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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**KISUMU COUNTY CAR
AND MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**

PAPERS LAID	
DATE	10/11/22
TABLED BY	Sen. Mary Wanjiku
COMMITTEE	
CLERK AT THE TABLE	S. Njira

PAPERS LAID	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	



KISUMU COUNTY CAR & MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

KISUMU COUNTY CAR & MORTGAGE SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2021

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Kisumu County car & mortgage loan scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the fund and as advised by the SRC in the circular under the reference, Kisumu county adopted the PFM regulations 2014 and revised in 2016 to guide in the operationalization of the fund. As advised by the SRC and as provided for under regulation 16 of the said regulations, the County Service Board appointed a banking institution to manage the fund.

From inception, the fund was being internally managed under Kenya Commercial Bank. Thereafter the executive fund was under the management of financial institution, Diamond Trust Bank. The role of the bank was to provide administration services for the fund. However, the bank failed to honour its part of the contractual obligations leading to termination of the administrative services with effect from April 2016. Since then, the fund has been internally administered in the county government by the County Treasury. Some five executive members were also had their contract terminated before full recovery.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers.

There has not been any appointment of new committee member.

The fund is wholly owned by the County Government of Kisumu and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide car and mortgage loans to staff.

Vision

“Leader in fund management for staff.”

Mission

“To provide affordable, accessible and sustainable car and mortgage loans to staff.”

Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

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c) Scheme Management Committee

Ref	Name	Position
1.	Mr. Godfrey Kigochi	Chairperson
2.	MR. Gilchrest Okuom	CECM Education
3.	Mr. Joseph Oganga	Chief Officer Cooperatives
4.	Mr. Edris Otieno	County Attorney
5.	Mrs Keziah Okoth	Director Accounting Services
6.	Mr. Hesbon Hongo	Secretary County Public Service Board
7.	Mrs. Linet Ochieng	County Assembly Service Board
8.	Mrs. Jacinta Kapiyo	County Public Service Board
9.	Mr. Evans Otieno	Fund Administrator

d) Key Management

Ref	Position	Name
1	Fund Administrator	Evans Otieno
2	Fund Accountant	Maurice Okoth

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Directorate Internal Audit	Mr. Godfrey Dienya
2		
3		

f) Registered Offices

Prosperity House
P.O. Box 2738-40100
Kisumu, Kenya

g) Fund Contacts

- E-mail: treasury@kisumu.go.ke
- Website: www.kisumu.go.ke

h) Fund Bankers

KISUMU COUNTY CAR & MORTGAGE SCHEME FUND
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1. Family Bank
Kisumu Express Branch
P.O. Box 74145 -0200
Nairobi, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser

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

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2. MANAGEMENT TEAM

The management during the financial year consisted of:

	Evans Otieno–Fund Administrator Mr. Otieno was appointed as the Fund Administrator on 6th March 2019. He holds a Bachelor of Commerce degree. He is also a Certified Public Accountant (CPA-K).
	Mr. Maurice Okoth–Fund Accountant Mr, Okoth Holds a degree from University of Nairobi and is pa Certified Public Accountant (CPA-K).

3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key objectives of the Kisumu County Car and Mortgage Scheme Fund County Government Entity's 2018-2022 plan are to:

- a) Provide secure long-term funding to state officers in need of mortgage facility
- b) Provide secure long-term funding to state officers in need of car loan facility
- c) To ensure availability of funds at all for disbursement to beneficiaries

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Car & Mortgage Scheme	To provide secure long-term funding to state officers	Increased absorption of available	No outstanding applications	In FY 20/21 there was no disbursement made owing to lack of applications

KISUMU COUNTY CAR & MORTGAGE SCHEME FUND
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For the year ended June 30, 2021

4. FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

It is my pleasure to present the Kisumu County Car and Mortgage loan scheme fund financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

We are positive the fund will disburse funds to an increased number of beneficiaries in the coming financial year given we are anticipating improved recoveries from the CECMs who were in the previous regime. Further, the cabinet representative was relieved of his duties in the course of the year and is yet to be replace.

Review of performance

Income

The fund earned revenues amounting to KShs.219,398/= from the County Government and other revenues from other exchange transactions.

Expenditures

There were no expenditures incurred during the year. However, expenditures for the year 2019/2020 amounted to KShs. 11,480/=which was entirely finance cost.

Appreciation

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

I look forward to your continued support in the year 2021/2022.

Signed: _____

Mr. Godfrey M. Kigochi
Fund Chairperson

5. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Kisumu County Car and Mortgage loan scheme financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

The fund was established on 1st May 2014 and started with an initial amount of KShs 250M and a further KShs 32.2M for CECMs. However, County Assembly of Kisumu divorced its fund under Kenya Commercial Bank on 24th May, 2017. The fund as it is today deals with only County Executive Committee Members and its staff.

