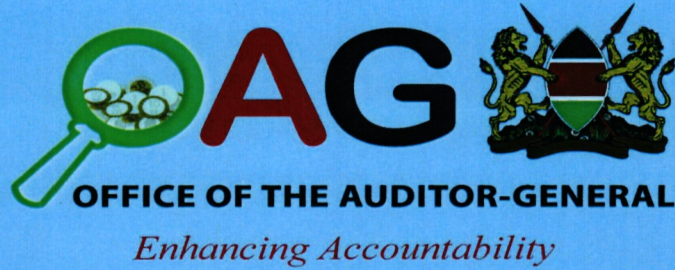


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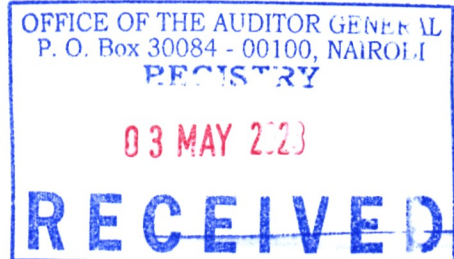
THE NATIONAL ASSEMBLY	
<b>REPORT</b>	
DATE: 25 JUL 2023	DAY: TUESDAY
TABLED BY:	Hon. Naomi Wago, MP
<b>OF</b>	Deputy Majority Whip
CLERK- THE-TABLE:	Anne Shubuko

**THE AUDITOR-GENERAL**

**ON**

**KENYA UNIVERSITIES AND COLLEGES  
CENTRAL PLACEMENT SERVICE STAFF  
MORTGAGE AND CAR LOAN SCHEME**

**FOR THE YEAR ENDED  
30 JUNE, 2020**



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**KENYA UNIVERSITIES AND COLLEGES CENTRAL PLACEMENT SERVICE  
STAFF MORTGAGE AND CAR LOAN SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

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

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■  
**1. KEY KUCCPS STAFF CAR LOAN AND MORTGAGE SCHEME INFORMATION**

**a) Background information**

The KUCCPS Staff Car Loan and Mortgage Scheme is established pursuant to the Salaries and Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17th December, 2014 on Schemes for State Officers and Other Public Officers of Government of Kenya, National Treasury Circular ZZ/MOF/26/03/86 of 16<sup>th</sup> September 2015 and ZZ/MOF/26/03/86/A (134) of 16<sup>th</sup> March 2016 to all public bodies. The scheme is wholly owned by Kenya Universities and Colleges Central Placement Service located in Nairobi, Kenya.

**b) Principal Activities**

The principal activities of the KUCCPS staff car loan and mortgage scheme:

- a) To enable KUCCPS staff to access mortgage facilities;
- b) To enable KUCCPS staff to purchase cars.

The scheme is administered by the Housing Finance. There is a committee appointed by the Chief Executive Officer charged with the responsibility of;

- i. Processing loans from applicants in accordance with laid down approved regulations;
- ii. Setting up a revolving scheme for the disbursement of loans; and
- iii. Supervising the day-to-day operations of the scheme.

**The Vision of KUCCPS**

The organisation's vision is "An equitable, fair and efficient placement service." The core values of the entity are customer centricity, integrity, access and equity, innovativeness and teamwork.

**The Mission of KUCCPS**

To nurture careers through advisory services and placement to educational and training institutions.

**c) KUCCPS Staff Car Loan and Mortgage Scheme Committee**

The Staff Car Loan and Mortgage Scheme Committee has the following members;

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Chairperson	Michael Kimani
2.	Member	Michael Mahia
3.	Member	Peter Ndirangu
4.	Scheme Secretary	Maxwell Okoth
5.	Member	Ednah Kerubo
6.	Member	Edna Adala
7.	Scheme Administrator	John M. Muraguri

**d) Key Management**

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Chief Executive Officer	John M. Muraguri
2.	Finance Manager	Michael Kimani
3.	Manager, Human Resource and Administration	Maxwell Okoth
4.	Manager, Internal Audit	Faith Musya
5.	Ag. Manager, Information, Communication and Technology	Dennis Rama
6.	Manager, Supply Chain Management	Daina Kibogo
7.	Manager, Corporate Communication	Paul Juma
8.	Manager, Placement and Career Development	Nancy Soila
9.	Manager, Legal and Corporation Secretary	Edna Adala
10.	Manager, Research & Knowledge Management	Agnes Mercy Wahome

**e) Fiduciary Oversight Arrangements**

The Placement Service has put in place measures and structures to enforce fiduciary and oversight arrangements and ensure compliance. These structures comprise the Parliamentary Committees, Placement Board and Committees of the Board.

**f) Registered Offices**

**Headquarters**

ACK Garden House, 3<sup>rd</sup> Floor (Block C & D)

Ngong 1<sup>st</sup> Avenue, Community

P.O. Box 105166, 00101

**Nairobi, Kenya**

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**KUCCPS Staff Car Loan and Mortgage Scheme Contacts**

Telephone: (+254) 020 5137400, 0723954927, 0734879662

E-mail: [ceo@kuccps.ac.ke](mailto:ceo@kuccps.ac.ke), Website: [www.kuccps.ac.ke](http://www.kuccps.ac.ke)

