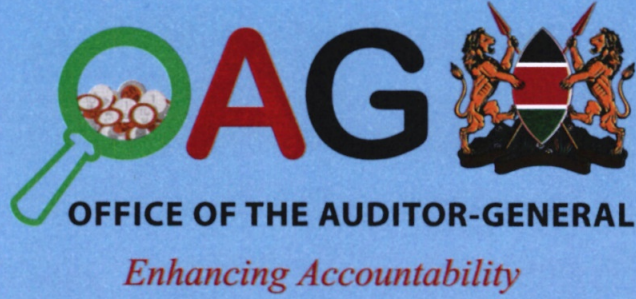


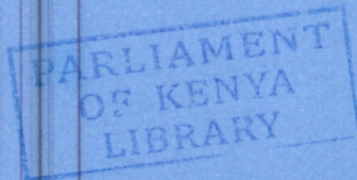
REPUBLIC OF KENYA



PAPERS REPORT	
DATE	14/05/2024
TABLED BY	Sen. Gloria Gwoba on behalf of SML
COMMITTEE	← OF
CLERK AT THE TABLE	Ms. Cherop.

THE AUDITOR-GENERAL

ON



**WEST POKOT COUNTY CAR LOAN AND
MORTGAGE FUND**

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



WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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

West Pokot County Executive
West Pokot County Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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West Pokot County

West Pokot County Executive Car Loan and Mortgage Fund

Annual Report and Financial Statements for the year ended June 30, 2023

1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management The key management personnel who had financial responsibility

West Pokot County
West Pokot County Executive Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

2. Key Entity Information and Management

a) Background information

West Pokot County Executive Car Loan and Mortgage Fund is established by and derives its authority and accountability from West Pokot County Car Loan and Mortgage Scheme Fund Regulations, 2016. The Fund is wholly owned by the County Government of West Pokot and is domiciled in Kenya.

The fund is managed by a committee that sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

The fund's objective is to enable Car loan and Mortgage to be advanced to the Members of the scheme as may be prescribed the Salaries and Remunerations Commission.

The Fund's principal activity is to provide car and mortgage loans to its members

b) Principal Activities

The principal mandate of the Fund is to provide loan scheme for the purchase of vehicles, house or land for development, renovation and repair of residential property by members of the scheme.

c) Fund Administration Committee

Ref	Position	Name
1.	Chairperson of the Board	Hon. Paul Woyakapel
2.	Member	Hon. Esther Chelimo
3.	Member	Hon. Martin Lotec
4.	Member	Hon. Wilfred Longronyang
5.	Principal Finance Officer	Mr. Shadrack Tomeyan
6.	Assistant Director Transport services	Mr. Leonard Kilekwang
7.	County Attorney	Mr. Robert Katina
8.	Assistant Director Human Resource services – Payroll	Mrs. Wilson Kamulat
9.	Fund Administrator	Ms. Priscillah Mungo

d) Key Management team

Ref	Position	Name
1.	Chairperson of the Board	Hon. Paul Woyakapel
2.	Fund Administrator	Ms. Priscillah Mungo
3.	Fund Accountant	CPA Haron Muruny

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

The following are fiduciary oversight arrangements applicable to the West Pokot Car loan and Mortgage fund :

i. **West Pokot County Assembly**

Article 185(3) provides that a County Assembly, while respecting the principle of the separation of powers, may exercise oversight over the County executive committee and any other County executive organs. The oversight role of the County assembly is exercised directly by all members of the County assembly and through County assembly committees. The following are the committees responsible for oversight of the fund in the County assembly:

- Public Accounts and Investment Committee
- Finance and Planning Committee

ii. **Controller of Budget**

Article 228(4) of the Constitution of Kenya provides that the Controller of Budget shall oversee the implementation of the budgets of the national and County governments by authorizing withdrawal from public funds. The Controller of Budget is also mandated to inquire into any matter which may be brought to his/her attention or which he/she considers necessary in the process of budget implementation.

