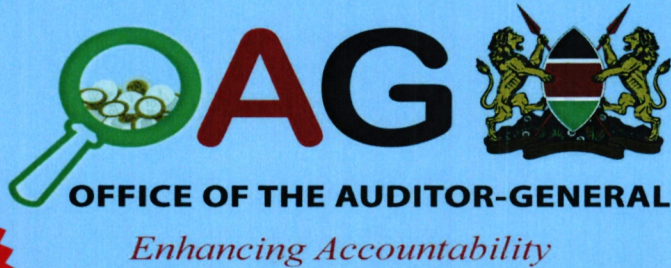


REPUBLIC OF KENYA



**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 10 FEB 2021 Day  
Wednesday

TABLED BY: LOM

THE AUDITOR-GENERAL *Anne Musandu*

**ON**

**INDEPENDENT ELECTORAL AND  
BOUNDARIES COMMISSION STAFF  
MORTGAGE AND CAR LOAN SCHEME**

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



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
**REGISTRY**

- 4 MAR 2020

**RECEIVED**

**INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION**

**STAFF MORTGAGE & CAR LOAN SCHEME  
REVISED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019**

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

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# KEY COMMISSION INFORMATION AND MANAGEMENT

## 1. Background information

The Independent Electoral and Boundaries Commission (IEBC) is established by Articles 88 and 248 of the Constitution of Kenya 2010. The Articles set out the mandate of the Commission. The Commission is responsible for conducting and supervising referenda and elections for any elective body or office established by the Constitution and any other elections as prescribed by an Act of Parliament.

## 2. General Information

The Independent Electoral and Boundaries Commission is established under Article 88 of the Constitution of Kenya, 2010 and is a legal entity. It is operationalized through IEBC Act 2011.

The IEBC Act provides that the funds of the Commission are held in a fund known as the Independent Electoral and Boundaries Commission Fund. The fund has not been operationalized.

The financial year of the Commission is a period of twelve months ending on 30th June each year.

The Commission is mandated to submit its Annual Financial Statements to the Auditor-General and a copy of the statement to the Controller of Budget, the National Treasury and the Commission on Revenue Allocation within the statutory timelines as stipulated in Section 81 of the Public Finance Management Act, 2012. The Act requires the financial reports to be submitted by 30th September each year to The National Treasury, Controller of Budget and the Office of the Auditor General.

## 3. Key Management

The Commission's day-to-day activities are run by the Secretariat. The secretariat's management was as follows:

(a)	Marjan H. Marjan	Ag. Commission Secretary/CEO.
(b)	Obadiah Keitany	Director Finance
(c)	Lorna Agnes Onyango	Director Human Resources and Administration.
(d)	Immaculate Kasait	Director Voter Education and Partnerships.
(e)	Decimah M'mayi	Director Research and Development.
(f)	James Muhati	Director Information and Communication Technology.
(g)	Rasi Masudi	Director Voter Registration and Elections Operations.
(h)	Chispine Owiye	Ag. Director Legal Affairs and Public Affairs.
(i)	Osman H. Ibrahim	Director Audit Risk and Compliance.
(j)	Harley K. Mutisya	Director Supply Chain Management.

## KEY COMMISSION INFORMATION AND MANAGEMENT

### 4. Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June, 2019 and had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Commission Secretary/CEO	Marjan H. Marjan
2.	Director Finance	Obadiah K. Keitany
3.	Director Supply Chain Management	Harley K. Mutisya
4.	Director Audit Risk & Compliance	Osman H. Ibrahim
5.	Director Human Resources & Administration	Lorna A. Onyango
6.	Director Information & Communication Technology	James B. Muhati
7.	Director Voter Registration & Elections Operations	Rasi M. Masudi
8.	Director Research & Development	Decimah M'mayi
9.	Director Voter Education & Partnerships	Immaculate N. Kassait
10.	Ag. Director Legal Affairs & Public Affairs	Chrispine O. Owiye

### 5. Commission Bankers

Central Bank of Kenya  
Haille Sellasie Avenue  
P.O. Box 60000-00200  
NAIROBI.

Housing Finance Company  
Rehani House, Kenyatta Avenue  
P.O. Box 30088 - 00100  
Nairobi, Kenya.

### 6. Commission Auditors

The Auditor General  
Kenya National Audit Office  
Anniversary Towers  
P.O. Box 30084- 00100  
NAIROBI.

### 7. Commission Headquarters

The Independent Electoral and Boundaries Commission  
Anniversary Towers, 6<sup>th</sup> Floor,  
P.O Box 45371-00100  
NAIROBI.

