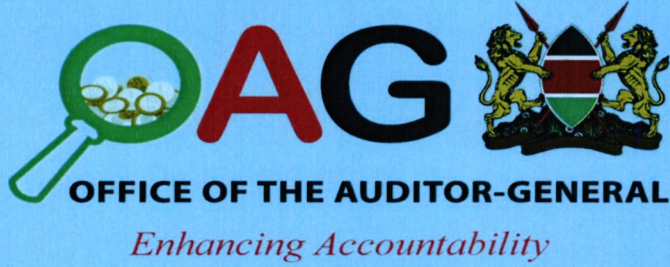


REPUBLIC OF KENYA

Scanned



PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

**MIGORI COUNTY EXECUTIVE CAR LOAN
AND MORTGAGE FUND**

**FOR THE YEAR ENDED
30 JUNE, 2019**

Tabled by: Senate Minority Whip
Date: 4th November, 2021
Committee:
Clerk at the table: Kawata Muryaka

hanna2

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

COUNTY EXECUTIVE OF MIGORI
LOANS AND MORTGAGE FUND
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

Table of Content	Page
MIGORI COUNTY EXECUTIVE KEY INFORMATION AND MANAGEMENT	2
FORWARD BY THE FINANCE OFFICER TO THE COUNTY EXECUTIVE	4
STATEMENT OF FUND ADMINISTRATOR RESPONSIBILITIES	6
REPORT OF THE INDEPENDENT AUDITORS	8
STATEMENTS OF INCOME AND EXPENDITURE	9
STATEMENT OF INCOME AND EXPENDITURE	10
CASHFLOW STATEMENT	11
SIGNIFICANT ACCOUNTING POLICIES.....	12
NOTES TO FINANCIAL STATEMENTS.....	14

MIGORI COUNTY EXECUTIVE OF MIGORI
Loans and Mortgages Fund
Reports and Financial Statements
For the year ended June 30, 2019

MIGORI COUNTY EXECUTIVE KEY INFORMATION AND MANAGEMENT

(a) Background information

County Government are established pursuant to Article 176 of the Constitution of Kenya. Accordingly section 12 of the County Governments Act establishes County for each County government. Among the functions bestowed upon County Executive Service Boards is preparation of annual financial estimates of expenditure, exercising budgetary control and performing other functions prescribed by national legislation. Section 116 of the Public Management Act, 2012 empowers the County Executive Committee Member for Finance to establish County Public Funds with the approval of the County Executive Committee and the County Executive. Subsection 7 requires the administrator of a County Public Fund to prepare Accounts for each financial year and submit them to the Auditor General.

Arising from the above provisions and as advised by the Salaries and Remuneration Commission (SRC) on the benefits to be enjoyed by the Members of the County Executive, vide circular ref SRC/TC/CGOVT/3/16 dated 27 November 2015, the Migori County Executive Committee Member for Finance and Economic Planning advised the establishment of the Loans and Mortgage Fund with the approval of the County Executive. The Finance officer of the County Executive, being the Accounting Officer of the Executive was subsequently appointed the administrator of the fund.

(b) Key Management

The County Executive's day-to-day management is under the County Executive Service Board.

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were the Finance officer as the Accounting Officer of the County Executive.

(d) Fiduciary Oversight Arrangements

The fiduciary oversight arrangement was as offered by:

- The County Executive's Public Accounts Committee
- Kenya National Audit Office
- Controller of Budget

(e) Migori County Executive Headquarters

P.O. Box 985 - 40400

COUNTY EXECUTIVE OF MIGORI
Loans and Mortgages Fund
Reports and Financial Statements
For the year ended June 30, 2019

SunaMigor, KENYA

Migori County Executive Contacts

Telephone:

E-mail:

(f) Migori County Executive Bankers

Loans and Mortgage Fund

Diamond Trust of Kenya

Migori

P.O.Box,

SunaMigori

(g) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

COUNTY EXECUTIVE OF MIGORI
Loans and Mortgages Fund
Reports and Financial Statements
For the year ended June 30, 2019

FORWARD BY THE FINANCE OFFICER TO THE COUNTY EXECUTIVE

The Car Loan Scheme Fund was established pursuant to the Salaries and Remuneration Circular no SRO/TS/WB/3/14 of 14th February 2014. Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of Annual Financial Statements.

For proper management of the Fund and as advised by the Salaries and Remuneration Commission in the Circular under reference, the Migori County Executive adopted *Public Finance Management (Migori County Loans and Mortgage Fund Act, 2015* to guide operationalization of the Fund.

The fund was established through Migori County Gazette Supplement No.5 (Acts No 2) of 4th May, 2015.