iii. **Audit Committee**

The West Pokot County Audit Committee was constituted and inducted on 1st July 2018 as per the provisions of the Public Finance and Management Act, 2012. It is mandated to review audit reports and advise the County government on institutional risk management.

f) Registered Offices

P.O Box 222 – 30600
Office of the Governor
Off Kapenguria County Hospital Road
Kapenguria, Kenya

West Pokot County
West Pokot County Executive Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

g) Fund Contacts

Telephone: (254) 0532014000

E-mail: carloanmortgagefund@westpokot.go.ke

Website: www.westpokot.go.ke

h) Fund Bankers

Co-operative Bank of Kenya

Kitale Branch

P.O. Box 1058 - 30200

Kitale, Kenya

i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

k) County Attorney

The County Attorney

P.O Box 222 - 30600

Off Kapenguria County Hospital Road

Kapenguria, Kenya

West Pokot County

West Pokot County Executive Car Loan and Mortgage Fund

Annual Report and Financial Statements for the year ended June 30, 2023

3. Fund Administration Committee

Name	Details of qualifications and experience
1. Hon. Paul Woyakapel	Date of Birth: 4 th December 1973 Qualification: Masters in Business Administration Experience: 24 years Position: CECM – Finance & Economic Planning
2. Hon. Esther Chelimo	Date of Birth: 2 nd April 1984 Qualification: BSc. Education Experience: 15 years in Civil service Position: CECM – Lands, Housing, Physical Planning and Urban Development.
3. Hon. Martin Lotee	Date of Birth: 28 th August 1976 Qualification: BSc. Education Experience: 22 years in Civil service Position: CECM – PSM, Devolved Unit and ICT
4. Hon. Wilfred Longronyang	Date of Birth: 12 th December 1969 Qualification: Bsc. Education Experience: 30 years in Civil service Position: CECM –Agriculture, Irrigation, Livestock and Fisheries Development.
5. Mr. Shadrack Tomeyan	Date of Birth: 1 st February 1991 Qualification: Masters in Business Administration (Finance) Experience: 8 years in Private and Public Sector. Position: Senior Principal Finance Officer.
6. Mr. Leonard Kilekwang	Date of Birth: 13 th September 1993 Qualification: BA. Neuroscience and Minor Economics Experience: 5 Yrs Position: Assistant Director Transport
7. Ms. Priscillah Mungo	Date of Birth: 4 th September 1977 Qualification: Msc. in Business Administration Experience: 20 Yrs in Public Sector and NGOs Position: Chief Officer Finance & Economic planning
8. Mr. Robert Katina	Date of Birth: July 1966 Qualification: Post Graduate Diploma in Law and Human Resource Experience: 22 Yrs in Private and Public Sector Position: County Attorney
9. Mr. Wilson Kamulat	Date of Birth: 12 th August 1978 Qualification: Bachelors of Business Administration (Human Resource) Experience: 15 years in Civil service Position: Assistant Director Human Resource -Payroll

West Pokot County
West Pokot County Executive Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

4. Management Team

Name	Details of qualifications and experience
1. Hon. Paul Woyakapel	Date of Birth: 4 th December 1973 Qualification: Msc in Business Administration Experience: 24 years Position: CECM – Finance & Economic Planning
2. Ms. Priscillah Mungo	Date of Birth: 4 th September 1979 Qualification: Msc in Business Administration Experience: 20 Yrs in Public Sector and NGOs Position: Chief officer Finance & Economic planning, Fund Administrator/Secretary.
3. CPA Haron Ksang Muruny	Date of Birth: 1 st January 1989 Qualification: Bsc. Finance & Banking, CPA(K) Experience: 9 Yrs in Finance and Banking Position: Head of Accounting Services

