, 2023

10. Environmental Sustainability Report

The Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund has no policy on environmental sustainability.

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023

11. Statement of Management's Responsibilities

Section 168 of the Public Finance Management Act, 2012 requires that, at the end of each quarter, the Administrator of a County Public Fund established by VIHIGA COUNTY ASSEMBLY MEMBERS (CAR LOANS SCHEME FUND) shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the 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, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the 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 P.F.M Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the Period ended xx, 20xx, 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 28.09.2023 and signed on its behalf by:



.....
Administrator of the County Public Fund

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 VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

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

Adverse Opinion

I have audited the accompanying financial statements of Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund set out on pages 1 to 21,

Report of the Auditor-General on Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund for the year ended 30 June, 2023

which comprise of the statement of financial position as at 30 June, 2023, and the statement of 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 the Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund) Regulations, 2015.

Basis for Adverse Opinion

1. Under-Statement of Interest Income

The statement of financial performance and as disclosed in Note 1 to the financial statements reflects interest income of Kshs.2,936,546. However, this amount excludes interest receivable and brought forward interest receivable of Kshs.263,316 and Kshs.227,206 respectively as disclosed in Note 4 to the financial statements.

In the circumstances, the accuracy and completeness of the interest income balance of Kshs.2,936,546 could not be confirmed.

2. Unsupported Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.449,249 in respect to cash and cash equivalents and as disclosed in Note 3 to the financial statements. Although reconciliations were provided, they were not duly signed and authorized as required. In addition, no board of survey report was provided to support the reported balance.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.449,249 could not be confirmed.

3. Unsupported Current Portion of Receivables from Imprest Account

The statement of financial position and as disclosed in Note 4 to the financial statements reflects Kshs.55,118,081 in respect to current portion of receivables from imprest account. The balance relates to an amount of Kshs.80,918,081 that had been borrowed from the Fund by the County Assembly. The report of the Administrator indicates that an amount of Kshs.3,000,000 was paid to the County Executive through the imprest account during the year. However, no ledgers and support schedules were provided to give a breakdown and details of the reported balance. It is therefore not clear, how the balance

decreased by Kshs.25,800,000 from the amount of Kshs.80,918,081 in the previous year to Kshs.55,118,081 in the year under review.

In the circumstances, the accuracy of current portion of receivables from imprest account of Kshs.55,118,081 could not be confirmed.

4. Unsupported Current Portion of Borrowings

The statement of financial position and as disclosed in Note 5 to the financial statements reflects a current portion of borrowings of Kshs.6,983,654. However, Note 5 to the financial statements does not indicate where the borrowings were obtained from as required by the reporting template. In addition, Note 5 discloses an amount of Kshs.3,000,000 described as repayments of domestic borrowings. However, this amount was not captured in the statement of financial position and the statement of cash flows.

In the circumstances, the accuracy of the financial statement as at 30 June, 2023 could not be confirmed.

5. Unsupported Loan Disbursements and Recoveries in the Year

The statement of cash flows reflects an amount of Kshs.47,592,554 described as proceeds from loan principal repayments. It also reflects an amount of Kshs.63,200,000 described as loan disbursements in the year. The Fund's Chairperson's report and the report of the Fund Administrator, indicate that an amount of Kshs.63,200,000 was disbursed to twenty-one (21) MCAs during the year. However, the movements of the loans disbursed and repaid during the year under review were not provided for audit verification. In addition, these amounts disbursed, and repayment proceeds were not reconciling with the balances under receivables from exchange transactions reflected in the statement of financial position.

In the circumstances, the accuracy of the reported balances could not be confirmed.

6. Lack of a Trial Balance

The trial balance for the Fund provided for audit was a summary of the statement of financial performance and the statement of financial position. It does not capture the detailed summaries of the reported balances. This is contrary to Paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1 which requires financial statements to present fairly the financial position, financial performance and cash flows of an entity.

In the circumstances, Management contravened Paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1 and thus the financial statements balances could not be confirmed.

7. Long Outstanding Loan Balances

The current portion of long-term receivables from exchange transactions balance of Kshs.39,946,099 and as disclosed in Note 4 to the financial statements includes long

overdue debts totalling to Kshs.1,746,163 owing from two (2) Members of County Assembly (MCAs) in the first Assembly from year 2014 to 2017 which were not repaid by the end of the Assembly term in August, 2017. Although one of the debtors repaid Kshs.250,000 during the year under review, the balance of Kshs.1,746,163 is still outstanding.

