

REPUBLIC OF KENYA



PARLIAMENT
OF KENYA
LIBRARY

OFFICE OF THE AUDITOR-GENERAL

PAPERS LAID	
DATE	10/4/19
TABLED BY	SMU
COMMITTEE	
CLERK AT THE TABLE	Lillian Ombaka

REPORT



OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
MARSABIT COUNTY ASSEMBLY CAR LOAN
AND MORTGAGE FUND**

**FOR THE YEAR ENDED
30 JUNE 2017**





COUNTY ASSEMBLY OF MARSABIT
CAR LOAN AND MORTGAGE FUND
REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017

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

TABLE OF CONTENTS

I. KEY ENTITY INFORMATION AND MANAGEMENT..... iii

II. FORWARD BY THE CLERK 2

III. STATEMENT OF MANAGEMENT RESPONSIBILITIES..... 3

IV. STATEMENT OF RECEIPTS AND PAYMENTS..... 25

IV. STATEMENT OF ASSETS..... 4

V. STATEMENT OF CASHFLOW..... 5

VI. SIGNIFICANT ACCOUNTING POLICIES 6

VII. NOTES TO THE FINANCIAL STATEMENTS..... 8 24

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Fund was created in exercise of the powers conferred by section 116 of the public Finance Management Act 2012. The purpose of the fund shall be to provide loan scheme for the purchase of vehicles and a Mortgage scheme for the purchase, development, renovation or repair of residential property by members of the Scheme,

(b) Key Management

HON.PIUS YATTANI – CHAIRMAN

HON.QALICHA HUQA –V/CHAIRMAN

HON.WARIO BULLE - MEMBER

HON.FATUMA LERUK – MEMBER

HON.AHMED IBRAHIM –MEMBER

HON.SOMO KOCHALE- MEMBER

HON.GALGALLO ALIO –MEMBER

HON.AMINA HIRBO - MEMBER

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	FUND MANAGER	JARSO ROBA
2.	FUND ACCOUNTANT	FREDRICK INJELA

(d) Fiduciary Oversight Arrangements

Budget and finance committee

The Budget and finance committee of the assembly is established under the County assemblies standing order

- To investigate, inquire into and report all matters related to budget

- Discuss and review the estimates and make recommendations to the assembly
- Examine county budget policy statements
- Examine bills related to the county budget including appropriation bills
- Evaluate tax estimates
- Evaluate economic and budgetary policies and programmes with direct budget outlays

PIC and PAC Committee

- Examine accounts showing appropriation by the county assembly to meet the assembly expenditure
- Examine reports, accounts, and working of the county assembly
- Examine whether the affairs of the county assembly are managed with sound financial principals

(e) Entity Headquarters

County Assembly of Marsabit
P.O. Box 29-060500
Marsabit, KENYA

(f) Entity Contacts

E-mail: www.assembly.marsabit.go.ke
Website: www.assembly.marsabit.go.ke

(g) Entity Bankers

1. CO-OPERATIVE BANK, MARSABIT BRANCH

3. Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

2. Principal Legal Adviser

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

COUNTY ASSEMBLY OF MARSABIT-CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2017

I. FORWARD BY THE CLERK

The Marsabit County Assembly car loan and mortgage scheme was established vide the MARSABIT COUNTY ASSEMBLY CAR LOAN AND MORTGAGE SCHEME FUND REGULATION, 2014. The principal amount with which the fund started is kshs.170,000,000 while the amount disbursed to date is kshs.111,483,226. The repayment as at 30th June 2017 amounted to kshs.101,944,740.20. It is imperative to note that no case of default has been reported and hence all the members who benefited from the fund are compliant as far as the repayment is concerned. It is important to note that the full amount advanced would be recovered within the term limit of the current Assembly.