West Pokot County

West Pokot County Executive Car Loan and Mortgage Fund

Annual Report and Financial Statements for the year ended June 30, 2023

5. Fund Chairperson's Report

The financial statements for West Pokot County Car Loan & Mortgage Fund for the FY 2022/2023 have been prepared to comply with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya. During the Financial year under review, the fund granted loans to 20 new members as at June 30, 2023. This brings the total number of beneficiaries to 89. This was an increase in number of pax for disbursement compared to the previous year. The fund advanced a total cumulative loan of Kshs.303,100,000 to members as at June 30, 2023. During the year under review, total actual loan repayment amounted to Ksh. 39,863,766. The total outstanding loans (principal and interest) from members as at 30th June,2023 amounted to Ksh. 225,556,493. The fund earned total interest of Kshs. 5,773,038 during the period. The Fund committee held two meetings during the period under review. The available Bank balance as at 30th June, 2023 amounted to Ksh.21,099,932. The fund recorded an increase in the disbursement of loans during the year under review as compared to the previous years. The committee administering the fund is fully committed to maximizing stakeholders' value and serving the public better while adhering to existing regulations governing management of the Fund.



Hon. Paul Woyakapel

Chairperson Car Loan and Mortgage Scheme Fund

Date:.....15/12/2023

West Pokot County
West Pokot County Executive Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

6. Report of The Fund Administrator

The County Executive Car loan & Mortgage scheme fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 dated 14th February 2014 and SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014.

The SRC circulars provided guidelines for accessing car loan and mortgage benefits by state and public officers. It is in lieu of this, the County Car loan and mortgage scheme fund was created.

The financial statements for Car & Mortgage for the period ended 30th June, 2023 have been prepared in accordance to Section 167 of the Public Finance Management (PFM) Act 2012 which mandates the administrator of the fund to prepare and present 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 each reporting period.

The fund is keen on enforcing fiscal responsibility principles with key focus on efficiency and effectiveness in the implementation of the fund's objective. The funds received during the year under review were repayments from loanees and transfer from the exchequer. A total of Kshs 39,863,766. were received out of which Ksh 61,000,000 was transferred to the main account to facilitate loan advances. The fund also received Ksh 80 million from the exchequer. This had a great impact on the fund because this recorded the highest number of disbursements ever in a financial year.

Despite this, there are a few challenges with the major one being defaulting by former county employees. However, measures to curb this have been put in place so as to secure sustainability of the fund.

Funding remains a challenge. It's of note that the fund engaged Cooperative Bank to invest Ksh 30 million on a fixed deposit for three months. The fund will continue to explore investment markets and negotiate for the best while at the same time remaining cautious of speculative risks.

The period under review experienced a transitional change due to new management owed to the general election. However, this did not hinder the committee from executing its functions. The management team is committed to ensure all funds submitted to the scheme fund are used for their intended purposes and have been duly accounted for.



Priscillah Mungo

Fund Administrator – West Pokot Car Loan and Mortgage Scheme Fund

West Pokot County

West Pokot County Executive Car Loan and Mortgage Fund

Annual Report and Financial Statements for the year ended June 30, 2023

7. Statement of Performance Against the County Fund's Predetermined Objectives

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 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 objective of the Car loan and Mortgage Scheme Regulations 2016 are derived from the SRC circular 023/12/2014. These are:

- a) Provide affordable government loans to purchase cars
- b) Provide access to mortgage facilities.

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 affordable government loans to purchase cars and access to mortgage facilities	Increased number of officers accessing the Car loan and Mortgage fund	No of officers granted Car Loan and Mortgage.	-In the Period under review 20 staff members were advanced loans

8. Corporate Governance Statement

The county government of West Pokot is committed to best practice and has adopted SRCs guidelines and principles in implementing civil servants' car loans and mortgage schemes and as per West Pokot car Loan and Mortgage Scheme Fund Regulations 2016.

These guidelines have been used to manage the fund. Therefore, the county executive wishes to report on corporate governance as part of its commitment to preserving stakeholders' confidence.

