

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

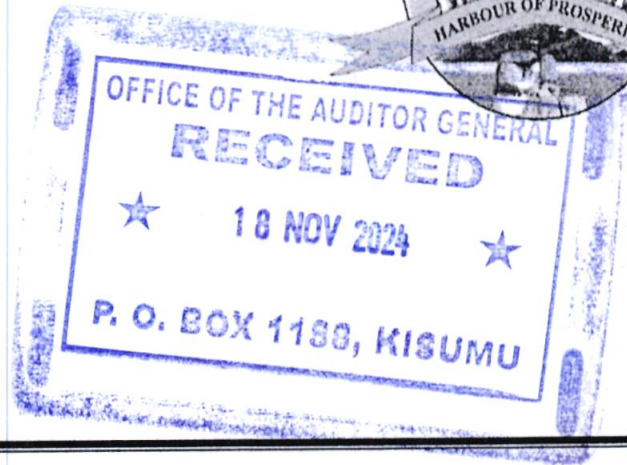
Enhancing Accountability

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REPORT
OF
THE AUDITOR-GENERAL
ON
KISUMU COUNTY CAR LOAN AND
MORTGAGE SCHEME FUND

FOR THE YEAR ENDED
30 JUNE, 2024



KISUMU COUNTY CAR LOAN & MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024**

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

Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

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Kisumu County Car Loan & Mortgage Scheme Fund
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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
Kshs	Kenya Shiling

b) Glossary of Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year – Means the prior year

2. Key Entity Information and Management

a) Background information

The Kisumu County car & mortgage loan scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circulars referenced; SRC/ADM/CIR/1/13 Vol. III (128) of 17th December, 2014; SRC/ADM/CIR/1/13 Vol. III (130) of 29th January, 2015 and SRC/ADM/CIR/1/13 Vol. III (142) of 25th August, 2015 all of which set and advised on the establishment of Car loan and Mortgage Schemes for both state and other public officers. The fund is wholly owned by County Government of Kisumu and is domiciled in Kenya. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

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

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

The County pumped in additional Kshs. 15M towards the end of the FY 2022/2023 for disbursement to the loan applicants.

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

There has not been any appointment of new committee member.

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

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide loan facility for purchase and development of residential house; and purchase of motor vehicles for personal use by members of the scheme who are employees of the County Government of Kisumu.

Vision

“Leader in fund management for staff.”

Mission

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

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Core Values

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

c) Fund Management Committee

Ref	Name	Position
1.	Mrs. Jacinta Kapiyo	Chairperson
2.	Mr. John Awiti	CECM Education
3.	Mr. Hesbon Hongo	Ag. County Secretary
4.	Mr. Edris Otieno	County Attorney
5.	Mr. Bovince Ochieng	Chief Officer Trade Cooperatives
6.	Mr. Paul Waweru	Chief Officer Finance, Economic Planning & ICT
7.	Mr. Martin Okode	Director Finance
8.	Mr. Stephen Ajode	Director Human Resource Management
9.	Mr. Evans Otieno	Fund Administrator

d) Key Management Team

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

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Directorate Internal Audit	Mr. Godfrey Dienya
2	Staff Car Loan & Mortgage Loan Advisory Committee	Mr. Stephen Ajode

f) Registered Offices

Prosperity Building, 8th Floor, wing B
P.O. Box 2738-40100
Kisumu, Kenya

g) Fund Contacts

Prosperity Building, 8th Floor, wing B
E-mail: treasury@kisumu.go.ke
Website: www.kisumu.go.ke

Key Entity and Management (Continued)

h) Fund Bankers

1. Family Bank
Kisumu Express Branch
P.O. Box 74145 -0200
Nairobi, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser

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

k) County Attorney





The County Attorney
County Government of Kisumu
Prosperity Building
P.O. Box 2738-40100
Kisumu, Kenya

**Kisumu County Car Loan & Mortgage Scheme Fund
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3. Board of Trustees/ Fund Administration Committee