COUNTY ASSEMBLY OF MARSABIT-CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2017

II. STATEMENT OF MANAGEMENT RESPONSIBILITIES

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year ended on 30 June 2017. 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 County Assembly; (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 County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended 30 June 2017, and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the County Assembly which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The Clerk confirms that the County Assembly has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Assembly's funds received during the quarter under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Assembly's financial statements were approved and signed by the Clerk of the County Assembly on 30th June 2017.



Clerk of the County Assembly

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF MARSABIT COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Marsabit County Assembly car loan and Mortgage funds set out on pages 4 to 26 which comprise the statement of financial assets as at 30 June 2017, statement of receipts and payments and statement of cash flows 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.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I do not express an opinion on the accompanying financial statements. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Further, as required by Article 229(6) of the Constitution, based on the procedures carried out, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Legality, Accuracy and Completeness of Combined Financial statements

Section 116(7) of the Public Finance Management Act, 2012 requires that the administrator of a County Public Fund shall prepare accounts for the Fund for each financial year.

Further, Section 47(1) of the Public Audit Act, 2015, Section 18(1)(d) of the Marsabit County Assembly Mortgage Scheme Fund Regulations, 2014 and Section 15(1)(d) of the Marsabit County Assembly Car Loan Scheme Fund Regulations, 2014 require the administrator of the respective fund to submit the financial statements of each year to the Auditor-General within three months after the year end.

Auditor-General on the Financial Statements of Marsabit County Assembly Car Loan and Mortgage Funds for the Report of the year ended 30 June 2017

2.1 Legality

During the year under review, the administrator of the funds prepared and submitted combined financial statements for both Car Loan and Mortgage Fund. However, the two funds are separate and distinct legal entities governed under different laws.

2.2 Accuracy and Completeness

The statement of assets reflects cash and cash equivalents of Kshs.157,513,165 as at 30 June 2017. However, net assets are shown as Kshs.157,512,865 and net financial position of Kshs.157,512,871. Further, Note 4 to the financial statements shows bank balance of Kshs.156,158,112 resulting into an unreconciled difference of Kshs.1,354,753. In addition, Annex 1 to the financial statements indicates receivables brought forward of Kshs.41,883,800 that has been eliminated without explanation.

2.3 Interest Charged on the Loans

Interest charged on the loans given has not been accounted for in the financial statements.

Consequently, the legality, completeness and accuracy of the combined funds' financial statements cannot be confirmed.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Fund's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of Marsabit County Assembly Car Loan and Mortgage funds in accordance with ISSAI 30 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

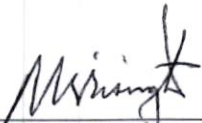
29 March 2019

COUNTY ASSEMBLY OF MARSABIT-CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2017

I. STATEMENT OF RECEIPTS AND PAYMENTS

	Not e	2016-2017	2015-2016
		Kshs	Kshs
RECEIPTS			
Loan Repayments	1	32,275,397.80	34,743,231
TOTAL RECEIPTS		32,275,397.80	34,743,231
PAYMENTS			
Loan Disbursement to Members	2		6,920,601
Committee Sitting Allowance	3	1,628,954.50	627,080
TOTAL PAYMENTS		1,628,954.50	7,547,681
SURPLUS/DEFICIT		30,646,443	27,195,550

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 30th June 2017 and signed by:


 Clerk – County Assembly of Marsabit


 Fund Accountant

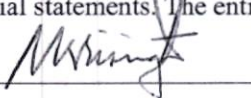
COUNTY ASSEMBLY OF MARSABIT-CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2017

I. STATEMENT OF ASSETS

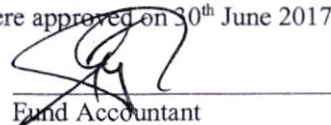
	Note	2016-2017	2015-2016
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	4	157,513,165.10	126,866,428
Total Cash and cash equivalent		157,513,165.10	126,866,428
Accounts receivables – Outstanding Loans		-	-
TOTAL FINANCIAL ASSETS		157,513,165.10	126,866,428
FINANCIAL LIABILITIES			
Accounts Payables – Deposits		-	-
NET FINANCIAL ASSETS		157,512,865.60	126,866,428
REPRESENTED BY			
Fund balance b/fwd	5	126,866,428	99,670,878
Surplus/Deficit for the year		30,646,443.30	27,195,550
NET FINANCIAL POSITION		157,512,871.3	126,866,428
			-