Committee composition

The Fund regulations established a loans management committee known as Car and Mortgage loan management committee. Its membership consists of:

- a. County Executive Committee Finance and Economic planning as chairperson
- b. Two members of the County Executive Committee
- c. Head of Transport (for Car Loan)
- d. Officer in charge of Housing (For Mortgage)
- e. Head of human resource
- f. County Attorney
- g. The Chief officer Finance/Secretary (ex-officio)
- h. Principal Finance officer

The Car loan and mortgage Committee is responsible for the general administration and management of the affairs of the fund. The committee is responsible for;

- Making recommendations with respect to the conditions under which car loan and mortgage shall be granted or repaid.
- Processing applications for the granting of loans to members of the scheme subject to provisions of any agreement relating to the provision of car loan or mortgage
- Receiving and administering the resources of the fund
- Supervising the day-to-day running of the fund
- Liaising with financial institutions to set up a revolving fund for the disbursement of loans
- Call in loans in cases of breach by the borrower.

West Pokot County

West Pokot County Executive Car Loan and Mortgage Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Induction and training, Administration Committee members and member's performance

The committee determines the induction and training of the committee members are done on a needs assessment basis and approval for all training is determined by the committee.

Conflict of interest

The Committee decisions are consensually based and guided by the Car loan and mortgage regulations 2016. This approach is embraced to ensure that fund operates in a transparent and fair manner.

Board remuneration

The Committee allowances are paid based on the SRC circular on payment of taskforce allowance and remuneration of tribunal, boards and committees. All allowances are paid by the fund administrator with the approval of the Committee.

9. Management Discussion and Analysis

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

The fund and financial performance for the period under review was satisfactory. Some of the major achievements made were:

- Preparation of Cash books and bank reconciliations
- Generated and issued Individual statements to the beneficiaries.

b. Fund's compliance with statutory requirements,

The West Pokot car loan and mortgage fund is fully compliant with all statutory requirement as mandated by laws governing the establishment and operations of funds.

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

In every entity, there are emerging risks that may hinder or delay the implementation of the entity's objectives. It is important therefore to identify the risks in time so as to employ proper methods in managing the risks. Embedding a strong risk culture among the staff and the leadership, articulating the organizations risk appetite levels, and institutionalizing knowledge and awareness of risk management at all levels in all areas of operations is paramount.

The major risk areas in the delivery of the fund's objective are:

- funding and budget constraint.
- Lack of procedures for charging of collateral to secure loans
- Lack of a software to manage the fund
- Huge expectation from staff on loan amounts.

West Pokot County

West Pokot County Executive Car Loan and Mortgage Fund

Annual Report and Financial Statements for the year ended June 30, 2023

10. Environmental and Sustainability Reporting

West Pokot Car loan and Mortgage fund exists to transform lives of the county executive staff employees. This is achieved through granting of affordable car loan and mortgages to provide affordable housing.

The fund is keen to conserve the environment, promote education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives, however the fund did not engage in any Corporate social responsibilities' activities during the period under review.

Below is a brief highlight of our achievements:

1. Sustainability strategy and profile

The fund has been able to sustain its activities of disbursing loans despite limited resource allocation in the County budget. This has been attributed by prompt repayments from the beneficiaries thereby sustaining the fund. Since inception, The Fund has received Kshs 225 million and 29.5million as borrowings from County Assembly. Total loan disbursements amount to 303million. This is a good indicator of repayments however the fund still risks the loss of funds from defaulters. To minimize this, the fund has made efforts to limit defaulting by capping gaps that existed during loan application such as limit of loan repayment period and reviewing of the loan application form and loan agreement between the beneficiaries and the fund. During the period under review, the County invested on a fixed deposit with Cooperative in which the fund earned interest and thus additional revenue.

West Pokot County
West Pokot County Executive Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

11. Report of The Committee

The Committee 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 activity of the Fund is to provide car and mortgage loans to its members

Results

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

Committee

The members of the Committee who served during the year are shown on page iv.

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



.....