In the circumstances, the recoverability of the current portion of long receivables from exchange transactions of Kshs.39,946,099 could not be confirmed.

8. Long Outstanding Loan to County Assembly

The statement of financial position reflects current portion of receivables from Imprest account opening balance of Kshs.80,918,081 which decreased to Kshs.55,118,081 as at 30 June, 2023 comprising of cash lent to the County Assembly. Although there is a decrease of Kshs.25,800,000 which the Management has transferred through a journal voucher to current portion and long-term receivables from exchange transactions as adjustments, no documentary evidence has been provided in support of this adjustment. Further, no reason has been provided for not recovering the full amount from the County Assembly to enable the Fund to execute its mandate of providing car loans to Members and Staff of the County Assembly. In addition, the name of the account in the statement of the financial position implies that the Fund has an imprest account which is not the case.

In the circumstances, the accuracy of the loan balance and its recoverability are doubtful, and the Management was in breach of the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Vihiga County Assembly Members and Staff Mortgage and Car Loans 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 on the 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. Lack of Mortgage Protection and Fire Policy

Analytical review carried out on the car and mortgage loan repayment schedule revealed receivables of Kshs.153,603,387 as at 01 July, 2022. However, the Fund Management had not made any arrangements for mortgage protection and fire policy insurance cover, contrary to Regulation 28 of the Nairobi County Assembly Car Loan and Mortgage Scheme (Staff) Fund Regulations, 2017.

In the circumstances, the Management was in breach of the law. In addition, in the event that a mortgage holder passed on or the mortgaged house was destroyed by fire, the burden of the mortgage repayment would be passed on to the mortgage holder's family.

2. Unbalance Statement of Comparison of Budget and Actuals

The statement of comparison of budget and actual amounts reflects total final revenue and expenditure budget amounting to Kshs.4,000,000 and Kshs.5,000 resulting to surplus of Kshs.3,995,000. This is contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which provides that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, the budget revenue and expenditure appropriations shall be balanced.

In the circumstances, the Management is 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 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

1. Withdrawal of Car Loans Capital from the Fund

The statement of changes in net assets reflects revolving fund balance of Kshs.120,000,000 in respect to capital funds for mortgage loans due to a reduction of Kshs.80,000,000 withdrawn from the fund balance in the year 2019/2020 during the conversion of Members of County Assembly (MCAs) car loans to car grants thus technically making the Fund a mortgage scheme.

In the circumstances, the Management was overriding its internal controls.

2. Incomplete Entries in the Individual Debtors Ledger Accounts

Review of the individual debtors' ledger accounts for car loans and mortgage loans revealed the following inadequacies.

- i. The date and type of loans were not indicated for all beneficiaries.
- ii. The monthly principal balances were not recorded for purposes of computation of interest income.
- iii. The interest income for all the months were indicated using a pencil instead of a permanent pen.
- iv. The total of interest income and principal loan repayments for individual debtors were not recorded in the respective debtor's ledger account.
- v. There was no indication of review of the ledgers by an appointed or authorised reviewer.
- vi. The ledger did not have index and folios for ease of tracing the individual ledger accounts of the beneficiaries as recorded.

In the circumstances the accuracy and completeness of interest income, loan principal repayments, and loan balances could not be confirmed.

3. Non-Implementation of the Recommendations of Oversight Bodies

During the period under review the Management did not provide reports on implementation of the recommendations of Legislative Oversight Committees.

In the circumstances, the effectiveness in implementation of the recommendations of legislative oversight bodies could not be confirmed.

4. Non-Compliance with Public Sector Accounting Standards Board

The annual report and financial statements of the Fund for the year ended 30 June, 2023 revealed the following inaccuracies.

- i. Acronyms and glossary of terms are not included in the financial report and statements.
- ii. The Report of the Fund administrator has not been signed by the Fund administrator as required.
- iii. The statement of comparison of budget and actual amounts, Note 1 to 3 reflect the guiding notes on the budget but had not been updated.
- iv. The progress on follow-up of prior year auditor's recommendations has not been included.

In the circumstances, the annual report and financial statements are incomplete and not fairly stated.