**KUCCPS Staff Car Loan and Mortgage Scheme Bankers**

HFC Rehani House, Koinange Street/Kenyatta Avenue

P.O. Box 30088, 00100,

**Nairobi, Kenya**

**g) Independent Auditors**

Auditor-General

Office of the Auditor General, Anniversary Towers, University Way

P.O. Box 30084, GPO 00100

**Nairobi, Kenya**

**h) Principal Legal Adviser**

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112, City Square 00200

**Nairobi, Kenya**

## 2. MANAGEMENT TEAM

No.	Management Member	Details
1.	 <p><b>John M. Muraguri</b>  <b>Scheme Administrator</b>  <i>MBA, B. Ed. (UoN)</i>  <b>Chief Executive Officer</b></p>	<p>The CEO is responsible for the day-to-day operations at the Placement Service.</p>
2.	 <p><b>CPA Michael Kimani</b>  <b>Manager, Finance</b>  <i>MBA (UoN), B Com. (KU), CPA-K, Member ICPAK</i></p>	<p>The Finance Manager is responsible for budgeting, budgetary control, financial management and reporting at the Placement Service.</p>
3.	 <p><b>Maxwell Okoth, Manager, Human Resource and Administration</b>  <i>MBA, B. Com. (UoN), Dip. HRM (KIM), Member IHRM</i></p>	<p>The Human Resource and Administration Manager is responsible for human capital management and administrative support services at the Placement Service.</p>
4.	 <p><b>CPA Faith Musya, Manager, Internal Audit</b>  <i>MBA, B. Ed. (UoN), CPA-K, Member IIA, ICPAK</i></p>	<p>The Internal Audit Manager is responsible for financial and systems audit, assurance and risk advisory services at the Placement Service.</p>
5.	 <p><b>Daina Kibogo, Manager, Supply Chain Management</b>  <i>M. Sc. Procurement &amp; Logistics (JKUAT), B.A. (Egerton), Dip. Supply Chain Management (ICM-UK), Member ICM, KISM</i></p>	<p>The Supply Chain Manager is responsible for procurement and supply chain operations at the Placement Service.</p>


**Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme Reports and Financial Statements for the year ended 30 June, 2020**

6.		<p><b>Paul Juma, Manager, Corporate Communication</b></p> <p><i>MA Communication Studies, B. Ed. (UoN), Member PRSK</i></p>	<p>The Corporate Communication Manager is responsible for the administration and management of publicity, corporate communication and customer experience at the Placement Service.</p>
7.		<p><b>Dennis Rama Ag. Manager, ICT</b></p> <p><i>M. Sc. (Information Systems), B. Sc. (Computer Science)</i></p>	<p>The Ag. ICT manager is responsible for information communication technology operations at the Placement Service.</p>
8.		<p><b>Nancy Soila Placement and Career Services Officer</b></p> <p><i>MBA (KU), B.Ed. (Moi), Member KIM</i></p>	<p>The Placement and Career Services Officer is responsible for all career guidance and placement programmes and activities at the Placement Service.</p>
9.		<p><b>Ms. Edna Adala Corporation Secretary and Legal Officer</b></p> <p><i>MBA, LLB (UoN), Dip. Law (KSL), Member LSK, ICPSK, PTA</i></p>	<p>The Corporation Secretary and Legal Manager is responsible for the overall management and administration of the Legal and Corporation Secretary functions.</p>
10.		<p><b>Agnes Mercy Wahome, Manager, Research &amp; Knowledge Management</b></p> <p><i>M.A Medical Sociology &amp; BA Sociology and Communication (UON), Dip. Community Oral Health (KMTC), Dip. Leadership in Strategic Health Communication (Johns Hopkins Center for Communication Program, USA)</i></p>	<p>The Manager is responsible for coordination of research, data collection, analysis and documentation at the Placement service</p>

**FUND ADMINISTRATION COMMITTEE**

No.	Management Member	Details
1.	 <p><b>CPA Michael Kimani, Manager, Finance</b> <i>MBA (UoN), B Com. (KU), CPA-K, Member ICPAK</i>  <b>Chairperson</b></p>	<p>The Finance Manager is responsible for budgeting, budgetary control, financial management and reporting at the Placement Service.</p>
2.	 <p><b>Maxwell Okoth, Manager, Human Resource and Administration</b> <i>MBA, B. Com. (UoN), Dip. HRM (KIM), Member IHRM</i></p>	<p>The Human Resource and Administration Manager is responsible for human capital management and administrative support services at the Placement Service.</p>
3.	 <p><b>Ms. Edna Adala, Corporation Secretary and Legal Manager</b> <i>MBA, LLB (UoN), Dip. Law (KSL), Member LSK, ICPSK, PTA</i></p>	<p>The Corporation Secretary and Legal Manager is responsible for the overall management and administration of the Legal and Corporation Secretary functions.</p>
4.	 <p><b>Peter Gatumu Ndirangu, Placement Coordination and Career Development Officer</b> <i>BSc. (Information Systems), Dip. IMIS, MCP Certification</i></p>	<p>The Placement and Career Development Officer is responsible for career guidance and placement programmes and activities at the Placement Service.</p>
5.	 <p><b>Michael Mahia, ICT Officer</b> <i>BBIT (JKUAT)</i></p>	<p>The ICT Officer is responsible for the for the support of the Placement ICT operations</p>

**Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme Reports and Financial Statements for the year ended 30 June, 2020**

6.		<p><b>Ednah Kerubo, Senior Accountant</b></p> <p><i>M.Sc. (Finance &amp; Investments), BA (Economics), CPA (K), Member, ICPAK</i></p>	<p>The Accountant is responsible for the Payment and receipting and maintaining the financial records.</p>
7.		<p><b>John M. Muraguri Scheme Administrator/CEO</b></p> <p>MBA, B. Ed. (UoN)</p>	<p>The CEO is responsible for the day-to-day operations at the Placement Service.</p>

### 3. CHAIRMAN'S STATEMENT



It is my pleasure to present the Staff Mortgage and Car Loan Scheme Annual Report and Accounts for the year ended 30 June, 2020 of the Kenya Universities and Colleges Central Placement Service.

The Placement Service is committed towards continuously improving the welfare of its staff through implementation of various products such as the KUCCPS Staff Mortgage and Car Loan Scheme.

The Scheme was initiated in the Financial Year 2015/16 and is implemented in line with Salaries and Remuneration Commission (SRC) Regulations and Guidelines. The benefits derived by staff from the Scheme are enormous, and contributes towards the attraction and retention of the requisite human capital for the discharge of the mandate of the Placement Service.