Hon. Paul Woyakapel

Chairperson Fund Administration Committee

Date: 15-12-2023

West Pokot County
West Pokot County Executive Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by West Pokot County Car Loan and Mortgage Scheme Fund Regulations, 2016 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 PFM Act, 2012 and West Pokot County Car Loan and Mortgage Scheme Fund Regulations, 2016. 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, 2023, 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 West Pokot County Car Loan and Mortgage Scheme Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. OR

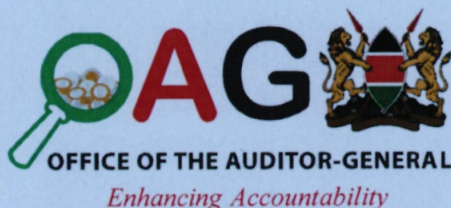
Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 15/12 2023 and signed on its behalf by:


.....
Priscillah Mungo
Fund Administrator
West Pokot County Car Loan and Mortgage Scheme Fund

REPUBLIC OF KENYA



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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON WEST POKOT COUNTY CAR LOAN AND MORTGAGE 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 the Government achieves value for money and that such funds are applied for intended purpose; and,
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of West Pokot County Car Loan and Mortgage Fund set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of

Report of the Auditor-General on West Pokot County Car Loan and Mortgage Fund for the year ended 30 June, 2023

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of West Pokot County Car Loan and Mortgage 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 (West Pokot County Car Loan and Mortgage (Members) Scheme Fund) Regulations, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Non-Disclosure of Current Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.225,556,492 as disclosed in Note 5 to the financial statements. This balance however includes an un-determined amount of current portion of long-term receivables from exchange transactions. This is contrary to paragraph 76(c) of the International Public Sector Accounting Standards No. 1 which requires amounts expected to be received in the next twelve months after the reporting date to be classified as current assets.

In this circumstance, the accuracy and completeness of the long-term receivables from exchange transactions balance could not be confirmed and the current receivables from exchange transactions have been omitted from the financial statements.

2. Inaccuracies in the Financial Statements

The statement of cash flows reflects transfers from the County Government of Kshs.80,000,000 as disclosed in Note 1 to the financial statements. However, the statement of comparison of budget and actual amounts reflects actual amount of Kshs.141,000,000 as transfers from county revenue fund resulting to a variance of Kshs.61,000,000 which was not reconciled or explained.

Further, the statement of cash flows reflects proceeds from principal loan repayments of Kshs.35,940,214. However, the amount was not referenced to a Note to the financial statements and no supporting documents were provided to indicate the loanees and amount from each loanee.

In addition, the statement of cash flows reflects loans disbursements paid out of Kshs.144,500,000 which was also not referenced to Note to the financial statements and no detailed schedule of the loans were provided for audit review.

The statement of cash flows reflects total receipts from operating activities of Kshs.83,485,070 which includes transfer from county government of Kshs.80,000,000. The transfer should however, be included under cash flow from financing activities. The statement also reflects interest received of Kshs.3,485,070 while Note 2 to the financial statements reflects an amount of Kshs.3,485,090 resulting to a difference of Kshs.20 which has not been reconciled.

In the circumstances, the cash flow statement has misstated amounts and does not reflect a true and fair position.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there were no key audit matters to report in the year under review.

Other Matter

Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report Lawfulness and Effectiveness in Use of Public Resources. Management indicated in the progress on follow up of auditor recommendations that the matters were resolved in the year 2022. However, the status of the matters will be confirmed after they are discussed by the legislature. Thus, the Management has to disclosed the true status of the issues.

Other Information

The Management is responsible for the other information set out on page iv to xvii which comprise of Key Entity Information and Management, Fund Administration Committee, Management Team, Fund Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against the Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and

Sustainability Reporting, Report of the Committee and Statement of Management Responsibilities.

The other Information does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the other information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter described in the Basis for Conclusion, 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

Non-recovery of Defaulted Loans

Review on the loan repayment schedules revealed that thirty (30) borrowers had defaulted on loan repayment for an amount of Kshs.69,784,703 as at 30 June, 2023. Included in the defaulted loans is Kshs.69,512,903 owed by twenty-seven (27) loan beneficiaries who have since exited the service before full repayment of their loans. The Management has not indicated the measures instituted to recover the defaulted loans, Contrary to part 7 of Salaries & Remuneration Commission (SRC) Circular ref: SRC/ADM/CIR/1/13Vol III (128) on Mortgage and Car Loan scheme, which prescribe the duration and termination of the scheme. The circular states that 'The duration of the scheme shall be a maximum of twenty (20) years for mortgage schemes and five (5) years for Car Loan. Where a state officer or public officer leaves public service employment for whatever reason other than disciplinary grounds, the terms of the loan remain in force and does not change for the life of the loan unless in cases of default in which case it reverts to commercial terms.