Financial Performance

a) Revenue

In the year ended 30th June 2021, the fund had projected revenues of KShs. 254,033/=.

b) Loans

There were no disbursements within the financial year attributed to lack of loan applications having processed all the eligible applications in the previous financial year 2019/2020. We expect approval of more loans in the year 2021/2022

c) Prior year adjustments

Loan repayments due have been overstated over the years by reporting gross instead of the principal element only. Consequently, prior year adjustment has resulted in accumulated deficit being increased by Shs. 935,628/=

d) Conclusion

FY 2020/2021 was a good year in general. Good progress was made and the momentum has been created to enable Kisumu County car and mortgage loan scheme continue on a trajectory into prosperity.

I take this opportunity to thank the management committee for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Kisumu County Car and Mortgage Loan Scheme achieve its mission.

Signed: 

Evans Otieno
Fund Administrator

KISUMU COUNTY CAR & MORTGAGE SCHEME FUND
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6. CORPORATE GOVERNANCE STATEMENT

THE FUND

The Kisumu County Car and Mortgage Fund Scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide car and mortgage loans to members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the management committee. The operations of the fund are governed by the scheme regulations published on 14th April, 2016. The structure is designed to ensure an informed decision making process based on accurate reporting to the board.

THE MANAGEMENT COMMITTEE

The scheme regulations provide that the management committee shall be made up of ten members. The committee is responsible for the long-term strategic direction of the fund and recruitment of the Fund Administrator and senior management.

The committee is provided with full, appropriate and timely information that enables it to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator but the committee is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support.

COMMITTEE MEETINGS

The committee meets regularly in order to monitor the implementation of the fund's strategic plan and achievement of the targets.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

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

Auditor

The fund is audited by the Auditor-General.

7. MANAGEMENT DISCUSSION AND ANALYSIS

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

The fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management 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 staff with an established credit history.

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

BUSINESS PERFORMANCE

Revenue

The fund earned revenues amounting to KShs.219,398/=from the County Government and other revenues from other exchange transactions.

Cash flows

The cash and cash equivalents was KShs. 4,274,542/=as at 30th June 2020 and Kshs.7,894,339/= as at 30th June 2021. The reduction is attributed to issuance of additional loans to the County Public Service Board Chairman.

OPERATIONAL PERFORMANCE

The fund's core operating activity has been the offering car and mortgage loans to members of staff. The County Government has supported the fund and increased collections from members of staff have also added to the fund's better performance.

Conclusion

We appreciate the unrelenting support from the fund committee, management, staff, the County Government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2021/2022.

KISUMU COUNTY CAR & MORTGAGE SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2021

8. REPORT OF THE FUND ADMINISTRATION COMMITTEE

The committee submit their report together with the audited financial statements for the year ended June 30th 2021 which show the state of the Fund affairs.

8.1 Principal activities

The principal activity of the Fund is to provide financing to the members of staff to purchase cars and homes for personal use.

8.2 Performance

The performance of the Fund for the year ended June 30th 2021 are set out on pages 11 to 33.

8.3 Trustees

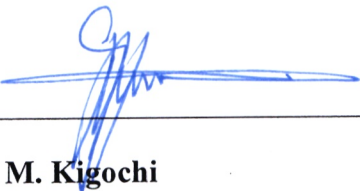
The members of the Board of Trustee / *Administration Committee* who served during the year are shown on page 2 (*refer to the key entity information and management page*). There were no changes in the Board during the financial year.

8.4 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 Committee

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 20th September, 2021 and signed by:

Signed: _____


Mr. Godfrey M. Kigochi
Chair of the Fund Administration Committee

KISUMU COUNTY CAR & MORTGAGE SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2021

9. 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 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 30th, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the 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. 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 30th, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

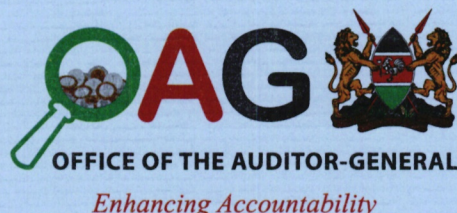
The Fund's financial statements were approved by the committee on 20th September, 2020 and signed on its behalf by:



Evans Otieno
Kisumu County Car and Mortgage Scheme Fund Administrator

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 KISUMU COUNTY CAR AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisumu County Car and Mortgage Scheme Fund set out on pages 12 to 33, which comprise of the statement of

financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cashflows 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 Kisumu County Car and Mortgage Scheme Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Kisumu County Car and Mortgage Scheme Fund Regulations, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Loans