The National Treasury and the Placement Service Board has continued to provide funds for the Scheme in the previous reporting periods cumulating to a total of Kshs. 175 million as at the time of reporting. This is encouraging and we are grateful to the National Treasury for their continued support.

It is noteworthy, that the uptake of the mortgage and car loan has been on an increase and the Placement Service continues to review the products available to ensure optimal utility of the facility. Some of the recent products introduced include; equity release, plot purchase, and buy and build arrangements, among others.

The governance and management of the fund is conducted as set out in the loan entitlement and conditions stipulated in the Staff Mortgage and Car Loan Scheme Policies and Regulations. I urge all staff to utilize the opportunity to improve on their wellbeing as well as that of their families. I further wish to state the uptake of the facility has a direct effect in supporting the Government's Big Four Agenda.

A handwritten signature in blue ink, appearing to read 'Christine Mwaka', with a large, sweeping flourish underneath.

**MS. CHRISTINE MWAKA**  
**CHAIRPERSON, CAR LOAN AND MORTGAGE COMMITTEE**

#### 4. REPORT OF THE SCHEME ADMINISTRATOR



The Placement Service Staff Mortgage and Car Loan Scheme was initiated to create an enabling environment for optimal productivity by providing a competitive loan Scheme for members of Staff. The Scheme has been beneficial to staff and has witnessed increasing membership and contribution from the members of staff. The Scheme is established and governed in line with existing Government regulations which also requires preparation of Financial Statements.

In this regard, the Placement Service hereby presents the Financial Statements of the Staff Mortgage and Car Loan Scheme for the year ending 30th June, 2020. The Financial Statements presented comprises of; the Statement of Financial Performance, Statement of the Financial Position, Statement of Changes in Net Assets and Statement of Cash Flow and Statement Of Comparison Of Budget And Actual Amounts.

The Placement Service ensures prudent financial management and reporting in line with Public Finance Management Act (PFMA) 2012, Government Financial Regulations, 2015, Universities Act, 2012 and International Public Sector Accounting Standards (IPSAS). As result, the administration of the Scheme has been efficient and effective in meeting the intended purpose.

The implementation and administration of the Scheme is overseen by a Staff Mortgage and Car Loan Scheme Advisory Committee in liaison with external professional service providers. The Committee meets regularly to consider loans applications and make recommendations to the Service provider. During the period under review, the Scheme facilitated 3 applicants for mortgage and 5 applicants for car loan. The total amount disbursed to facilitate Staff Mortgage and car loan was Kshs 39.0 million. I encourage all staff members to utilize the facility for improvement of their welfare and to remain resilient and focused in the performance of their duties

**DR. AGNES MERCY WAHOME,  
CHIEF EXECUTIVE OFFICER/ SCHEME ADMINISTRATOR**

## **5. CORPORATE GOVERNANCE STATEMENT**

The Placement Service Staff Mortgage and Car Loan Scheme operations and financial responsibilities are overseen by the Chief Executive Officer who is the accounting officer. The operations are guided by an approved annual budget based on programmes whose performance is monitored through outputs and outcomes. The budget is informed by detailed work plans that translate in to annual procurement plans.

The scheme has put in place the following standing committees of the Board for oversight purposes: Audit, Risk and Compliance; Technical; and Administration, Finance and Development.

In addition, the Internal Audit Department is responsible for continuous review of systems of internal controls and overall risk management systems are in place.

Programmes are monitored against the set targets and appropriate feedback provided. Operational performance is monitored on a monthly basis through periodic financial reporting of actual expenditure versus budget performance, which provides feedback to user departments on appropriate action plans.

Quarterly financial statements are also produced to facilitate continuous evaluation of the overall financial performance of the scheme. The scheme prepares annual statutory financial statements alongside the Placement Service financial statements which are audited by the Office of Auditor-General, who certifies them before inclusion in the annual report.

## **6. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The Placement Service exists to transform lives. This is well articulated in its commitment to the empowerment and development of communities in a manner that leaves positive and sustainable impact on lives. Our guiding principles as outlined in the Placement Service's Corporate Social Investment Policy are sustainability, employee participation, cost effectiveness and mutuality. Below is a brief highlight of our achievements.

### ***i. Sustainability strategy and profile***

Under the UN sustainable Development Goals (SDGs), SDG number 4 introduces fundamental view of higher education learning that governments must undertake to ensure inclusive and equitable quality learning opportunities for all. KUCCPS has been in the forefront to harness technology to the advantage of students, universities and colleges in service delivery for efficiency and convenience. Placement Service updated its website, developed an online portal for use by universities and colleges and developed a mobile app for use by students during application and revision of career choices. Payment through M-Pesa has not only made our students applications easier but convenient and they are able to follow their application process remotely without the need to visit our offices. Through automation of our process, University and college registrars are able to upload data in Placement Service portal and perform Inter institution transfers with ease. In the long run, we endeavour to have all our services accessible through this online forum which is both effective and efficient and therefore sustainable for all the stakeholders.

### **Challenges**

In the absence of private-sector funding and competitive grants, public universities, colleges and research institutes in Kenya predominantly depend on dwindling public subsidies as well as unpredictable international donor support. This narrow funding base suggests that research and innovation systems in Kenya face severe financial deficits and lack the capacity to formulate and drive their own domestic funding agendas. National policymakers and university leadership need to be encouraged to work in closer partnership and to prioritize the strategic importance of research and innovation in national economic growth and competitiveness by investing more significantly in strengthening research capacity, infrastructure, and research opportunities in universities and colleges to enhance sustainability. This will endear our institutions to students across the borders.

**ii. Environmental performance**

The Corporation has established an Environmental Sustainability Committee to champion matters to do with safeguarding the environment. The Committee developed a draft policy. In addition, being a service corporation, the Placement Service has automated its core functions resulting in considerable reduction in paper-based transactions and therefore, contributing towards sustenance of the environment. Further, a Management Committee established to oversee disposal of obsolete assets has identified environmentally friendly methods of disposing of electronic assets that will be used in the 2020/2021 financial year.