### 8. Principal Legal Advisor

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112-00200  
NAIROBI.

## THE IEBC COMMISSION



**Chairperson: Mr. Wafula W. Chebukati**

**Date of Birth:** 22<sup>nd</sup> December, 1961

**Key Qualifications:**

- Master of Business Administration from Jomo Kenyatta University of Agriculture and Technology.
- Bachelor of Law Degree from the University of Nairobi.
- Post Graduate Diploma from the Kenya School of Law.

**Experience:**

- Over 30 years' experience in legal practice specializing in litigation and dispute resolution, conveyancing, labour laws, company mergers and acquisitions, Maritime and treaties
- Works on a full time basis as a chairperson of the Commission.
- Chairs the Legal Affairs and Compliance Committee, the Dispute Resolution Committee and the Electoral Code of Conduct Committee.



**Commissioner: Prof. Abdi Yakub Guliye**

**Date of Birth:** 25<sup>th</sup> November, 1962

**Key Qualifications:**

- PhD in Animal Nutrition from Rowett Research Institute/ University of Aberdeen, Scotland, UK
- Master of Science in Animal Production from University of Aberdeen, Scotland, UK
- Bachelor of Science in Animal Production from Egerton University.

**Experience:**

- Prof. Guliye has over 25 years of university teaching experience, of which in the last 7 years he had additional administrative/ managerial roles. He also served in various Boards of Institutions/Organizations, having chaired committees such as Audit and Risk Management as well as Finance.
- He Chairs Research, Technology and Strategy Committee and is also a member of the Audit Risk and Compliance Committee.



**Commissioner: Mr. Boya Molu**

**Date of Birth: 5<sup>th</sup> November 1978**

**Key Qualifications:**

- Master in Business Administration (HR Management Option), Periyar University, India.
- Bachelor of Business Administration from Karnatak University, India.
- Higher National Diploma in Human Resources Management (KNEC), IHRM Kenya.

**Experience:**

- Has over 13 years' experience in Human Resource Management and administration mainly in public sector.
- Prior to joining the Commission Mr. Molu served in various capacities at the Central Bank of Kenya (CBK) and the Judiciary in Human Resource and Administration Directorate.
- Also served as a council member of the Institute of Human Resources Management (IHRM) Kenya.
- Chairs the Human Resource, Administration and Training Committee.

## THE IEBC MANAGEMENT TEAM



**Name: : Marjan H. Marjan**

**Ag. CEO/Commission Secretary**

**Profession/Qualifications:**

- MBA in Strategic Management - University of Nairobi (UoN).
- BCom (Accounting Option) - (UoN).
- Certified Public Accountant (CPA-K).
- Certified Information Systems Auditor (CISA).
- Certified Internal Auditor (CIA).
- Certification in Control Self-Assessment (CCSA)
- Certified Quality Assessor (CQA)
- Practicing Member of ICPAK in good standing.
- Member of Information Systems Audit & Control Association (ISACA)
- Member of Institute Internal Auditor (IIA)



**Name: : Obadiah K.Keitany**

**Director Finance**

**Profession/Qualifications:**

- MBA Finance – University of Nairobi (UoN).
- BCom Insurance (UoN)
- Certified Public Accountant (CPA-K).
- Certified Internal Auditor (CIA).
- Certified Information Systems Auditor (CISA).
- Certified Public Secretary (CPS-K).
- Certified Quality Assessor (CQA).
- Post Graduate Diploma in Corporate Governance (KCA).
- Member of ICPAK in good standing.
- Member of Information Systems Audit & Control Association (ISACA).
- Member of Institute of Internal Auditors (IIA).
- Member of Institute of Certified Secretaries of Kenya.



**Name: : Osman H. Ibrahim**

**Director Audit Risk and Compliance**

**Profession/Qualifications:**

- Masters in Business Administration in Finance (MBA)
- Bachelor of Commerce from the University of Nairobi.
- Certified Public Accountant.
- Member of ICPAK in good standing.



**Name: : Chrispine Owiye**

**Ag. Director Legal and Public Affairs.**

**Profession/Qualifications:**

- Masters of Laws in Law Governance and Democracy (UoN)
- Post Graduate Diploma in Legal Education (Kenya School of Law)
- Bachelor in Law degree from Moi University.
- Certificate in Prosecution (CID Training School)
- Member of the Law Society of Kenya.



**Name: : Decimah M'mayi**

**Director Research & Development**

**Profession/Qualifications:**

- Bachelor Degree in Economics and Geography from the University of Nairobi.