The statement of financial position and corresponding Note 6 to the financial statements reflects long-term receivables from exchange transactions balance of Kshs.10,000,729 which includes an amount of Kshs.8,041,511 due from staff who have since left employment and has remained unpaid since April, 2020 and earlier years. The outstanding balance of Kshs.8,041,511 comprise of Kshs.2,216,164 which was secured by log books and or title deeds and Kshs.5,825,347 relating to the year 2016 which was not secured by any collateral. Although the Management has indicated that the outstanding loans will be recovered from gratuity due to staff that have left employment, no proper reason was given as to why the outstanding amounts have not yet been recovered in accordance with Regulation 17 of the Kisumu County Car and Mortgage Scheme Fund Regulations, 2016 and Section 19 of the Kisumu County Car and Mortgage Scheme Fund Regulations, 2016 which requires Management to reposess and sell the asset financed to recover outstanding loan balances.

In the circumstances, the recoverability of the outstanding loan balance of Kshs.8,041,511 is in doubt.

2. Unsupported Prior Year Adjustments Balance

The statement of changes in net assets reflects prior year adjustment amount of Kshs.935,628. However, Management did not provide for audit, any supporting documentation to show the justification of the adjustment and why the adjustment was not processed in line with IPSAS 3.

In the circumstances, the accuracy of the balance of accumulated deficit balance of Kshs.10,645,325 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisumu County Car and Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other

ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Inadequate Capital of the Fund

The statement of changes in net assets reflects revolving Fund balance of Kshs.32,295,000 as at 30 June, 2021 which is less than the minimum amount of Kshs.160,000,000 set out in the Fund regulations by Kshs.127,705,000. The Fund capital has further been depleted from Kshs.32,295,000 to Kshs.21,649,113 as a result of an accumulated deficit which stood at Kshs.10,645,887 as at 30 June, 2021. The Fund may not be in a position to process loan applications as outlined in Regulation 14(4) of the Fund regulations.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue sustain its 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 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.

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 September, 2022

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 controls 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 Funds policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

KISUMU COUNTY CAR & MORTGAGE SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2021

10. FINANCIAL STATEMENTS

10.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Revenue from exchange transactions			
Interest income	1	219,398	276,399
Other income	2	-	-
Total revenue		219,398	276,399
Expenses			
Fund administration expenses	3	-	-
Finance costs	4	-	11,480
Total expenses		-	11,480
Other gains/(losses)			
Gain/(loss) on disposal of assets			
Surplus for the period		219,398	264,919

The notes set out on pages 25 to 33 form an integral part of these Financial Statements.

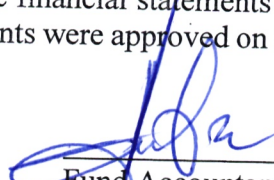
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10.2. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	5	7,894,339	4,274,542
Current portion of long term receivables from exchange transactions	6	3,503,829	4,085,650
Non-current assets			
Property, plant and equipment	7	-	-
Long term receivables from exchange transactions	6	10,000,729	13,754,936
Total assets		21,398,897	22,115,127
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	8	-	-
Net assets			
Revolving Fund		32,295,000	32,295,000
Reserves		-	-
Accumulated (deficit)		(10,896,103)	(10,179,873)
Total net assets and liabilities		21,398,897	22,115,127

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 20th September, 2021 and signed by:


 Administrator of the Fund
 Name: Evans Otieno


 Fund Accountant
 Name: Maurice Okoth
 ICPAK Member Number: 7689

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10.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Revaluati on Reserve	Accumulated deficit	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	32,295,000	-	(10,972,251)	21,322,749
Surplus/(deficit) for the period	-	-	264,919	264,919
Funds received during the year	-	-	-	-
Prior year adjustments	-	-	527,459	527,459
Balance as at 30 June 2020	32,295,000	-	(10,179,873)	22,115,127
Balance as at 1 July 2020	32,295,000	-	(10,179,873)	21,115,127
Funds received during the year	-	-	-	-
Surplus/(deficit) for the period			219,398	219,398
Prior year adjustments	-	-	(935,628)	(935,628)
Balance as at 30 June 2021	32,295,000	-	(10,896,103)	21,398,897

Disclosure: Car Loan and Mortgage Scheme Fund was supposed to be funded by the Executive by depositing a lien of KShs. 60M to DTB account and being the managers, were to disburse the funds to the county employee. However, the county did not deposit the agreed on amount and DTB disbursed funds and charged interest of 11% on amounts disbursed. Consequently, the county managed to deposit 32,295,000 which was reduced by the interest charged.