**iii. Employee welfare**

***Human Resource Policies***

The Corporation's Human Resource Policies and Procedures Manual (2018) guides recruitment in line with the requirements of Article 27(8) of the Constitution on Affirmative Action in observing at least one third gender representation. Currently, the gender representation in the Corporation stands at male 55% and female 45%. The current policies were aligned with the Public Service Commission guidelines on management of HR and are applied while observing emerging relevant legislations, directives and circulars. They are due for a complete review in 2023.

***Employee Performance Management***

To ensure employees performed work that accomplished the business needs of the Placement Service, all employees' key performance indicators were aligned with the strategic goals of their departments and their performance reviewed at the end of the year. Employees received feedback during a formal performance review exercise on how effective their performance was relative to the expectations. The Management applied performance ratings in a fair and consistent manner and the rewards were consistent with employee performance and qualifications. Further, employees attended at least one training or development workshop aimed at improving their skills relevant to the Corporation's operations.

***Occupational Health and safety***

With regard to occupational health and safety, the Corporation has a policy on Work Environment, Health and Safety, which is aligned with the Occupational Safety and Health Act of 2007. In the financial year, the Placement Service purchased WIBA and GPA Insurance policies for its members of staff to provide for compensation for accidents and occupational diseases (WIBA) and against the

event of bodily injury caused by violent accident external and visible means resulting in the injured person's death or disablement (GPA), respectively.

To improve safety at the workplace, all staff were sensitised on incidents and accidents reporting procedures. Identified fire marshals were also trained on fire-fighting drills.

#### **iv. Market place practices**

The Corporation's preferred choice of procurement is competitive bidding, mainly open tenders, requests for quotations and requests for proposals. This ensures that firms are given equal opportunity to compete. The organisation has zero tolerance for corruption and enforces segregation of duties in its activities, especially in constituting procurement processing committees.

Due to the Covid-19 pandemic, the Placement Service was not able to organise a physical supplier sensitisation forum. However, the Corporation utilised the mass media sensitise the public on the procurement opportunities in the organisation. The Corporation maintains a register of suppliers which is updated often. Once a contract is awarded, the Placement Service, through the Supply Chain Management Department, ensures full implementation and performance of obligations.

#### **Community Engagements**



*Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme  
Reports and Financial Statements for the year ended 30 June, 2020*

To strengthen the Placement Service's corporate social investment (CSI) programmes, the Placement Board approved a Corporate Social Investment and Stakeholder Engagement Policy for implementation. In addition, the Placement Service supported the Standard Chartered Nairobi International Marathon, whereby 27 members of staff took part in various races. The objective of the marathon was to raise funds for supporting the youth in Kenya.

In collaboration with Malindi-based Elimu Resource Centre, the Placement Service provided career guidance services to the youth of Kilifi County seeking training opportunities.

▲  
**7. REPORT OF THE SCHEME**

The Board and the Scheme submit the report together with the audited financial statements for the year ended 30 June, 2020 which show the state of affairs of the Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme.

**Principal activities**

The principal activities of the Staff Mortgage and Car Loan Scheme are to facilitate Placement Service staff with Mortgage to acquire their own homes and Car loan for purchase of motor vehicles at concessionary rates.

**Results**

The results of the Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme for the year ended 30 June, 2020 are set out from page 1 to 5.

**Trustees**

The members of the Administration committee who served during the year are shown on pages viii to ix

**Auditors**

The Auditor-General is responsible for the statutory audit of the Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**Faith Kaluai**  
**Corporation Secretary**  
**Nairobi**  
**20 March, 2023**

## **8. STATEMENT OF MANAGEMENT RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations require the Board to prepare financial statements in respect of the Placement Service Staff Mortgage and Car Loan Scheme, which give a true and fair view of the state of affairs of the scheme at the end of the financial year/period and the operating results of the scheme for that year/period. The management members are also required to ensure that the scheme keeps proper accounting records which disclose with reasonable accuracy the financial position of the scheme. The management are also responsible for safeguarding the assets of the scheme.

Further, the management is responsible for the preparation and presentation of the scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year ended on 30 June, 2020. 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 entity; (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 Placement Service; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The management accepts responsibility for the Scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Board members are of the opinion that the Scheme's financial statements give a true and fair view of the state of the Scheme's transactions during the financial year ended 30 June, 2020, and of its financial position as at that date. The Board Members further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control.

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

***Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme  
Reports and Financial Statements for the year ended 30 June, 2020***

**Approval of the financial statements**

The Staff Mortgage and Car Loan Scheme's financial statements were approved by the Board on 29<sup>th</sup> September, 2020 as part of the Placement main accounts and signed on its behalf by:



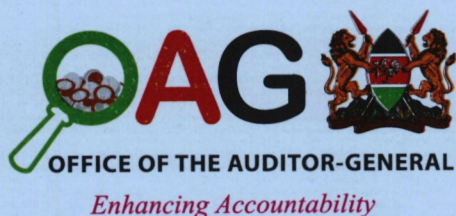
**Dr. Agnes Mercy Wahome**  
**Scheme Administrator/ Chief Executive Officer**



**Christine Mwaka**  
**Chair/KUCCPS Staff Mortgage &  
Car Loan Scheme**

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA UNIVERSITIES AND COLLEGES CENTRAL PLACEMENT SERVICE STAFF MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme set out on pages 1 to 22, which comprise of the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in nets assets, statement of cash flows and summary 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 Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Inaccuracies in the Financial Statements**

###### **1.1 Cash and Cash Equivalents**

As disclosed in Note 9 to the financial statements, the statements of financial position reflects two (2) bank account balances of Kshs.111,233,937 in respect of cash and cash equivalents. However, review of the certificate of bank balance provided for audit revealed 4 (four) bank accounts balances totalling to Kshs.176,307,448 resulting to an unexplained and unreconciled variance of Kshs.65,073,511.