**Name: : Immaculate Kassait**

**Director Voter Education**

**Profession/Qualifications:**

- Executive MBA - United States International University (USIU).
- Post Graduate Diploma in Law from Kenya School of Law.
- Bachelor in Law degree from the Makerere University.



**Name: : Rasi Masudi**

**Director Voter Registration and Electoral Operations**

**Profession/Qualifications:**

- Executive MBA.
- Bachelor of Science in Agricultural Economics.
- Diploma in Farm Management.



**Name: : Harley Kisyula Mutisya**

**Director Supply Chain Management**

**Profession/Qualifications:**

- PHD in Business Administration (UoN)
- MBA in Procurement & Supply Chain Management (UoN)
- BCOM in Supply Chain Management (UoN)
- Diploma in Logistical Management from Cerford Institute.
- Certified Procurement and Supply Professional (CPSP-K)
- Chartered Associate (ACI Arb)
- Member Kenya Institute of Supplies Management(KISM)
- Certified Practitioner-(KISM)
- Fellow Logistics Society of Kenya
- Member Chartered Institute of Procurement and Supply(UK)



**Name: : James Muhati**

**Director ICT**

**Profession/Qualifications:**

- MSc in Information Systems - University of Nairobi (UoN).
- BSc (Mathematics & Computer Science) - Kenyatta University.
- Post Graduate Diploma in Computer Science – (UoN)
- Executive Development Program (EDP) – Gordon Institute of Business Studies (GIBBS), South Africa.
- Member of Information Systems Audit & Control Association
- Member of Computer Society of Kenya.



**Name: : Lorna A. Onyango**

**Director Human Resource & Administration**

**Profession/Qualifications:**

- Certified Human Resource Professional.
- Masters in Human Resource Management.
- Bachelor of Arts Degree (UoN).
- Post Graduate Diploma.

## CORPORATE GOVERNANCE STATEMENT

The Commission is accountable to the public and stakeholders through Parliament for ensuring that it complies with the highest standards of corporate governance and operational ethics. The Commission has embraced corporate governance by promoting the right corporate culture and values.

The Commission exercises reasonable care to ensure that the management of the Commission is carried out in the best interest of the citizens of Kenya. The overall management of the Commission is the responsibility of the Commissioners.

The Commission recognizes the need to conduct its affairs with integrity and in accordance with generally accepted corporate practices and internationally developed principles of corporate governance.

### **The Commission**

The size, composition and appointment of the Commission is prescribed by Article 250 of the Constitution and by the IEBC Act 2011. There were three Commissioners who worked on a full time basis during the year under review. Each member was appointed to serve for a single term of six years.

The Commission is well composed in terms of range and diversity of skills, knowledge, age and experience in various sectors which makes it effective and provides an appropriate skills balance for the oversight of the Commission's mandate.

### **The Commission Committees and their Responsibilities**

The Commission delegates certain functions to committees without abdicating its own responsibilities. The Commission has developed a committee structure that assists in the execution of its duties, powers and authorities. The Committees are appropriately constituted drawing membership from amongst the Commissioners with the appropriate set of skills and experience and directors co-opted from various directorates.

The Commission has in place an independent Audit Committee that is chaired by a non-executive member. It also has two independent audit committee members, from the National Treasury and Ministry of ICT, and one Commissioner.

The Audit, Risk and Compliance Committee oversees the internal audit activity charged with the responsibility of continuous review and providing assurance on effectiveness of the Commission's Governance, Risk and Control.

### **Mortgage and Car Loan Committee**

The Mortgage and Car Loan funds are managed by the following members as per Regulations 2016:

<b>Members of the Car &amp; Mortgage Committee</b>	<b>Responsibility</b>
Immaculate Kassait	Ag. Chairperson
James Muhati	Member
Chrispine Owiye	Member
Annastacia Mutua	Member
Peter Muigai	Member
Joseph Ayatta	Member
Mohammed Osman Hassan	Member
Arnold Wekesa	Member

### **Impartiality and Independence of Members**

Every member of the Commission and employee shall perform their functions impartially and independently without influence from any person, authority or organization.

### **Disclosure of Conflict of Interests**

If a member of the Commission or an employee is directly or indirectly interested in any matter before the Commission and is present at any meeting of the Commission at which the matter is the subject of consideration, he/she shall as soon as practicable disclose the fact and shall not take part in the consideration or discussion of, or vote on, any questions with respect to the matter or be counted in the quorum of the meeting during consideration of the matter.