Name	Details of qualifications and experience
	<p>Mrs. Jacinta Kapiyo–Fund Chairperson Mrs Jacinta Kapiyo holds a Masters degree in Educational Administration, Planning & Curriculum. She has extensive experience as a High School teacher, Director University Education. She is also a council member of Technical, Garissa & Rongo Universities. Currently Vice chair for KCPSB Mrs. Jacinta was appointed to the committee on 25th November 2019 and she is aged 67 years</p>
	<p>Mr. John Awiti –Fund Committee Member Mr. Awiti is a CEC member for Education, Technical Training, Innovation & Social Services. He is a renown educationist spanning several years. Mr. Awiti was appointed to the committee on 20th April 2021 and he is aged 66 years</p>
	<p>Mr. Bovince Ochieng –Fund Committee Member Mr. Ochieng holds a Bsc. Electrical & Electronics Engineering. He has a wealth of experience in civil service and private sector having held various senior positions in the public sector Mr. Ochieng was appointed to the committee on 13th March 2024 and he is aged 40 years</p>
	<p>Mr. Paul Waweru –Fund Committee Member Mr. Njenga is a seasoned professional with an immense wealth of experience and skills spanning over 15 years in supply chain management, economic planning and investment advisory. He holds a Bachelor of Commerce degree. He has been Chief Officer for Finance and Economic planning in the county government of Laikipia and Kisumu. Mr. Waweru was appointed to the committee on 13th March 2024 and he is aged 46 years</p>



**Kisumu County Car Loan & Mortgage Scheme Fund
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	<p>Mr. Martin Okode –Fund Committee Member Mr. Okode holds a Bachelor of Commerce degree. He is also a Certified Public Accountant (CPA-K). Mr. Okode was appointed to the committee on 13th March 2024 and he is aged 43 years</p>
	<p>Mr. Stephen Ajode –Fund Committee Member Human Resource practitioner with over 30 years’ experience in the HR field. Mr. Ajode hold a Masters Degree in Human Resource and lectures in various colleges and universities Mr. Ajode was appointed to the committee on 13th March 2024 and he is aged 54 years</p>
	<p>Mr. Edris Otieno – Fund Committee Member Mr. Edris holds a Post Graduate Diploma in Legal Studies, Bachelors of Law (L.L.B) Special Degree, Bachelors of Commerce (B.com) Degree and Diploma in MS applications. He has extensive experience in legal field. Mr. Otieno was appointed to the committee on 20th April 20214 and he is aged 50 years</p>
	<p>Mr. Evans Otieno – Fund Administrator Mr. Otieno was appointed as the Fund Administrator on 6th March 2019 and aged 44 years. He holds a Bachelor of Commerce degree. He is also a Certified Public Accountant (CPA-K).</p>

Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

4. Management Team

The management during the financial year consisted of:

Name	Details of qualifications and experience
	<p>Evans Otieno–Fund Administrator Mr. Otieno was appointed as the Fund Administrator on 6th March 2019. He holds a Bachelor of Commerce degree. He is also a Certified Public Accountant (CPA-K). He has over 20</p>
	<p>Mr. Maurice Okoth–Fund Accountant Mr, Okoth Holds a degree from University of Nairobi and is Certified Public Accountant (CPA-K). He has over 20 years’ experience in civil service</p>

5. Fund Chairperson's Report

The fund appreciates the support that has been extended to us by the County Treasury over the years and it is my pleasure to present the Kisumu County Car and Mortgage loan scheme fund financial statements for the period ended 30th June 2024. The financial statements present the financial performance of the fund over the past year.

Sustainability

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

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

We are positive the fund will disburse funds to an increased number of beneficiaries in the coming financial year given we are anticipating further transfers from the executive.

As at 30th June 2024, the financing received from the county treasury since inception of the fund stood at Kshs. 47,295,000. We are still anticipating further financing in the subsequent years of Kshs. 113M to bridge the funding deficit.

Review of performance

Income

The fund earned revenues amounting to Kshs. 1,059,701/= from the interest on disbursed loans and other revenues from other exchange transactions. Out of this Kshs. 1,037,301/= is interest earned from loans while Kshs. 22,400/= relates to income from retained insurance

Expenditures

The expenditures incurred during the period 2023/2024 was Kshs. 6,318/=. While expenditure incurred during the year 2022/2023 was Kshs. 36,400.

Appreciation

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

I look forward to your continued support in the year 2024/2025.

Signed: J Kapiyo

Mrs. Jacinta Kapiyo
Fund Chairperson

Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

6. Report of The Fund Administrator

It is my pleasure to present the Kisumu County Car and Mortgage loan scheme financial statements for the period ended 30th June 2024. The financial statements present the financial performance of the fund over the past year.