In the circumstances, Management has not implemented the requirements of the circular and public funds are risk of loss.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) 4000. The Standard requires that I comply with ethical requirements, plan, and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) 2315 and 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 the Management and the Fund Administration Committee

The 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 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 the Management is aware of the intention to terminate the Fund or to cease operations.

The 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Fund Administration Committee 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 controls 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 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 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

29 April, 2024

West Pokot County Executive
West Pokot County Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for the Year Ended 30th June 2023

	Note	FY2022/2023	FY2021/2022
		KShs	KShs
Revenue from exchange transactions			
Interest income	2	5,773,038	3,720,965
Total revenue		5,773,038	3,720,965
Expenses			
Use of goods and services	3	2,855,380	913,610
Total expenses		2,855,380	913,610
Surplus/(deficit) for the period		2,917,659	2,807,355



.....
Name: Priscillah Mungo
Administrator of the Fund



.....
Name: CPA Haron Muruny
Fund Accountant
ICPAK Member Number: 26158

West Pokot County
West Pokot County Executive Car Loan and Mortgage Fund
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15. Statement of Financial Position As at 30th June 2023

	Note	FY2022/2023	FY2021/2022
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	21,099,932	49,030,028
Non-current assets			
Receivables from exchange transactions	5	225,556,492	115,796,630
Total assets		<u>246,656,424</u>	<u>164,826,658</u>
Liabilities			
Current liabilities			
Prepayments	6	681,585	1,769,478
Non-current liabilities			
Total liabilities		681,585	1,769,478
Net assets			
Revolving Fund		225,000,000	145,000,000
Accumulated surplus		20,974,839	18,057,181
Total net assets and liabilities		<u>246,656,424</u>	<u>164,826,658</u>

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 15/12 2023 and signed by:



.....
Name: Priscillah Mungo
Administrator of the Fund



.....
Name: CPA Haron Muruny
Fund Accountant
ICPAK Member Number: 26158

*West Pokot County Executive**West Pokot County Car Loan and Mortgage Scheme Fund***Annual Report and Financial Statements for the year ended June 30, 2023****16. Statement of Changes in Net Assets for the year ended 30th June 2023**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2015	-	-	-	-
Surplus/(deficit) for the period	-	-	42,850	42,850
Funds received during the year	30,000,000	-	-	30,000,000
Balance as at 30 June 2016	30,000,000	-	42,850	30,042,850
Balance as at 1 July 2016	30,000,000	-	42,850	30,042,850
Surplus/(deficit) for the period	-	-	1,925,918	1,925,918
Funds received during the year	45,000,000	-	-	45,000,000
Balance as at 30 June 2017	75,000,000	-	1,968,768	76,968,768
Balance as at 1 July 2017	75,000,000	-	1,968,768	76,968,768
Surplus/(deficit) for the period	-	-	2,198,528	2,198,528
Funds received during the year	70,000,000	-	-	70,000,000
Balance as at 30 June 2018	145,000,000	-	4,167,296	146,968,768
Balance as at 1 July 2018	145,000,000	-	4,167,296	149,167,296
Surplus/(deficit) for the period	-	-	4,209,220	4,209,220
Balance as at 30 June 2019	145,000,000	-	8,376,516	153,376,516
Balance as at 1 July 2019	145,000,000	-	8,376,516	153,376,516
Surplus/(deficit) for the period	-	-	4,216,928	4,216,928
Balance as at 30 June 2020	145,000,000	-	12,593,444	157,593,444
Balance as at 1 July 2020	145,000,000	-	12,593,444	157,593,444
Surplus/(deficit) for the period	-	-	2,656,382	2,656,382
Balance as at 30 June 2021	145,000,000	-	15,249,826	160,249,826
Balance as at 1 July 2021	145,000,000	-	15,249,826	160,249,826
Surplus/(deficit) for the period	-	-	2,807,355	2,807,355
Balance as at 30 June 2022	145,000,000	-	18,057,181	163,057,181
Balance as at 1 July 2022	145,000,000	-	18,057,181	163,057,181
Surplus/(deficit) for the period	-	-	2,917,659	2,917,659
Funds received during the year	80,000,000	-	-	80,000,000
Balance as at 30 June 2023	225,000,000	-	20,974,839	245,974,839