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 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 control, risk management and overall 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 overall

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's 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 Management.
- Conclude on the appropriateness of 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 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 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

17 January, 2024

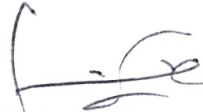
**Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended June 30th, 2023**

12. Statement of Financial Performance For The Period Ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Exchange Transactions			
Interest Income	1	2,936,546	2,752,701
Total Revenue		2,936,546	2,752,701
Expenses			
Bank Charges	2	2,400	4,260
Total Expenses		2,400	4,260
Surplus/(Deficit)for the Period		2,934,146	2,568,441



**Name: Ambaka Kilinga
Administrator of the Fund**



**Name: Stephen Masambu
Fund Accountant
ICPAK Member Number:10533**

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
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13. Statement of Financial Position as at 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	3	444,249	6,133,895
Interest Receivable	4	263,316	227,206
Current Portion of Receivables From Exchange Transactions	4	39,946,099	22,289,886
Current portion of receivables from imprest account	4	55,118,081	80,918,081
		95,771,745	109,569,068
Non-Current Assets			
Long Term Receivables from Exchange Transactions	4	71,110,541	50,395,420
		71,110,541	50,395,420
Total Assets		166,882,286	159,964,488
Liabilities			
Current Liabilities			
Provisions		-	-
Current Portion of Borrowings	5	6,983,654	3,000,000
Non-Current Liabilities			
Long Term Portion of Borrowings			-
Total Liabilities		6,983,654	3,000,000
Net Assets		159,898,632	156,964,488
Revolving Fund		120,000,000	120,000,000
Accumulated Surplus		39,898,632	36,964,486
Total Net Assets and Liabilities		159,898,632	156,964,486

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 29.09.2023 2023 and signed by:

.....
Name: Ambaka Kilinga
Administrator of the Fund

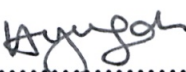
.....
Name: Stephen Masambu
Fund Accountant
ICPAK Member Number: 10533


**Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
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14. Statement of Changes in Net Assets for the period ended 30th June 2023

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance as at the beginning of Previous period	120,000,000		34,396,045	154,396,045
Surplus/(Deficit) For the Period			2,568,441	2,568,441
Funds Received During the Period				
Transfers				
Balance as at the end of Previous period	120,000,000		36,964,486	156,964,486
Balance as at the beginning of current period	120,000,000		36,964,486	156,964,486
Surplus/(Deficit)For the Period			2,934,146	2,934,146
Funds Received During the period				
Transfers				
Balance as at the end of Current period	120,000,000		39,898,632	159,898,632

(The reserves are from the previous interest income. These are lumped together with the capital and ploughed back to the revolving fund.)

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Name: Ambaka Kilinga
Administrator of the Fund

.....

Name: Stephen Masambu
Fund Accountant
ICPAK Member Number:10533

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
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For the period ended June 30th, 2023

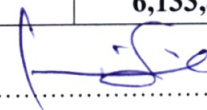
15. Statement Of Cash Flows for the period ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the county government		-	-
Interest received	1	2,936,546	2,752,701
Receipts from other operating activities		-	-
Total receipts		2,936,546	2,752,701
Payments			
Fund administration expenses		-	-
Bank charges	2	2,400	4,260
General expenses		-	-
Other payments		-	-
Total payments		2,400	4,260
Net cash flows from operating activities		2,934,146	2,568,441
Cash flows from investing activities			
Repayments to Executives		-	(25,000,000)
Proceeds from loan principal repayments		47,592,554	37,274,725
Loan disbursements paid out		(63,200,000)	(5,820,000)
Net cash flows used in investing activities		15,607,444	6,454,725
Cash flows from financing activities			
Additional borrowings	5	6,983,654	(5,000,000)
Repayment of borrowings		-	-
Net cash flows used in financing activities		6,983,654	(5,000,000)
Net increase/(decrease) in cash & cash Equivalents		(5,689,645)	4,022,566
Cash and cash equivalents at 1 July		6,133,894	2,110,728
Cash and cash equivalents at 30 June		444,249	6,133,894

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Name: Ambaka Kilinga
Administration of the fund



Name: Stephen Masambu
Fund Accountant

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
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16. Statement of Comparison of Budget and Actual Amounts for the Period

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	2023					
Revenue						
Interest Income	4,000,000			2,936,546	(1,063,454)	
Other Income						
Total Income	4,000,000			2,936,546	(1,063,454)	
Expenses						
Fund Administration Expenses						
General Expenses						
Bank charges	5000			2,400	(2,600)	
Total Expenditure						
Surplus For the Period	3,995,000			2,934,146	(1,060,854)	

Budget notes

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

**Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
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For the period ended 30th June, 2023**

13. Notes to the Financial Statements

1. General Information

The Vihiga County Assembly is established by and derives its authority and accountability from the Salaries and Remuneration Commission (SRC) circular number SRC/TC/WH/3/14 of 14th February 2014 and the Vihiga County Assembly members (Car Loan Scheme Fund) Regulations 2014 and 2015 on 11th July 2014 and 19th January 2016. The fund is wholly owned by the County Assembly of Vihiga and domicile in Kenya. The entity's principal activity is to provide car loans and mortgage facility to members of County Assembly and 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 periods presented.