## **1.2 Statement of Financial Position**

The statement of financial position reflects revenue reserve of an amount of Kshs.7,153,318 which is at variance with the accumulated surplus of an amount of Kshs.25,640,873 reflected in the statements of changes in net assets resulting to an amount of unexplained and reconciled variance of Kshs.18,487,555.

In the circumstances, the accuracy and completeness of the accumulated surplus of an amount of Kshs.7,153,313 could not be confirmed.

## **1.4 Statement of Financial Performance**

Review of the statement of financial performance revealed a nil balance in respect of 3% commission on service providers. However, the staff mortgage and car loans bank statements reflects an amount of Kshs.329,644 in respect of tax on credit and other bank charges which are not included as expenses in the statement of financial performance.

In the circumstances, the accuracy and completeness of the nil balance in respect of 3% commission on service providers could not be confirmed.

## **2. Unsupported Disbursed Loans**

Statement of financial position reflects balance of Kshs.64,406,935 in respect of long term receivables of the staff mortgage and car loans. However, review of the ledger schedules provided for audit review revealed that the Management disbursed an amount Kshs.39,055,435 which included an amount of 20,532,436 not supported by schedules indicating the names of the loan beneficiaries.

In the circumstances, the accuracy and completeness of the long term receivables from staff mortgage and car loans balance of Kshs.20,532,436 could not be confirmed.

## **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Universities and Colleges Central Placement Service 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 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.

# 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 matters 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**

### **1. Late Submission of Financial Statements**

The financial statements for the Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme for the year ended 30 June, 2020 were submitted to the Auditor-General on 27 March, 2023, thirty-three (33) months after the statutory deadline to submit of 30 September, 2020. This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

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

### **2. Non-Compliance with the Public Sector Accounting Standards Board Requirement on Presentation of the Financial Statements**

The Fund submitted the financial statements for audit during the year under review. However, inconsistencies on presentation of the preamble information revealed that the names of the chairperson, chief executive/scheme administrator and manager legal and corporation secretary as per the staff mortgage and car loan scheme committee profile presented was different from persons who signed the financial statements, chairman's report and staff mortgage and car loan schemes committee reports. In addition, the statement of changes in net assets presented the balances of the previous year and not the year under review.

In the circumstances, the Fund did not comply with the Public Sector Accounting Standards Board (PSASB) guidelines.

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

### **Responsibilities of 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Scheme's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless 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 Scheme's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

- 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 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 Scheme'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 Scheme 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 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 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

13 June, 2023

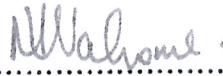
Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car loan Scheme Reports and Financial Statements for the year ended 30 June, 2020

10. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2020


Description	Note	2019-2020 Kshs	2018-2019 Kshs
Revenue from non-exchange transactions			
Transfers from KUCCPS	6		
		-	-
Revenue from non-exchange transactions		-	-
Interest Income	7	7,153,313	9,132,004
		7,153,313	9,132,004
<b>Total revenue</b>		<b>7,153,313</b>	<b>9,132,004</b>
Expenses		-	-
Surplus before Tax		7,153,313	9,132,004
Taxation		-	-
<b>Total Surplus</b>		<b>7,153,313</b>	<b>9,132,004</b>

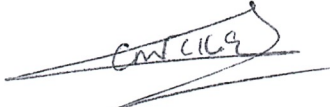
The notes set out on pages 6 to 25 form an integral part of the Financial Statements.

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
.....  
Dr. Agnes Mercy Wahome  
Chief Executive Officer

20 March, 2023

  
.....  
Michael Kimani  
Fund Accountant  
ICPAK M/No: 5310  
20 March, 2023

  
.....  
Christine Mwaka  
Chairperson of the Scheme  
20 March, 2023

Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car loan Scheme Reports and Financial Statements for the year ended 30 June, 2020

11. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2020

Description	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	111,233,937	139,412,583
Receivables from exchange transactions		-	-
Receivables from non- exchange transactions		-	-
<b>Total Current Assets</b>		<b>111,233,937</b>	<b>139,412,583</b>
<b>Non-current assets</b>			
Receivables from exchange transactions	11	64,406,935	29,074,977
<b>Total assets</b>		<b>175,640,872</b>	<b>168,487,560</b>
<b>Liabilities</b>			
Trade and other payables		-	-
Total current liabilities		-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>			
Revenue Reserve	12	7,153,313	9,132,004
Staff Mortgage and Car Loan Reserve Fund		168,487,560	159,355,556
<b>Total net assets</b>		<b>175,640,872</b>	<b>168,487,560</b>
<b>Total net assets and liabilities</b>		<b>175,640,872</b>	<b>168,487,560</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



.....  
Dr. Agnes Mercy Wahome  
Chief Executive Officer

20 March, 2023




.....  
Michael Kimani  
Fund Accountant  
ICPAK M/No: 5310

20 March, 2023



.....  
Christine Mwaka  
Chairperson of the Scheme

20 March, 2023



Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car loan Scheme Reports and Financial Statements for the year ended 30 June, 2020

12. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2020

Description	Accumulated Surplus	Car Loan Reserve	Staff Mortgage Reserve	Total
	Kshs	Kshs	Kshs	Kshs
<b>Balance As at 1 July, 2019</b>	<b>18,487,560</b>	<b>30,000,000</b>	<b>120,000,000</b>	<b>168,487,560</b>
Surplus for the period	7,153,313	-	-	7,153,313
Transfer to Staff Mortgage Reserve	-	-	-	-
Transfer to Staff Car Loan Reserve	-	-	-	-
<b>Balance as at 30 June, 2020</b>	<b>25,640,873</b>	<b>30,000,000</b>	<b>120,000,000</b>	<b>175,640,873</b>
<b>Balance As at 1 July, 2018</b>	<b>9,355,556</b>	<b>30,000,000</b>	<b>120,000,000</b>	<b>159,355,556</b>
Surplus for the period	9,132,004	-	-	9,132,004
Transfer to Staff Mortgage Reserve	-	-	-	-
Transfer to Staff Car Loan Reserve	-	-	-	-
<b>Balance as at 30 June, 2019</b>	<b>18,487,560</b>	<b>30,000,000</b>	<b>120,000,000</b>	<b>168,487,560</b>