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West Pokot County Executive Car Loan and Mortgage Fund

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17. Statement of Cash Flows for The Year Ended 30th June 2023

	Note	FY2022/2023	FY2021/2022
		KShs	KShs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	1	80,000,000	-
Interest received (actual)	2	3,485,070	2,974,238
Total Receipts		83,485,070	2,974,238
Payments			
Use of goods and services	3	2,855,380	913,610
Total Payments		2,855,380	913,610
Net cash flows from operating activities		80,629,690	2,060,628
Cash flows from investing activities			
Proceeds from loan principal repayments		35,940,214	38,578,851
Loan disbursements paid out		(144,500,000)	(28,500,000.00)
Net cash flows used in investing activities		(108,559,786)	10,078,851
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(27,930,096)	12,139,479
Cash and cash equivalents at 1 July 2022	4	49,030,028	36,890,548
Cash and cash equivalents at 30 June 2023	4	21,099,932	49,030,028

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 15/12/2023 and signed by:



.....
Name: Priscillah Mungo
Administrator of the Fund



.....
Name: CPA Haron Muruny
Fund Accountant
ICPAK Member Number: 26158

18. Statement Of Comparison of Budget and Actual Amounts For The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisatio n
	2022	2022	2022	2022	2022	2022
Revenue	KShs	KShs	KShs	KShs	KShs	
Interest income	3,550,000	-	3,550,000	5,773,038	(2,223,038)	282
Other income - TRANSFER FROM REPAYMENT ACCOUNT/CRF	50,000,000	-	50,000,000	141,000,000	(91,000,000)	162
Total income	53,550,000	-	53,550,000	146,773,038	(93,223,038)	274
Expenses						
Fund administration expenses	1,759,000	-	1,759,000	2,855,380	(1,096,380)	162
Loan disbursements	50,000,000	-	50,000,000	144,500,000	(94,500,000)	289
Overpayments reimbursements	1,589,2978		1,589,298	1,368,282	221,016	86
Finance cost	12,000.00	-	12,000.00	-	12,000	0
Total expenditure	53,360,298	-	53,360,298	148,723,662	(95,363,364)	279

19. Notes to the Financial Statements

1. General Information

West Pokot County Car Loan and Mortgage is established by and derives its authority and accountability from West Pokot County Car Loan and Mortgage Scheme Fund Regulations, 2016. The entity is wholly owned by the West Pokot County Government and is domiciled in Kenya. The entity's principal activity is to provide car and mortgage loans to its members.

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

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

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

West Pokot County Executive
West Pokot County Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	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.
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

(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><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p>

West Pokot County Executive
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Standard	Effective date and impact:
Discontinued Operations	<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 and:</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>

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

1. 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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022/203 was approved by the County Assembly County Assembly on 4th October 2022. There were no subsequent revisions or additional appropriations made to the approved budget.

The Fund'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 18 of these financial statements.

c) Property, plant and equipment

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

d) Intangible Assets

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

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

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

f) 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.

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 cashflows 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 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.

Summary of Significant Accounting Policies (Continued)

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.

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.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

g) 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 Fund.

h) Provisions

Provisions are recognized when the Fund 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 Fund 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.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) 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.

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.

k) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. There were no reserves maintained by the fund during the period under review.

l) 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.

m) Employee benefits – Retirement benefit plans

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

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

West Pokot County Executive
West Pokot County Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023
Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) Related parties

The Fund 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 Fund.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund 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. 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.