The fund was established on 1st May 2014 and started with an initial amount of Kshs 250M and a further Kshs 32.2M for county executive staff and further financing of 15M in the year 2023. However, County Assembly of Kisumu, after becoming autonomous, divorced its fund under Kenya Commercial Bank on 24th May, 2017 from the joint fund. The fund as it is today deals with only County Executive Committee Members and staff/employees from the executive.

Financial Performance

a) Revenue

In the period ended 30th June 2024, the fund had projected revenues of Kshs. 1,459,207/=. However, the fund realized Kshs. 1,059,701/=. The high projection was premised on expected funding from the executive resulting into increased number of beneficiaries. However, the funding was not realized.

b) Loans

We have disbursed mortgage loans to two new applicants totalling Kshs. 10M in the current financial year, from recoveries realized and additional funding by the executive of Kshs 15M which was not exhausted in the year 2022/2023. We expect approval of more loans in the year 2024/2025 owing to expected funding by the County Executive.

c) Conclusion

FY 2023/2024 was a good year in general. Good progress was made and the momentum has been created to enable Kisumu County car and mortgage loan scheme continue on a trajectory into prosperity.

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

Finally, I confirm that in preparing the financial statements, I have assessed the fund's ability to continue as a going concern and nothing has come to my attention to indicated that the fund will not remain a going concern for at least the next twelve months from the date of this statement.

Signed:  _____

Evans Otieno
Fund Administrator

7. Statement of Performance Against the County Fund’s Predetermined Objectives

Introduction

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

The key objectives of the Kisumu County Car and Mortgage Scheme Fund County Government Entity’s 2023-2027 plan are to:

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

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Car & Mortgage Scheme	To provide secure long-term funding for purchase and development of residential houses; and purchase of motor vehicles for personal use.	Decent housing for staff and ease of movement to and from work	No. of staff applications processed for purchase and development of residential houses and cars for personal use.	In FY 23/24 the uptake of the available funds was so impressive. The funds was processed and disbursed to two beneficiaries.

8. Corporate Governance Statement

THE FUND

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

THE MANAGEMENT COMMITTEE

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

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

COMMITTEE MEETINGS

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

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

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

Auditor

The fund is audited by the Auditor-General.

9. Management Discussion and Analysis

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

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

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

BUSINESS PERFORMANCE

Revenue

The fund earned revenues amounting to Kshs. 1,059,701/= from the interest income and other revenues from other exchange transactions.

Cash flows

The cash and cash equivalents was Kshs. 6,454,471/= as at 30th June 2023 and Kshs. 9,026,331/= as at 30th June 2024. The increase is attributed to enhanced loan recoveries during the year.

OPERATIONAL PERFORMANCE

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

Conclusion

We appreciate the unrelenting support from the fund committee, management, staff, the County Government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2024/2025.

10. Environmental and Sustainability Reporting

Kisumu County Car Loan & Mortgage Scheme Fund is accountable to its stakeholders, in achieving its mandate. The Fund Administrator acknowledges the responsibility to the environment and to local communities in which we operate in or co-exist. We embrace responsibility for corporate actions and to encourage a positive impact on the environment and the stakeholders including but not limited to our citizens, employees, partners and existing communities. The Fund Administrator actively encourages all stakeholders to recognise those responsibilities and behave in a responsible manner towards the society.

Environmental Performance

The Fund Administrator believes that, by the nature of the Fund's operations it has minimal impact on the environment. However, we acknowledge that there are inevitable environmental impacts associated with our daily operations in general. The Fund aims to minimize any harmful effects and consider the development and implementation of environmental standards to be of great importance.

11. Report of The Trustees

The committee submit their report together with the audited financial statements for the period ended June 30th 2024 which show the state of the Fund affairs.

Principal activities

The principal activity of the fund is to provide loan facility for purchase and development of residential house; and purchase of motor vehicles for personal use by members of the scheme who are employees of the County Government of Kisumu

Performance

The performance of the Fund for the year ended June 30th 2024 are set out on pages 1 to 26.