The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
 .....  
**Dr. Agnes Mercy Wahome**  
 Chief Executive Officer

20 March, 2023

  
 .....  
**Michael Kimani**  
 Fund Accountant  
 ICPAK M/No: 5310

20 March, 2023

  
 .....  
**Christine Mwaka**  
 Chairperson of the Scheme

20 March, 2023

13. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2020

<b>Description</b>	<b>Note</b>	<b>2019/20</b>	<b>2018/19</b>
		<b>Kshs.</b>	<b>Kshs.</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received	7	7,153,313	9,132,004
<b>Total receipts</b>		<b>7,153,313</b>	<b>9,132,004</b>
<b>Payments</b>			
<b>Total payments</b>		-	-
<b>Net cash flow from operating activities</b>		<b>7,153,313</b>	<b>9,132,004</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments	8	3,723,477	3,151,417
Loan disbursements paid out		(39,055,436)	(29,526,394)
<b>Net cash flows used in investing activities</b>		<b>(35,331,959)</b>	<b>(26,374,977)</b>
<b>Cash flows from financing activities</b>			
Receipts into the mortgage & Staff Loan account		-	-
Receipts into Placement Service Staff Car Loan account		-	-
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>		<b>(28,178,646)</b>	<b>(17,242,973)</b>
Cash and cash equivalents at 1 July 2022		139,412,583	156,655,556
<b>Cash and cash equivalents at 30 June 2022</b>	9	<b>111,233,937</b>	<b>139,412,583</b>

**14. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2020**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
<b>Revenue</b>						
Transfers from KUCCPS	-	-	-	-	-	0%
Interest income	-	-	-	7,153,313	(7,153,313)	
<b>Total Revenue</b>	-	-	-	7,153,313	(7,153,313)	
<b>Expenses</b>						
Use of goods and services	-	-	-	-	-	0%
Finance cost	-	-	-	-	-	0%
<b>Expenditure</b>	-	-	-	-	-	0%
<b>Surplus for the period</b>	-	-	-	7,153,313	(7,153,313)	
<b>Capital Expenditure</b>	-	-	-	-	-	0%

## **15. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

The Placement Service Staff Car Loan and Mortgage established pursuant to the Salaries and Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17th December, 2014 on staff Car Loan and Mortgage Schemes for State Officers and Other Public Officers of Government of Kenya, National Treasury Circular ZZ/MOF/26/03/86 of 16<sup>th</sup> September 2015 and ZZ/MOF/26/03/86/A (134) of 16<sup>th</sup> March, 2016 to all public bodies and the KUCCPS staff car loan and mortgage 2017.

### **2. Statement of Compliance and Basis of Preparation**

The Financial Statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Placement Service Staff car loan and mortgage Scheme accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Placement Service Staff Car Loan and Mortgage Scheme.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and the Universities Act No. 54 of 2012, Section 28 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June, 2020

IPSASB deferred the application date of standards from 1<sup>st</sup> January, 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January, 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30th June, 2020.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of The Placement Service Staff Car Loan and Mortgage Scheme’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between the Placement Service Staff Car Loan and Mortgage Scheme’s risk management strategies and the</li> </ul>

**Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car loan Scheme Reports and Financial Statements for the year ended 30 June, 2020**

<b>Standard</b>	<b>Effective date and impact:</b>
	<p>accounting treatment for instruments held as part of the risk management strategy.</p> <p><i>This will not affect the Placement Service Staff car loan and mortgage Scheme</i></p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting KUCCPS Staff car loan and mortgage Scheme provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>a) The nature of such social benefits provided by the Placement Service Staff Car Loan and Mortgage Scheme;</li> <li>b) The key features of the operation of those social benefit the Placement Service Staff Car Loan and Mortgage Schemes; and</li> <li>c) The impact of such social benefits provided on the Placement Service Staff Car Loan and Mortgage Scheme's financial performance, financial position and cash flows.</li> </ul> <p><i>This will not affect the Placement Service Staff car loan and mortgage Scheme</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for</li> </ul>

Standard	Effective date and impact:
	<p>accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><b><i>This will not affect the Placement Service Staff car loan and mortgage Scheme</i></b></p>
Other improvements to IPSAS	<p><b><i>Applicable 1<sup>st</sup> January 2023</i></b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><b><i>This will not affect the Placement Service Staff car loan and mortgage Scheme</i></b></p>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Placement Service Staff Car Loan and Mortgage Scheme.</p>

**Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car loan Scheme Reports and Financial Statements for the year ended 30 June, 2020**

<b>Standard</b>	<b>Effective date and impact:</b>
	<p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>This will not affect the Placement Service Staff car loan and mortgage Scheme</i></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>This will not affect the Placement Service Staff car loan and mortgage Scheme</i></p>

**iii. Early adoption of standards**

The Placement Service Staff car loan and mortgage Scheme did not early – adopt any new or amended standards in the year 2019/2020.

**4. Significant Accounting Policies**

**a. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property). In case the transfer is free from conditions, it is probable that the economic benefits or service potential related to the asset will flow to the Placement Service Staff car loan and mortgage Scheme and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

**Interest income**

The Placement Service Staff car loan and mortgage Scheme will have a Current bank account for the staff car loan account and mortgage account. KUCCPS expects to receive future cash receipts from the current accounts.

**b. Budget information**

The original budget for FY 2019/2020 was approved by the National Assembly. Subsequent revision and additional appropriations were made to the approved budget in accordance with specific approvals from the Placement Board and The National Treasury and Planning. The additional appropriations are added to the original budget by The Placement Service Staff car loan and mortgage Scheme upon receiving the respective approvals from the Placement Board and The National Treasury and Planning to conclude the final budget. Accordingly, The Placement Board recorded no appropriation on the 2019-2020 budget following the governing body's approval.