A member or employee whose personal interest conflicts with their official duties shall in writing, declare as soon as practicable the personal interests to their supervisor or other appropriate person or body and comply with any directives given to avoid the conflict and refrain from participating in any deliberations with respect to the matter.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operational and Financial Performance

The Commission's Mortgage and Car Loan revolving fund is managed by Housing Finance Corporation of Kenya and was set up in March 2017.

During the period under review, twenty five (25) applicants were issued with mortgage loan totalling Kshs. 135.25 million and fourteen car loan applicants (14) were issued with car loan totalling Kshs. 15.5 million with car loan loans totalling to Kshs 150.75 million; further the Commission earned a total of 19 million from high interest earning bank balances.

In terms of the ration of staff applications made by the staff vis a vis the issuance of the car loans and/mortgage since inception, a total of seventy two (72) mortgage and twenty nine (29) car loan applications were made by the staff as at 30<sup>th</sup> June,2019. The successful applicants so far stands at forty (40) for mortgage and twenty three (23) for car loans. The success rate summary is as per the table below:

Ratio of Applications Made vs Successful Applications			
Period: March 2017 (Inception) to 30th June,2019	No. of Applications Made	Successful Applications	Success Rate (%)
Mortgage Fund Applications	72	51	71%
Car Loan Fund Applications	29	24	83%
<b>Total</b>	<b>101</b>	<b>75</b>	<b>74%</b>

The mortgage loan fund grew by 100.8% while car loan fund decreased by 45.9% in the year under review. The car loan fund had low absorption and the commission scaled down on its funding while increasing the percentage of funding to the mortgage loan scheme.

### Compliance with Statutory Requirements

The Commission being a creation of the law respects the rule of law. The Commission complied with its tax obligations and all its statutory obligations in the implementation of its mandate.

### Key Projects and Investment

The commission has continued to invest in the mortgage and car loan schemes for the staff. This is intended to provide affordable housing for the staff while at the same time facilitating the staff to conveniently commute to and from work.

### Risk Management Activities

The Commission has put in place a risk management framework for risk identification and mitigation. Further, it has embedded risk management in all its planning, execution, evaluation and business continuity arrangements.

Some of the key risks facing the Scheme Fund include:

- **Strategic Risks:** These are risks that affect the ability to carry out the long term goals and objectives as articulated in the IEBC Policy.
- **Compliance Risks:** These are risks associated with non-compliance with applicable laws and regulations which could result in litigation and conflicts of interest.
- **Financial Risks:** The risk of financial loss that may include ineffectiveness of internal controls, inadequate funding, inability to service the loans and delay in financial reporting due reliance on third party financial information. The delayed funding may also result in the commission's inability to fund all the applications hence the delay in issuing of loans and acquisition of the properties.
- **Operational Risks:** The risk of direct or indirect loss or inability to provide core services, especially to stakeholders, resulting from inadequate or failed internal processes, resources and systems.

### **Statutory and Financial Obligations**

In the period under review, the fund was able to satisfy all the applications, except where the necessary information to support compliance and due diligence was not available. Further the commission complied with all the necessary laws and regulations applicable in the management of the funds.

### **Financial Probity and Governance**

To obtain assurance on compliance and prudence in the management fund finances, the Commission has prepared the financial statements for the funds and the statements are to be subjected to both internal and external audit whose outcomes enable the Commission to strengthen its operational and financial systems.

## REPORT OF THE CEO/COMMISSION SECRETARY

The Public Finance Management Act, 2012, requires the Accounting Officer to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Commission as at the end of each financial year and of its operating results. It also requires the Accounting Officer to ensure that the Commission maintains proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Commission. The Accounting Officer is also responsible for safeguarding the Commission's assets.

The Accounting Officer is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and in a form that complies with the standards prescribed by the Public Sector Accounting Standards Board (PSASB). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, safeguarding the assets, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Accounting Officer is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Commission and of its financial position. The Accounting Officer further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Accounting Officer to indicate that the funds will not remain as going concerns for at least the next twelve months from the date of this statement.



**Marjan Hussein Marjan**

**Ag. Commission Secretary/CEO**

## REPORT OF THE CHAIRPERSON

It gives me great pleasure to present the Commission's Staff Mortgage and Car Loan financial statements for the year ended 30<sup>th</sup> June 2019.

In the period under review thirty eight (38) members of staff benefitted from the mortgage and car loan scheme. Kshs. 135.25 million was disbursed for mortgage while Kshs. 15.5 million was disbursed for the car loan scheme at affordable interest rate of three percent (3%).