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6. Notes To The Financial Statements

1. Transfers from County Government

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Transfers from County Govt. – operations	80,000,000	-
Total	80,000,000	-

2. Interest income

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Interest income from loans (mortgage or car loans)	2,287,948	3,720,965
Interest Income (Actually Received)	2,880,159	
Interest income from Fixed deposit	604,931	
Total interest income	5,773,038	3,720,965

3. Use of Goods and Services

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Other costs	2,758,100	907,000
Withholding Tax	90,740	-
Other expenses -Bank charges	6,540	6,610
Total	2,855,380	913,610

4. Cash and cash equivalents

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

Financial Institution	Account number	FY2022/2023	FY2021/2022
		Kshs	Kshs
a) Current Account		-	-
Cooperative Bank		-	-
Main Account	01141694710300	3,676,309	8,222,895
Repayment Account	01141694710301	17,423,623	40,807,133
Sub- Total		21,099,932	49,030,028

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5. Receivables from exchange transactions

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Non-Current receivables		
Long term loan repayments due	225,556,492	115,796,630
Total Non-current receivables	225,556,492	115,796,630

6. Prepayments

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Prepaid - loan over recoveries	681,585	1,769,478
Total	681,585	1,769,478

7. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Fund Administration Committee

8. 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.

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

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allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

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

b) Liquidity risk management

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

c) Market risk

The Committee has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

i. Foreign currency risk

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

Foreign currency sensitivity analysis

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

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

d) Capital risk management.

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern.

10. Events after the reporting period

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

11. Ultimate and Holding Entity

The entity is a County Public Fund established by West Pokot County Car Loan and Mortgage Scheme Fund Regulations, 2016 under the Department of Finance and Economic Planning. Its ultimate parent is the County Government of West Pokot.

12. Currency

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

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20. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Accuracy of the Financial Statements	We have corrected the inconsistencies in the revised financial statement submitted for your review.	Resolved	January 2023
2.	Cash and Cash equivalent Equivalent	The management takes note of the above recommendation and will ensure that each account will have its own cash book as from FY 2022/2023.	Resolved	January 2023
3.	Classification of Receivables from Exchange Transactions	i)The management will provide breakdown of all current receivables from exchange transactions as from subsequent years. ii) Defaulters were identified and demand letters issued	Resolved	January 2023
1.	Budgetary Control and Performance	The management prepared an annual budget and submitted it to the Committee for approval on 6 th November 2021, see Annex 4.3. however, there was an oversight in submission to the County assembly but going forward the fund’s budget will be submitted	Resolved	December 2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		for approval to the County Assembly.		
1.	Failure to secure loans	Most of the loans disbursed to members were mortgage and mainly used for completion of residential buildings supported by approved plans and design. Valuation report of the construction site has been provided to the committee. For Car loans all beneficiaries submit insurance upon expiry.		
2.	Prepaid – Loan over recoveries	The management had capacity challenges in preparing the individual statements however a training was done in mid-2021 whereby the loan over recoveries were noted. It was agreed that reimbursement be approved after the statutory audit for FY 2020/2021 was complete, however after the completion of the audit process CECs resigned thereby creating a de-quorum for committee approval. The management will ensure all loan over recoveries	Resolved	January 2023

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

Fund Administrator



Date...15/12/2023.....

West Pokot County

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Annex II: Inter-Fund Confirmation Letter

West Pokot County Car Loan and Mortgage Fund


P.O Box 222

Kapenguria

The West Pokot County Car Loan and Mortgage Fund wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by West Pokot County Car Loan and Mortgage Fund as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by County Revenue Fund (Kshs) as at 30 th June 2023				Amount Received West Pokot County Car Loan and Mortgage Fund (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
COB/WPT/001/543	18/01/2023	80,000,000	-	-	80,000,000	80,000,000	
Total						80,000,000	

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund: 

Name HARON MURUNY Sign Date 15/12/23