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10.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		219,398	276,399
Receipts from other operating activities		-	-
Total Receipts		219,398	276,399
Payments			
Fund administration expenses		-	-
General expenses		-	-
Finance cost		-	11,480
Adjusted for:			
Decrease/(Increase) in Accounts receivable	9	-	-
Net cash flows from operating activities	9	219,398	264,919
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		3,400,402	3,127,429
Loan disbursements paid out		-	(4,000,000)
Net cash flows used in investing activities		3,400,402	(872,571)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net (decrease) in cash and cash equivalents		3,619,797	(607,652)
Cash and cash equivalents at 1 JULY 2020	5	4,274,542	4,882,194
Cash and cash equivalents at 30 JUNE 2021	5	7,894,339	4,274,542

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10.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2021	2021	2021	2021	2021	2021
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	-	-	-	-	-	-
Interest income	254,033	-	254,033	219,398	-	86%
Other income	-	-	-	-	-	
Total income	254,033	-	254,033	219,398	-	
Expenses						
Fund administration expenses	-	-	-	-	-	
Staff costs	-	-	-	-	-	
General expenses	-	-	-	-	-	
Finance costs	11,480	-	11,480	-	-	0%
Total expenditure	11,480	-	11,480	-	-	
Surplus for the period	242,553	-	242,553	219,398	-	

10.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.

2. 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.

3. 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.

4. 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,

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

5. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

6. 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

7. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

8. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

9. Changes in accounting policies and estimates

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

10. Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

11. 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.

12. 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.

13. Related parties

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

14. 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.

15. Comparative figures

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. Events after the reporting period

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

17. Ultimate and Holding Entity

The entity is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the County Government of Kisumu.

18. Currency

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

19. Significant judgments and sources of estimation uncertainty

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

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 Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

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.

20. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company'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 is made up as follows:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions	13,504,558	5,713,425	7,791,133	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	7,894,339	7,894,339	-	-
Total	21,398,897	13,337,670	7,791,133	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The entity has significant concentration of credit risk on amounts due from customers.

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

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the 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 board 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.

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 company'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.

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. The entity capital structure comprises of the following funds:

	2021		2020
	KShs		KShs
Revaluation reserve	-		-
Revolving fund	32,295,000		32,295,000
Accumulated surplus	(10,896,103)		(10,179,873)
Total funds	21,398,897		22,115,127
Total borrowings	-		-
Less: cash and bank balances	(7,894,339)		(4,274,542)
Net debt/(excess cash and cash equivalents)	(7,894,339)		(4,274,542)
Gearing	2%		2%

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10.7. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Interest income from loans (mortgage loans)	122,057	207,162
Interest income from loans (car loans)	97,342	69,237
	219,398	276,399

2. Other income

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
	-	-

3. Fund administration expenses

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Loan processing costs	-	-
Professional services costs	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Finance costs

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Bank charges	-	11,480
Interest on loans from banks	-	-
Total	-	11,480

5. Cash and cash equivalents

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others-Savings account	7,894,339	4,274,542
	7,894,339	4,274,542

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	FY2020/2021	FY2019/2020
		KShs	KShs
a) Current account			
Family Bank	028000017643	7,894,339	4,274,542
Sub- total		7,894,339	4,274,542
Grand total		7,894,339	4,274,542

6. Receivables from exchange transactions

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Current Receivables		
Interest receivable	-	465,850
Current loan repayments due	3,503,829	3,619,800
Total Current receivables	3,503,829	4,085,650
	-	-
Total Non-current receivables		
Long term loan repayments due	10,000,729	13,754,936
Total Non-current receivables	10,000,729	13,754,936
	13,504,558	17,840,585

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Additional disclosure on interest receivable

Description	2020/2021	2019/2020
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
	-	-	-	-	-
Depreciation and impairment					
	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
	-	-	-	-	-
Net book values	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

8. Trade and other payables from exchange transactions

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Total employee benefits obligation	-	-	-	-

10. Cash generated from operations

	FY2020/2021	FY2019/2020
	KShs	KShs
Surplus for the year before tax	219,398	276,399
Adjusted for:	-	-
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	11,480
Working Capital adjustments	-	-
Decrease in inventory	-	-
(Increase)/Decrease in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	219,398	264,919

11. 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) Management Committee
- b) Key management personnel.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	FY2020/2021	FY2019/2020
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	FY2020/2021	FY2019/2020
	KShs	
Management Committee	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	FY2020/2021	FY2019/2020
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

e) Due to related parties

	FY2020/2021	FY2019/2020
	KShs	
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

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12. 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
4.1	Unsecured Receivables	For the car loan we have the log books in the name of the county Government as had been established. For the mortgage loans we had put a caution on the title deeds though we are going to fast track the charge issue. Further, we admit there was no security for the money advanced to the CECMs in the previous regime and we intend to recover the loans from gratuities due to them	Resolved	
4.2	Financial statements review	All the observations have been amended as per the amended financial statement	Resolved	
4.3	Misstatements of the financial statement	All the corrections have been amended in the financial statements as recommended	resolved	