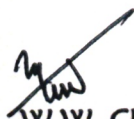
Staff welfare is a major concern for robust Commission culture. In this respect, the Commission has continued to implement Staff Mortgage and Car Loan schemes in line with Government regulation to which I have the pleasure of presenting for the Financial Year ending 30<sup>th</sup> June, 2019.

The Commission was allocated Kshs. 113 million in the 2018/19 financial year under the mortgage loan scheme and Ksh 31.1 million was allocated for the car loan scheme. All the funds were absorbed into the schemes.

The Commission ensured prudent financial management and reporting in line with Public Finance Management Act (PFMA) 2012, Government Financial Regulations, 2015 and International Public Sector Accounting Standards (IPSAS) resulting in efficient and effective administration of the Scheme.

I encourage all staff members to optimally utilize the facility for improvement of their welfare and to remain resilient and focused in the performance of the Commission mandate

My gratitude goes out to the National Government, the National Treasury, Parliament, the Judiciary, other Commissions and Independent Offices, fellow Commissioners and the staff of the Commission for their support towards fulfilling our mandate.

  
W.W. Chebukati  
Chairperson

# REPORT OF THE INDEPENDENT AUDITOR

# REPUBLIC OF KENYA

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



*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION STAFF MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2019**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Opinion**

I have audited the accompanying financial statements of Independent Electoral and Boundaries Commission Staff Mortgage and Car Loan Scheme set out on pages 17 to 29, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of budget execution 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, the financial statements present fairly, in all material respects, the financial position of the Independent Electoral and Boundaries Commission Staff Mortgage and Car Loan Scheme as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Independent Electoral and Boundaries Commission Staff Mortgage and Car Loan Scheme 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 opinion.

#### **Key Audit Matters**

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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**

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 overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were maintained 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 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 Scheme's ability to sustain services, disclosing, as applicable, matters related to

sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Scheme or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the 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**

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 review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or

operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the sustainability of services 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 ability of the Scheme 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 Scheme to cease sustaining 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 Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**14 January, 2021**

## STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 30th June

	Note	2018-2019 Unaudited Kshs 000	2017-2018 Restated Kshs 000	2016-2017 Restated Kshs 000
<b>Revenue</b>				
Interest on Free Funds	3	19,800	19,314	5,020
Interest on Loans	4	7,975	4,162	47
<b>Total Revenue</b>		<b>27,775</b>	<b>23,476</b>	<b>5,067</b>
<b>Expenses</b>				
Taxes on Interest Earned	5	(2,970)	(2,897)	(753)
Fund Administrative costs	6	(7,975)	(4,162)	(47)
<b>Total Expenses</b>		<b>(10,945)</b>	<b>(7,059)</b>	<b>(800)</b>
<b>Surplus</b>		<b>16,830</b>	<b>16,417</b>	<b>4,267</b>

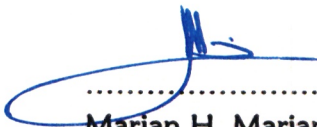
The notes on page 22 to 27 form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION


As at 30th June

	Note	2018/2019 Unaudited Kshs 000	2017/2018 Restated Kshs 000	2016/2017 Restated Kshs 000
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	7	311,677	293,391	292,164
Short Term Receivables	8	32,702	34,769	5,313
		<u>344,379</u>	<u>328,160</u>	<u>297,477</u>
<b>Non-Current assets</b>				
Long Term Receivables	9	328,557	185,279	33,637
<b>Total Assets</b>		<u>672,936</u>	<u>513,439</u>	<u>331,114</u>
<b>Liabilities</b>				
Tax Payable	10	(2,217)	(3,650)	(753)
<b>Total Liabilities</b>		<u>(2,217)</u>	<u>(3,650)</u>	<u>(753)</u>
<b>Financed by:</b>				
Mortgage Reserves		17,433	10,909	2,492
Car Loan Reserves		20,081	9,774	1,775
Mortgage Revolving Fund		526,012	263,012	200,000
Car Loan Revolving Fund		107,194	226,094	126,094
		<u>670,720</u>	<u>509,789</u>	<u>330,361</u>

The notes on page 22 to 27 form an integral part of these financial statements.