Trustees

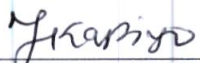
The members of the Board of Trustee / *Administration Committee* who served during the year are shown on page iii (*refer to the key entity information and management page*). There were no changes in the Board during the financial year.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Committee

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24th July 2024 and signed by:

Signed:  _____

Mrs. Jacinta Kapiyo
Chair of the Fund Administration Committee

Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

12. Statement of Management’s Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30th, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30th, 2024, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund’s financial statements were approved by the committee on 24th July 2024 and signed on its behalf by:

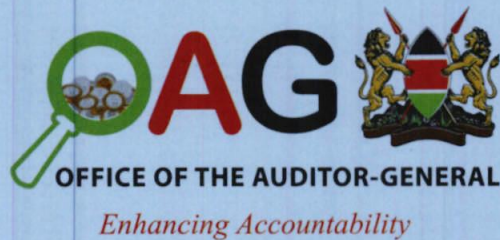
Signed: Jacinta Kapiyo

Mrs. Jacinta Kapiyo
Chair of the Fund

Signed: Evans Otieno

Mr. Evans Otieno
Fund Administrator

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON KISUMU COUNTY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kisumu County Mortgage & Car Loan (Executive) Fund set out on pages 1 to 26, which comprise of the statement of

Report of the Auditor-General on Kisumu County Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2024

financial position as at 30 June, 2024 and the statement of financial performance, statement of net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kisumu County Mortgage & Car Loan (Executive) Fund as at 30 June, 2024 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 Kisumu County Car and Mortgage Scheme Fund Regulations, 2016 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budget Control and Performance

During the year under review, the Kisumu County Car Loan and Mortgage Scheme Fund had an approved budget of Kshs.1,459,207 as interest income, but realized an actual amount of Kshs.1,059,701 resulting to un-realization of Kshs.399,506. The fund therefore failed to optimize on the interest income.

My opinion is not modified in respect of this matter

Key Audit Matters

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

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above provide the basis for my audit opinion on the accompanying financial statements.

Other Matter

Inadequate Fund Capital

Regulation 5 of the Kisumu County Car Loan and Mortgage Scheme Fund Regulations, 2016 provides that the Fund shall consist of capital of Kshs.60,000,000 and Kshs.100,000,000 for car loans and mortgages respectively all amounting to Kshs,160,000,000. However, the County Government of Kisumu has injected only Kshs.47,000,000 since the inception of the Fund. The statement of changes in net assets reflects revolving fund balance of Kshs.47,295,000 as at 30 June, 2024 which resulted to a shortfall of Kshs.112,705,000.

In the circumstances, Management is in breach of its own regulations.

Other Information

Conclusion

The Management is responsible for the Other Information set out on page iii to xvi which comprise of Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE 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 3000 and ISSAI 4000. The Standards require 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu CBS
AUDITOR-GENERAL

Nairobi

13 December, 2024

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

14. Statement of Financial Performance for the Year Ended 30th June 2024

	Note	FY2023/2024	FY2022/2023
		Kshs	Kshs
Revenue from exchange transactions			
Interest income	1	1,037,301	265,195
Other income	2	22,400	56,000
Total revenue		1,059,701	321,195
Expenses			
Fund administration expenses	3	-	31,000
Finance costs	4	6,318	5,400
Total expenses		6,318	36,400
Other gains/(losses)			
Gain/(loss) on disposal of assets			
Surplus for the period		1,053,383	284,795

The notes set out on pages 23 to 43 form an integral part of these Financial Statements. (Other income relates to insurance recoveries on disbursed loans. Similarly, the expenses relate to bank charges associated with disbursed loans and the loan recoveries paid through KCB salary account. The entity financial statements were approved on 24th July 2024 and signed by:



**Name: Evans Otieno
Fund Administrator**



**Name: Maurice Okoth
Fund Accountant
ICPAK M/No 7689**

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

15. Statement of Financial Position as at 30th June 2024

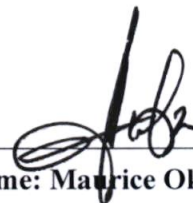
	Note	FY2023/2024	FY2022/2023
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	5	9,026,331	6,454,471
Current portion of long term receivables from exchange transactions	6	11,155,149	8,622,667
Non-current assets			
Long term receivables from exchange transactions	6	17,772,146	21,823,104
Total assets		37,953,626	36,900,243
		-	-
Net assets			
Revolving Fund		47,295,000	47,295,000
Reserves		-	-
Accumulated (deficit)		(9,341,374)	(10,394,757)
Total net assets and liabilities		37,953,626	36,900,243