KUCCPS staff car loan and mortgage Scheme budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement on financial performance, whereas the budget is prepared on a cash basis.

**c. Financial Instruments**

**1) 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 Placement Service Staff car loan and mortgage Scheme 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 Placement Service Staff car loan and mortgage Scheme 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, with 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 Placement Service Staff car loan and mortgage Scheme assesses at each reporting date whether there is objective evidence that a financial asset or a Scheme of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act. A financial asset of the Scheme 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 Scheme that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the Scheme are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- 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).

## **2) 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 Placement Service Staff car loan and mortgage Scheme 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.

**c. Contingent liabilities**

The Scheme 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.

The Placement Service Staff car loan and mortgage Scheme had no contingent liability during the year.

**d. Contingent assets**

The Placement Service Staff Car Loan and Mortgage Scheme 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 Schemes 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.

The Placement Service staff Car Loan and Mortgage Scheme had no contingent assets during the year.

**e. Nature and purpose of reserves**

Placement Service Staff Car Loan and Mortgage Scheme creates and maintains reserves in terms of specific requirements. Reserves are listed as below;

- i) Accumulated Surplus – this is the sum of all accumulated surplus and deficits as at the reporting date.
- ii) Placement Service Staff car loan and mortgage Scheme– this represents funds set aside as seed money to operationalize the Scheme once opening of the Bank Account is approved by the National Treasury and Planning.

**f. Changes in accounting policies and estimates**

The Placement Service Staff car loan and mortgage Scheme recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**g. 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.

**h. Related parties**

The Placement Service Staff car loan and mortgage Scheme regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Scheme, or vice versa. Members of key management are regarded as related parties and comprise the Directors/ Trustee, the Scheme Managers, and Scheme Accountant.

**i. 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 at Housing Finance at the end of the financial year.

**j. Comparative figures**

The Placement Service staff car loan and mortgage Scheme was established and became operational in the year 2017, comparative figures are for 2018/2019 financial year.

**k. Events after the reporting period**

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

## **1. Ultimate and Holding Placement Service Staff Car Loan and Mortgage Scheme**

The Scheme is established under Section 24 (4) PFM Act under the Ministry of Education. Its ultimate parent is the Government of Kenya.

### **m. Currency**

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

## **5. Significant judgement and sources of estimation uncertainty**

The preparation of the Placement Service staff car loan and mortgage Scheme'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.

### **a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Scheme. Such changes are reflected in the assumptions when they occur.

### **b) Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i. The condition of the asset is based on the assessment of experts employed by the Scheme
- ii. The condition of the asset is based on the assessment of experts employed by the Scheme

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- iii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iv. The nature of the processes in which the asset is deployed Availability of Scheme to replace the asset Changes in the market in relation to the asset.

**6. Transfers from the Parent Ministry/SC/SAGA**

Description	2019/20	2018/19
	Kshs.	Kshs.
Transfers from Government entities– operations	-	-
Payments by Government entity on behalf of the Placement Service Staff Car Loan and Mortgage Scheme	-	-
<b>Total</b>	-	-

The Placement Service Car Loan and Mortgage Scheme did not receive any transfer during the year.

**7. Interest income**

Description	2019/20	2018/19
	Kshs.	Kshs.
Interest Income from Car Loan and Mortgage Loans	7,153,313	9,132,004
<b>Total Interest Income</b>	<b>7,153,313</b>	<b>9,132,004</b>

The Placement Service staff car loan and mortgage Scheme funds earned interest at the rate of 2% from Staff loans and market rate for the unutilised deposit.

**8. Loan issued and Repayment**

Description	2019/20	2018/19
	Kshs.	Kshs.
Loan Repayment	3,723,477	3,151,417
Loan Issued to staff	(39,055,436)	(29,526,394)
<b>Total Cash and Cash equivalents</b>	<b>(35,331,959)</b>	<b>(26,374,977)</b>

**9. (a) Cash and cash equivalents**

Description	2019/20	2018/19
	Kshs.	Kshs.
KUCCPS Staff Mortgage Account	81,550,074	108,037,427
KUCCPS Staff Car loan Account	29,683,863	31,375,156
<b>Total Cash and Cash equivalents</b>	<b>111,233,937</b>	<b>139,412,583</b>

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9 (b) Detailed analysis of the cash and cash equivalents in banks approved by National Treasury in line with Section 28 of the PFM Act are as follows:

<b>Financial Institution</b>	<b>Account number</b>	<b>2019/20 Kshs.</b>	<b>2018/19 Kshs.</b>
<b>KUCCPS Staff Car Loan &amp; Mortgage</b>			
HF -Mortgage Account	2211863401	81,550,074	108,037,427
HF -Car loan Account	2211863402	29,683,863	31,375,156
<b>Grand Total</b>		<b>111,233,937</b>	<b>139,412,583</b>

10. (a) Current Receivables from Non-Exchange transactions

<b>Description</b>	<b>2019/20 Kshs.</b>	<b>2018/19 Kshs.</b>
Transfers from Government Entities	-	-
Transfer from KUCCPS main account	-	-
<b>Total Receivables from Non-Exchange Transactions</b>	<b>-</b>	<b>-</b>

The amount was provided for by the Placement Service Board and is receivable by the Placement Service Staff Car Loan and Mortgage Scheme.