  
 .....  
**Marjan H. Marjan**  
 ICPAK M/ No. 2786  
Ag. Commission Secretary

  
 .....  
**Obadiah K. Keitany**  
 ICPAK M/ No. 3055  
Director Finance

  
 .....  
**W.W. Chebukati**  
Chairperson

## STATEMENT OF CASH FLOWS

As at 30th June, 2019

	Note	2018/2019 Unaudited Kshs 000	2017/2018 Restated Kshs 000	2016/2017 Restated Kshs 000
<b>Cash flows from Operating Activities:</b>				
Operating Surplus/(Deficit)		16,830	16,417	4,267
<b>Adjustments for Non-Cash Items:</b>				
<b>Changes in Working Capital:</b>				
Decrease/(Increase) in Short Term Receivables	8	2,067	(29,457)	(5,313)
Decrease/(Increase) in Tax Payables	10	(1,433)	2,897	753
<b>Net Cash Flow from Operating Activities</b>		<b>17,464</b>	<b>(10,143)</b>	<b>(293)</b>
<b>Cash flows from Investing Activities:</b>				
Decrease/(Increase) in Long Term Receivables	9	(143,278)	(151,642)	(33,637)
<b>Net Cash Flow from Investing Activities</b>		<b>(143,278)</b>	<b>(151,642)</b>	<b>(33,637)</b>
<b>Cash flows from Financing Activities:</b>				
Increase in Staff Mortgage Fund		113,000	63,012	200,000
Increase in Staff Car Loan Fund		31,100	100,000	100,000
<b>Net Cash Provided by Financing Activities</b>		<b>144,100</b>	<b>163,012</b>	<b>300,000</b>
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalent</b>				
		18,286	1,227	266,072
Cash & Cash Equivalent at Beginning		293,391	292,164	26,092
<b>Cash &amp; Cash Equivalents at the End</b>		<b>311,677</b>	<b>293,391</b>	<b>292,164</b>

The notes on page 22 to 27 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended 30th June, 2019					
	Mortgage Fund	Car Loan Fund	Mortgage Reserve	Car Loan Reserve	Total
	KShs. 000	KShs. 000	KShs. 000	KShs. 000	KShs. 000
Balance as at 30 June 2016	-	26,094	-	-	26,094
Surplus/(Deficit) for the Year	-	-	2,492	1,775	4,267
Repaid Capital	-	-	-	-	-
Staff Car Loan & Mortgage	200,000	100,000	-	-	300,000
<b>Balance as at 30th June 2017</b>	<b>200,000</b>	<b>126,094</b>	<b>2,492</b>	<b>1,775</b>	<b>330,361</b>
Surplus/(Deficit) for the Year	-	-	8,417	7,999	16,417
Staff Car Loan and Mortgage	63,012	100,000	-	-	163,012
<b>Balance as at 30th June 2018</b>	<b>263,012</b>	<b>226,094</b>	<b>10,909</b>	<b>9,774</b>	<b>509,789</b>
Surplus/(Deficit) for the Year	-	-	6,524	10,307	16,830
Transfers	150,000	(150,000)	-	-	-
Staff Car Loan and Mortgage	113,000	31,100	-	-	144,100
<b>Balance as at 30th June 2019</b>	<b>526,012</b>	<b>107,194</b>	<b>17,433</b>	<b>20,081</b>	<b>670,720</b>

## STATEMENT OF BUDGET EXECUTION

MORTGAGE & CAR LOAN BUDGET EXECUTION STATEMENT			
Item	Budget	Actual	Performance
Incomes	KShs '000	KShs '000	KShs '000
Housing Loans to Public Servants	113,000	113,000	-
Car Loans to Public Servants	31,100	31,100	-
Other Incomes - Interest Earned	-	27,775	27,775
<b>Expenditure</b>	<b>144,100</b>	<b>171,875</b>	<b>27,775</b>
Housing Loans to Public Servants	113,000	113,000	-
Car Loans to Public Servants	31,100	31,100	-
Use Goods and Services	-	10,945	(10,945)
<b>Total Expenditure</b>	<b>144,100</b>	<b>155,045</b>	<b>(10,945)</b>
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>16,830</b>	<b>16,830</b>

**Note:**

**Other Incomes:** The other income represents interest received from car loan and mortgage bank balances.

**Use of Goods and Service:** This represents costs incurred in the scheme such as taxes on interest and administration costs paid to the scheme administrator.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30<sup>th</sup> June 2019

## 1. Statement of compliance and basis of preparation – IPSAS 1

The Commission's Staff Mortgage and Car Loan Scheme financial statements have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Commission and all values are rounded to the nearest thousand (Kshs 000) which may in some cases make the added decimal balances to vary. The accounting policies have been consistently applied in all the years presented.