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 30th June 2017 and signed by:

Clerk



Fund Accountant



COUNTY ASSEMBLY OF MARSABIT-CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2017

STATEMENT OF CASHFLOW

		2016 – 2017	2015 – 2016
		Kshs	Kshs
Receipts for operating income			
Loan Repayments	1	32,275,397.80	34,743,231
Payments for operating expenses			
Loan Disbursement to Members	2	-	6,920,601
Expenditure	3	1,628,660.70	627,080
		30,646,737.10	27,195,550
Net cash flow from operating activities			
CASHFLOW FROM INVESTING ACTIVITIES			
		-	-
Net cash flows from Investing Activities			
		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
		-	-
Net cash flow from financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENT		30,646,737.10	27,195,550
Cash and cash equivalent at BEGINNING of the year		126,866,428.00	99,670,878
Cash and cash equivalent at END of the year		157,513,165.10	126,866,428
	4		

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 30th June 2017 and signed by:



 Clerk to County Assembly



 Fund Accountant

SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the County Assembly of Marsabit-Car Loan and Mortgage Fund. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

2. Recognition of revenue and expenses

The County Assembly of Marsabit-Car Loan and Mortgage Fund recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the County Assembly of Marsabit. In addition, the County Assembly of Marsabit recognises all expenses when the event occurs and the related cash has actually been paid out by the County Assembly of Marsabit.

3. In-kind contributions

In-kind contributions are donations that are made to the County Assembly of Marsabit-Car Loan and Mortgage Fund in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the County Assembly of Marsabit-Car Loan and Mortgage Fund includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. 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.

COUNTY ASSEMBLY OF MARSABIT-CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2017

II. NOTES TO THE FINANCIAL STATEMENTS

1. Receipt

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Loan Repayments	32,275,397.80	34,743,231
Total	32,275,397.80	34,743,231

2. Loan Disbursements

	2016/17	2015/16
	Kshs	Kshs
Loan Disbursements	-	6,920,601
Total	-	6,920,601

3. Committee Expenses

	2016/17	2015/16
	Kshs	Kshs
Committee Sitting allowances	1,628,954.50	627,080
Total	1,628,954.50	627,080

4. Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	2016 - 2017	2015 - 2016
Co-operative Bank A/C NO: 01141551282300	Kshs	156,158,112.30	126,866,428
Total		156,158,112.30	126,866,428

5. Fund Balance Brought Forward

	2016/17	2015/16
	Kshs	Kshs
Bank accounts	126,866,428	99,670,878
Total	126,866,428	99,670,878

COUNTY ASSEMBLY OF MARSABIT-CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2017

6. Other Important Disclosures

PENDING RECEIVABLES (See Annex 1)

	2016/17	2015/16
	Kshs	Kshs
Outstanding Loans to Members	-	41,883,800
Total	-	41,883,800

COUNTY ASSEMBLY OF MARSABIT-CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2017

COUNTY ASSEMBLY OF MARSABIT-CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2017

COUNTY ASSEMBLY OF MARSABIT-CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2017

5. Accounts Receivable

For the purposes of these financial statements loans disbursed, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

6. Accounts Payable

For the purposes of these financial statements, loans approved, deposits and retentions held on behalf of third parties has been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

7. Non current assets

Non current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

8. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the County Assembly of Marsabit-Car Loan and Mortgage Fund at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

9. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *entity's* budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the County Assembly of Marsabit-Car Loan and Mortgage Fund actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

10. Comparative figures

There are comparative figures as this is the second year of preparation of the financial statements .

11. Subsequent events

Events subsequent to submission of the financial year end financial statements to the County Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of County Treasury.