- I. 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.

4. Adoption of new and revised standards

(i) Relevant new standards and amendments to published standards effective for the year ended 30th June 2023

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 30th June 2022.

Standard	Effective date and impact
IPSAS 41: Financial instrument	Applicable: 1 st 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.

***Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
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	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29 by:</p> <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 held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing. • 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 report assess:</p> <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. 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> <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS</p>

**Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
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For the period ended 30th June, 2023**

	<p>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"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. <p>Amendments to refer to the latest system of National Accounts(SNA 2008)</p> <ul style="list-style-type: none"> • IPSAS 39 Employee Benefits <p>Now delete 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 2023</p> <p>The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that leases 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 cash flows of an Entity.</p> <p>The new standard requires entities to recognize, 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;</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease.</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
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(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 2022-2023 was approved by the County Assembly on 1st July 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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.

Summary of Significant Accounting Policies (Continued)

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 xxx of these financial statements.

- **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 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.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized costs is calculated by taking into account any discount or premium on acquisition and fees or costs are recognised in surplus or deficit.

Impairment of financial assets

The entity assess at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows

***Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements
For the period ended 30th June, 2023***

of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty.
- Default or delinquency in interest or principal payments.
- The probability that debtors will enter bankruptcy or other financial reorganization.
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. change 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 borrowings

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 integral part of the effective interest rate.

Summary of Significant Accounting Policies (Continued)

• **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.

• **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.

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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.

- **Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

- **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.

Summary of Significant Accounting Policies (Continued)

- **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 period 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.

- **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.

- **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.

- **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 C.E.O and senior managers.

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Summary of Significant Accounting Policies (Continued)

- **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 period. 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 period.

- **Comparative figures**

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

- **Events after the reporting period**

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

- **Ultimate and Holding Entity**

The entity is a County Public Fund established by SRC circular SRC/TS/WH/3/14. Its ultimate parent is the County Government of Vihiga.

- **Currency**

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

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 period, 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)

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1. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income from Mortgage Loans	2,936,546	2,572,701
Interest Income From Car Loans	-	-
Total Interest Income	2,936,546	2,572,701

(Provide brief explanation for this revenue)

2. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Administration Fees	-	-
Committee Allowances	-	-
Bank Charges	2,400	4,260
Total	2,400	4,260

3. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Vihiga Car Loan Account	-	-
Vihiga County Mortgage Account	444,249	6,133,895
Total Cash And Cash Equivalents	444,249	6,133,895

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

Notes to the Financial Statements Continued

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

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Current Account			
Cooperative Bank of Kenya		444,249	6,133,895
Sub- Total		444,249	6,133,895
Grand Total		444,249	6,133,895

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4. Receivables from exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
Interest Receivable	263,316	227,206
Current Loan Repayments Due	39,946,099	22,517,092
Other Non-Exchange Debtors	55,118,081	80,918,081
Total Current Receivables	95,327,496	103,662,379
Non-Current Receivables		
Long Term Loan Repayments Due	71,110,541	50,395,420
Total Non- Current Receivables	71,110,541	50,395,420
Total Receivables From Exchange Transactions	166,438,037	153,830,592

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Additional disclosure on interest receivable

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	263,316	227,206
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current years	263,316	227,206
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous years	-	-
Current portion of long-term loans issued in the current years.	-	-

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Notes To The Financial Statements (Continued)

5. Borrowings

Description	2022-2023	2021-2022
	Kshs	Kshs
Balance as at Beginning of the Period		
External Borrowings During the period		
Domestic Borrowings During the period	6,983,654	3,000,000
Repayments Of External Borrowings During the Period		
Repayments Of Domestic Borrowings During the Period	3,000,000	
Balance At End of The Period		

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

Description	2022-2023	2021-2022
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z Organization'	-	-
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 period		

***Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
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Notes To The Financial Statements (Continued)

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

Description	2022-2023	2021-2022
	Kshs	Kshs
Short Term Borrowings (Current Portion)	6,983,654	3,000,000
Long Term Borrowings		
Total	6,983,654	3,000,000

(NB: the total of this statement should tie to note 5 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)

6. Currency

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