The financial statements have been prepared on the basis of historical cost, unless where stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

## 2. Summary of Significant Accounting Policies:

### a) Revenue Recognition - Revenue from Non-Exchange Transactions (Fees, Charges and Fines) – IPSAS 23

The Commission recognizes revenues from high interest bank balances earned and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that future economic benefits or service potential associated with the asset will flow to the Commission and the fair value of the asset can be measured reliably.

#### Interest Income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

### b) Budget Information – IPSAS 24

The annual budget is prepared and presented in a single statement to determine the needs of the Commission. The Commission has adopted the standard which requires budget information to be presented in the financial statements.

### c) Taxes – IAS 12

#### Income tax

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Commission operates and generates taxable income.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30<sup>th</sup> June 2019

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of Financial Performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## **d) Provisions – IPSAS 19**

Provisions are recognized when the Commission 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 Commission 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 Commission 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 Commission 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 Commission 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.

## **e) Nature and Purpose of Reserves**

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

## **f) Changes in Accounting Policies and Estimates – IPSAS 3**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30<sup>th</sup> June 2019

## **g) 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.

## **h) Comparative Figures**

Comparative figures for the year have been provided.

## **i) Significant Judgments and Sources of Estimation Uncertainty – IPSAS 1**

The preparation of the Commission'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 Commission based its assumptions and estimates on parameters available when the 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 Commission. Such changes are reflected in the assumptions when they occur. (IPSAS 1.140)

## **j) Subsequent Events – IPSAS 14**

There were non-adjusting events, matters or circumstances that arose subsequent to the end of the financial year that may not materially affect the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30<sup>th</sup> June 2019

### 3. Interest on Free Funds

	2018/2019	2017/2018	2016/2017
	Unaudited	Restated	Restated
	Shs 000	Shs 000	Shs 000
Interest from Mortgage Free Funds Account	7,675	9,903	2,931
Interest from Car Loan Free Funds Account	12,125	9,411	2,088
<b>Total</b>	<b>19,800</b>	<b>19,314</b>	<b>5,020</b>

### 4. Interest on Loans

	2018/2019	2017/2018	2016/2017
	Unaudited	Restated	Restated
	Shs 000	Shs 000	Shs 000
Interest on Mortgage	7,184	3,692	-
Interest on Car Loans	791	470	47
<b>Total</b>	<b>7,975</b>	<b>4,162</b>	<b>47</b>

### 5. Tax Costs on Interest Earned

	2018/2019	2017/2018	2016/2017
	Unaudited	Restated	Restated
	Shs 000	Shs 000	Shs 000
Tax Costs on Mortgage Interest earned	1,151	1,485	440
Taxes on Car Scheme Interest Earned	1,819	1,412	313
<b>Total</b>	<b>2,970</b>	<b>2,897</b>	<b>753</b>

### 6. Fund Administrative Costs

	2018/2019	2017/2018	2016/2017
	Unaudited	Restated	Restated
	Shs 000	Shs 000	Shs 000
Mortgage Administration Costs	7,184	3,692	-
Car Loan Administration Costs	791	470	47
<b>Total</b>	<b>7,975</b>	<b>4,162</b>	<b>47</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30<sup>th</sup> June 2019

## 7. Cash and Bank

	2018/2019	2017/2018	2016/2017
	Unaudited	Restated	Restated
	Shs 000	Shs 000	Shs 000
HFCK IEBC Mortgage A/c - 2172923101	233,491	93,376	179,100
HFCK IEBC Car Loan A/c - 2172923103	78,186	200,015	113,064
<b>Total</b>	<b>311,677</b>	<b>293,391</b>	<b>292,164</b>

## 8. Short Term Receivables

	2018/2019	2017/2018	2016/2017
	Unaudited	Restated	Restated
	Shs 000	Shs 000	Shs 000
Opening Balance	34,769	5,313	-
Mortgage Interest Receivables in the year	5,966	9,903	2,931
Car Loan Interest Receivables in the year	8,811	9,411	2,088
Mortgage Interest Received in the year	(12,834)	-	-
Car Loan Interest Received in the year	(11,499)	-	-
Accrued Mortgage Capital (Repayment)	3,566	8,980	-
Accrued Car Loan Capital (Repayment)	3,923	1,163	293
<b>Total</b>	<b>32,702</b>	<b>34,769</b>	<b>5,313</b>