11. Non-Current receivables from Exchange transactions

<b>Description</b>	<b>2019/20 Kshs.</b>	<b>2018/19 Kshs.</b>
Transfers from Government Entities	-	-
Transfer from KUCCPS main account	64,406,935	29,074,977
<b>Total Non- Current Receivables from Non-Exchange Transactions</b>	<b>64,406,935</b>	<b>29,074,977</b>

12. Reserves

<b>Description</b>	<b>2019/20 Kshs.</b>	<b>2018/19 Kshs.</b>
KUCCPS staff Mortgage Reserve	120,000,000	120,000,000
KUCCPS staff Car loan Reserve	30,000,000	30,000,000
Revenue Reserve	25,640,873	18,487,560
<b>Total car loan and mortgage</b>	<b>175,640,873</b>	<b>168,487,560</b>

**Other Disclosures**

**13. Financial risk management**

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Placement Service Staff Car Loan and Mortgage Scheme'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 Placement Service Staff car loan and mortgage Scheme 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 Placement Service Staff Car Loan and Mortgage Scheme's financial risk management objectives and policies are detailed below:

**a) Credit risk**

The Placement Service Staff car loan and mortgage Scheme 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 Scheme 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 Scheme's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June, 2020</b>				
Receivables from Exchange Transactions-Car loans and mortgages	64,406,935	64,406,935	-	-
Receivables from Non-Exchange Transactions		-	-	-
Bank Balances	111,233,937	111,233,937	-	-
<b>Total</b>	<b>175,640,872</b>	<b>175,640,872</b>	<b>-</b>	<b>-</b>
Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June, 2019</b>				
Receivables from Exchange Transactions- Car loans and mortgages	29,074,977	29,074,977	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	139,412,583	139,412,583	-	-
<b>Total</b>	<b>168,487,560</b>	<b>168,487,560</b>	<b>-</b>	<b>-</b>

**b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Placement Service Staff car loan and mortgage Scheme Administrator, who has built an appropriate liquidity risk management framework for the management of the Scheme's short, medium, and long-term Scheming and liquidity management requirements. The Scheme administrator manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

Description	Less than 1 month Kshs.	Between 1-3 months Kshs.	Over 5 months Kshs.	Total Kshs.
<b>At 30 June 2020</b>				
Trade Payables	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2019</b>				
Trade Payables	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

-  
**c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Scheme 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 Placement Service Staff Car Loan and Mortgage Scheme'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 Placement Service Staff Car Loan and Mortgage Scheme's Finance Department is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

There has been no change to the Placement Service Staff Car Loan and Mortgage Scheme's exposure to market risks or the manner in which it manages and measures the risk.

**d) Interest rate risk**

Interest rate risk is the risk that the Placement Service Staff Car Loan and Mortgage Scheme's financial condition may be adversely affected as a result of changes in interest rate levels. The Scheme's interest rate risk arises from bank deposits. This exposes the Scheme to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Scheme'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 Placement Service Staff car loan and mortgage Scheme analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**e) Capital Risk management**

The objective of the Scheme’s capital risk management is to safeguard the funds’ ability to continue as a going concern. The Scheme capital structure comprises of the following funds:

<b>Description</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Revolving KUCCPS Staff Car Loan and Mortgage Scheme	168,487,560	159,355,556
Accumulated surplus	7,153,313	9,132,004
<b>Total KUCCPS Staff Car Loan and Mortgage Schemes</b>	<b>175,640,873</b>	<b>168,487,560</b>
Less: cash and bank balances	111,233,937	139,412,583
Net debt/(excess cash and cash equivalents)	(111,233,937)	(139,412,583)
<b>Gearing</b>	-	-

**14. Events after the Reporting Period**

- i) The Placement Service Board Chairman, Mr. Joe Owaka Ager, was appointed with effect from 12th July, 2018 vide Kenya Gazette Notice Number 7056 dated 13th July, 2018. His term ended on 12<sup>th</sup> July, 2021 and Mr. Cyrus Gituai was appointed as the Board Chairman with effect from 13<sup>th</sup> July, 2022.
- ii) The term of the Chief Executive Officer, Dr. John Muraguri expired and Dr. Agnes Mercy Wahome appointed with effect from 1<sup>st</sup> February, 2021.
- iii) Ms. Christine Mwaka was appointed the Chairman of the Staff Car Loan and Mortgage Scheme effective 29<sup>th</sup> August, 2022 and therefore signed the statements prepared while Chairman.

**15. Ultimate and holding Entity**

The Scheme is under the Placement Service which is a semi-autonomous government agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

16. ANNEXES

**Annex I: Progress on Follow Up of Prior Year Auditor's Recommendations**

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

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

**Dr. Agnes Mercy Wahome**

**Chief Executive Officer / Scheme Administrator**

**20 March, 2023**

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**Annex II: Inter-Entity Confirmation Letter**

*KUCCPS Staff Car Loan and Mortgage Scheme*

The *Placement Service* wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June, 2020 as indicated in the table below.

**Confirmation of amounts received by PLACEMENT SERVICE Staff Car Loan and Mortgage Scheme as at 30th June 2020**

Reference Number	Date Disbursed	Amounts Disbursed by KUCCPS Staff Car Loan and Mortgage (Kshs) as at 30th June, 2020				Total (D)=(A+B+C)	Amount Received by KUCCPS Staff Car Loan and Mortgage Scheme (Kshs) as at 30 <sup>th</sup> June, 2020 (E)	Differences (Kshs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)				
	-	-	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	-	-	

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

**Head of Accounts department at the Placement Service Staff Car Loan and Mortgage Scheme:**



**CPA Michael Kimani**

**Finance Manager**

**20 March, 2023**

**Annex III: Reporting of Climate Relevant Expenditures**

Name and contact details of contact person .....

Project Name	Project Description	Project Objectives	Project Activities					Source Of PLACEMENT SERVICE Staff Car Loan and Mortgage Schemes	Implementing Partners
				Q 1	Q 2	Q 3	Q 4		
	N/A								

The Placement Service Scheme did not have expenditure under this category.

Annex IV: Disaster Expenditure Reporting Template

Date:						
PLACEMENT SERVICE Staff Car Loan and Mortgage Scheme						
Period to which this report refers (FY)	N/A			Quarter		
Name of Reporting Officer	N/A					
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs .)	Comments

The Placement Service Scheme did not have expenditure under this category.