FINANCE OFFICER TO THE COUNTY EXECUTIVE

COUNTY EXECUTIVE OF MIGORI
Loans and Mortgages Fund
Reports and Financial Statements
For the year ended June 30, 2019


STATEMENT OF FUND ADMINISTRATOR RESPONSIBILITIES


Section 116(1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the administrator for a county public fund shall prepare financial statements in respect of that fund.

The administrator in charge of the Migori County Executive Loans and Mortgages Fund is responsible for the preparation and presentation of the fund's financial statements, which give a true and fair view of the financial position of the fund for and as at the end of the financial year ended on June 30, 2017. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to operate throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; and
- (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 Migori County Executive Loans and Mortgage Fund accepts responsibility for the preparation and presentation of the fund's financial statements, which have been prepared using appropriate accounting policies in accordance with the International Public Sector Accounting Standards (IPSAS). The Administrator 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, 2017 and of the fund's financial position as at that date. The Administrator of Migori County Executive Loans and Mortgage Fund further confirms 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 controls.


Chief Officer Finance
Migori County


Director Finance
Migori County

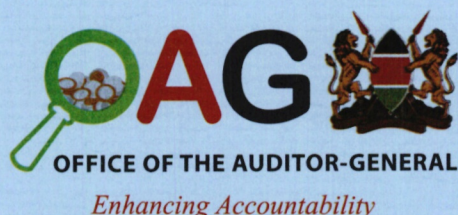
COUNTY EXECUTIVE OF MIGORI
Loans and Mortgages Fund
Reports and Financial Statements
For the year ended June 30, 2019

COUNTY EXECUTIVE OF MIGORI
Loans and Mortgages Fund
Reports and Financial Statements
For the year ended June 30, 2019

REPORT OF THE INDEPENDENT AUDITORS

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MIGORI COUNTY EXECUTIVE CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Migori County Executive Car Loan and Mortgage Fund set out on pages 8 to 14, which comprise the statement of financial position as at 30 June, 2019, and the statement of income and expenditure, statement of changes in net assets 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.

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

Basis for Disclaimer of Opinion

1. Unsupported Balances in the Financial Statements

The balances in the financial statements for 2018/2019 submitted for audit were not adequately supported by audit schedules, ledgers, vouchers and trial balance.

Consequently, the validity, accuracy, completeness and disclosure of the balances reflected in the financial statements could not be ascertained.

2. Cash and Cash Equivalents

As disclosed in Note 3 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.40,618,522 as at 30 June, 2019. However, the balance was not supported with the bank statements, bank confirmation certificates and bank reconciliations statements.

Consequently, the existence, accuracy and completeness of the cash and cash equivalents of Kshs.40,618,522 at 30 June, 2019 could not be confirmed.

3. Current Portion of Long-Term Receivables

As disclosed in Note 4 to the financial statements, the statement of financial position reflects current portion of long-term receivables of Kshs.27,157,480 as at 30 June, 2019. However, the Management did not provide for audit adequate supporting documents including schedules, age analysis and loans repayment details.

Consequently, the accuracy and completeness of the current portion of long-term receivables of Kshs.27,157,480 could not be confirmed.

4. Statement of Comparison of Budget and Actual Amounts

The financial statements which were submitted by the Management for audit did not include a statement of comparison of budget and actual amounts for the year ended 30 June, 2019. The Management, therefore, contravened the International Public Sector Accounting Standards (IPSAS) No. 1 and the Financial Reporting Guidelines issued by the Public Sector Accounting Standards Board (PSASB).

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) 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 have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of Migori County Executive Car Loan and Mortgage Fund to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Fund or cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements

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


Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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

My responsibility is to conduct an audit of the Migori County Executive Car Loan and Mortgage 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 matters 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.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters 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 conclusion.

I am independent of the Migori County Executive Car and Mortgage Scheme Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

19 October, 2021

COUNTY EXECUTIVE OF MIGORI
Loans and Mortgages Fund
Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30TH JUNE 2019

Income	Note	2019 Kshs	2018 Kshs
Interest Earned	1	1,024,330	0
		1,024,330	0
Expenditure			
Administrative Expenses	2	711	4,267
Surplus (deficit)		1,023,619	-4,267

The Accounting Policies and explanatory notes to these financial statements form the integral part of the financial statements. The entity financial statements were approved on 24th September 2019 by:


 Chief Officer Finance
 Migori County

Director Finance
 Migori County

STATEMENT OF FINANCIAL POSITION

COUNTY EXECUTIVE OF MIGORI
 Loans and Mortgages Fund
 Reports and Financial Statements
 For the year ended June 30, 2019