## 9. Long Term Receivables

	2018/2019	2017/2018	2016/2017
	Unaudited	Restated	Restated
	Shs 000	Shs 000	Shs 000
Staff Mortgage Receivables	292,338	160,656	20,900
Staff Car Loan Receivables	36,219	24,623	12,737
<b>Total</b>	<b>328,557</b>	<b>185,279</b>	<b>33,637</b>

## 10. Tax Payable

	2018/2019	2017/2018	2016/2017
	Unaudited	Restated	Restated
	Shs 000	Shs 000	Shs 000
Opening Balance	3,650	753	-
Tax Payable on Mortgage Interest accrued	895	1,485	440
Taxes Payable on Car Loan Interest accrued	1,322	1,412	313
Tax Paid on Mortgage interest in the Year	(1,925)	-	-
Tax Paid on Car Loan interest in the Year	(1,725)	-	-
<b>Total</b>	<b>2,217</b>	<b>3,650</b>	<b>753</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30<sup>th</sup> June 2019

### 11. Number of Beneficiaries

The following table provides the number of beneficiaries since the two funds were created:

	2018/2019	2017/2018	2016/2017
	Unaudited	Restated	Restated
Staff who have benefited from Mortgage Fund	29	20	2
Staff who have benefited from Car Loan Fund	9	8	7
<b>Total</b>	<b>38</b>	<b>28</b>	<b>9</b>

### 12. Prior Period Adjustments -Restatements

During the 2018/2019 financial year, the Commission noted that the interest on loans and related fund administrative costs that should have been recognized in 2016/2017 and 2017/2018 financial years had been omitted. Also, the prior year accrued interest on free funds were not realized/received in full in the 2018/2019 financial year.

As required under IPSAS 3 paragraph 47, the comparative amounts for prior period(s) have been restated in 2018/2019 financial year to correct these errors. The effect of the restatement on those financial statements is summarized below:-

	2018/2019	2017/2018	2016/2017
	Current Year	Restated	Restated
	Shs 000	Shs 000	Shs 000
<b>(a) Interest on Loans and Fund Administrative Costs</b>			
Interest on Loans as previously reported	-	-	-
<b>Restatements:</b>			
To recognize interest on loans earned but omitted in the prior period(s)	7,975	4,162	47
<b>Interest on Loans as restated</b>	<b>7,975</b>	<b>4,162</b>	<b>47</b>
<b>Effect/Increase in Revenue</b>	<b>7,975</b>	<b>4,162</b>	<b>47</b>
Fund Administrative Costs as previously reported	-	-	-
<b>Restatements:</b>			
To recognize fund administrative costs incurred but omitted in the prior period(s)	(7,975)	(4,162)	(47)
<b>Fund Administrative Costs as restated</b>	<b>(7,975)</b>	<b>(4,162)</b>	<b>(47)</b>
<b>Increase/(Decrease) in Net Assets/Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(b) Interest on Free Funds</b>			
Net Interest on Free Funds as previously reported	18,778	-	-
<b>Restatements:</b>			
To adjust for overcasted interest on Free Funds as at 30th June, 2019	(1,948)	-	-
To recognize interest on Free Funds earned but omitted in the prior period(s)	-	16,417	4,267
<b>Net Interest on Free Funds as restated</b>	<b>16,830</b>	<b>16,417</b>	<b>4,267</b>
<b>Increase/(Decrease) in Net Assets/Equity</b>	<b>(1,948)</b>	<b>16,417</b>	<b>4,267</b>

The net change/effect in the 2018/2019 financial year's financial position is the reduction of the net fund assets from Kshs.672.667m before restatement to Kshs. 670.720m after restatement.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30<sup>th</sup> June 2019

### 13. Disclosure on Back-up Accounts

The Commission operates Mortgage and Car Loan back up accounts that hold funds designated as committed for loans disbursed to eligible applicants.

As at 30<sup>th</sup> June, 2019, the Mortgage back up Account had Kshs.304,883,389.00 and the Car Loan Scheme back up account had Kshs.41,598,686.00. This disclosure is in line with IPSAS 2 on Cash and Cash Equivalents.

### 14. Entity Tax Status

The Commission is a government agency, fully funded by the government and is therefore tax exempt. The Commission pays taxes as per the regulations.

### 15. Subsequent Events

The Commission is not aware of any matter or circumstances arising after the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position and the results of its operations as laid out in these financial statements.

## PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

The Commission did not have any audit follow up issues for the previous financial year 2017/2018 for the Staff Mortgage and Car Loan Fund financial statement.



.....  
Marjan H. Marjan  
ICPAK M/ No. 2786  
Ag. Commission Secretary



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W.W. Chebukati

Chairperson