AS AT 30TH JUNE 2019

	Note	2019 Kshs	2018 Kshs
ASSETS			
Current Assets			
Cash and Cash Equivalent	3	40,618,522	40,952,920
Current Portion of long term Receivables	4	27,157,480	25,799,463
Non-Current Assets			
Long term Receivables	5	0	0
Total Assets		67,776,002	66,752,383
Current Liabilities			
Trade and other Payables	6	0	0
Net Assets		67,776,002	66,752,383
Financed By			
Car Loan & Mortgage Fund	7	69,500,000	69,500,000
Accumulated Surplus(Deficit)		-1,723,998	-2,747,617
Total Net Assets and Liabilities		67,776,002	66,752,383

The Accounting Policies and explanatory notes to these financial statements form the integral part of these financial statements. The entity financial statements were approved on 24th September 2019 by:


 Chief Officer Finance
 Migori County


 Director Finance
 Migori County


COUNTY EXECUTIVE OF MIGORI
Loans and Mortgages Fund
Reports and Financial Statements
For the year ended June 30, 2019

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2019 Kshs	2018 Kshs
Interest Earned	1	1,024,330	0
Administrative Expenses	2	(711)	(4,267)
Net cash flow from operating activities		1,023,619	(4,267)
CASH FLOW FROM INVESTING ACTIVITIES			
Other interest income		-	-
Net cash flows from Investing Activities		-	-
CASH FLOW FROM FINANCING ACTIVITIES			
Grants Received		-	-
Principal loan repayments		8,673,772	-
Loans paid out		(7,315,755)	-
Net cash flow from financing activities	8	1,358,017	(645,769)
NET INCREASE IN CASH AND CASH EQUIVALENT		(334,398)	(650,036)
Cash and cash equivalent at BEGINNING of the year		40,952,920	41,603,956
Cash and cash equivalent at END of the year		40,618,522	40,952,920

The Accounting Policies and explanatory notes to these financial statements form the integral part of the financial statements. The entity financial statements were approved on 24th September 2019 by:


Chief Officer Finance
Migori County


Director Finance
Migori County

COUNTY EXECUTIVE OF MIGORI
 Loans and Mortgages Fund
 Reports and Financial Statements
 For the year ended June 30, 2019

STATEMENT IN CHANGES IN NET ASSETS AS AT 30TH JUNE 2019

	Notes	Revolving Fund	Accumulated losses	Total
		Shs	shs	Shs
Year ended 30th June 2018				
As the start of the year as previously stated		69,500,000	(2,747,617)	66,752,383
Year ended 30th June 2019				
As the start of the year		69,500,000	(2,747,617)	66,752,383
Surplus for the year			1,023,619	1,023,619
Other comprehensive income				
At end of the year		69,500,000	(1,723,988)	67,776,012

SIGNIFICANT ACCOUNTING POLICIES

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

a. 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) accrual. 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 fund and all values are rounded to the nearest thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

b. Recognition of revenue and expenses

The fund recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the fund. In exceptional circumstances however and in particular when recognizing growth of the fund as represented by interest accrued in the fund, the accrual basis of accounting has been applied. This is mainly because if left out unrecognized, it would materially distort the fair view of the operations and position of the fund as well as pose a risk for non-payment of the accrued interest by the administrator bank. In addition, the fund recognises all expenses when the event occurs and the related cash has actually been paid out by the fund.

c. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. Bank account balances include amounts held at the Equity Bank of Kenya at the end of the financial year.

d. Budget

The fund's budget was approved as required by Law and as detailed in Migori County Executive's Printed Estimates.

e. Comparative figures

The comparative figures are for Fy 2017/2018

COUNTY EXECUTIVE OF MIGORI
Loans and Mortgages Fund
Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Note 1 Interest Earned

	2019 Kshs	2018 Kshs
Income from Interest	1,024,330	
	1,024,330	

Note 2 Fund Administrative Expenses

	2019 Kshs	2018 Kshs
Bank charges	711	
	711	

Note 3 Cash and cash Equivalent

	2019 Kshs	2018 Kshs
Diamond Bank Account	40,618,522	40,952,811
	40,618,522	40,952,811

Note 4 Current portion of long term Receivables

	2019 Kshs	2018 Kshs
Amount owed by county	27,157,480	25,799,461
Amount treasury	27,157,480	25,799,461

COUNTY EXECUTIVE OF MIGORI
Loans and Mortgages Fund
Reports and Financial Statements
for the year ended June 30, 2019

Note 5 Long term Receivables

	2019 Kshs	2018 Kshs
Long term Receivables due	0	0
	27,157,480	25,799,463

Note 6 Trade and Other payables

	2019 Kshs	2018 Kshs
Trade and Other payables	0	0
	0	0

Note 7 Car and Mortgage Fund

	2019 Kshs	2018 Kshs
Car and Mortgage Fund	69,500,000	69,500,000
	69,500,000	69,500,000

Note 8 Car and Mortgage Fund

	2019 Kshs	2018 Kshs
Principal loan repayments	8,673,772	
Loans paid out	(7,315,755)	
	1,358,017	(645,769)