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24th July 2024 and signed by:

Disclosure: Within the Long term receivables of Kshs 17,772,146, there is an amount of Kshs. 179,592 that has been outstanding since 2023 but was subsequently cleared on 26th July 2024



Name: Evans Otieno
Fund Administrator



Name: Maurice Okoth
Fund Accountant
ICPAK M/No 7689

Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

16. Statement of Changes in Net Assets for the year ended 30th June 2024

	Revolving Fund	Revaluation Reserve	Accumulated deficit	Total
		Kshs	Kshs	Kshs
Balance as at 1 July 2022	32,295,000	-	(10,679,552)	21,615,448
Funds received during the year	-	-	-	-
Surplus for the period			284,795	284,795
Funds received during the year	15,000,000	-	-	15,000,000
Balance as at 30 June 2023	47,295,000	-	(10,394,757)	36,900,243
Balance as at 1 July 2023	47,295,000	-	(10,394,757)	36,900,243
Funds received during the year	-	-	-	-
Surplus for the period			1,053,383	1,053,383
Funds received during the year	-	-	-	-
Balance as at 30 June 2024	47,295,000	-	(9,341,374)	37,953,626

Disclosure: Car Loan and Mortgage Scheme Fund was supposed to be funded by the Executive by depositing a lien of Kshs. 60M to DTB account and being the managers, were to disburse the funds to the county employee. However, the county did not deposit the agreed on amount and DTB disbursed funds and charged interest of 11% on amounts disbursed. Consequently, the county managed to deposit 32,295,000 which was reduced by the interest charged. DTB account has since been closed and the fund currently operates one account (Family Bank)

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

17. Statement of Cash Flows for The Year Ended 30th June 2024

	Note	FY2023/2024	FY2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest received	1	1,037,301	265,195
Transfers from the County Government		-	15,000,000
Receipts from other operating activities	2	22,400	56,000
Total Receipts		1,059,701	15,321,195
Payments			
Fund administration expenses		-	31,000
General expenses		-	-
Finance cost		6,318	5,400
Total Payments		6,318	36,400
Net cash flows from operating activities		1,053,383	15,284,795
Adjusted for:			
Decrease/(Increase) in Accounts receivable	7	-	(48,069)
Prior year adjustment in cash and cash equivalents	9	-	-
Net cash flows from operating activities		1,053,383	15,236,726
Cash flows from investing activities			
Proceeds from loan principal repayments	8	11,496,076	4,888,596
Loan disbursements paid out		(9,977,600)	(29,944,000)
Net cash flows used in investing activities		1,518,476	(25,055,404)
		-	-
Net(decrease) in cash and cash equivalents		2,571,859	(9,818,679)
Cash and cash equivalents at 1 JULY 2023	5	6,454,471	16,273,150
Cash and cash equivalents at 30 JUNE 2024	5	9,026,331	6,454,471

Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

18. Statement of Comparison of Budget and Actual Amounts for The Period ended 30th June 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2024	2024	2024	2024	2024	2024
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Interest income	1,459,207	-	1,459,207	1,037,301	421,906	
Other income	-	-	-	22,400	(22,400)	
Total in come	1,459,207	-	1,459,207	1,059,701	399,506	72%
Expenses						
Fund administration expenses	50,000	-	50,000	-	50,000	
Staff costs	-	-	-	-	-	
General expenses	-	-	-	-	-	
Finance costs	6,000	-	6,000	6,318	(318)	
Total expenditure	56,000	-	56,000	6,318	49,682	12%
Surplus for the period	1,403,207	-	1,403,207	1,052,383	449,188	74%

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Kisumu County Car Loan & Mortgage Scheme Fund entity is established by and derives its authority and accountability from PFM 2012 Act. The entity is wholly owned by the Kisumu County Government and is domiciled in Kenya. The entity's principal activity is to provide loan facility for purchase and development of residential house; and purchase of motor vehicles for personal use by members of the scheme who are employees of the County Government of Kisumu.

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024

There were no new and amended standards issued in the financial year.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> 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 cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held	<i>Applicable 1st January 2025</i> The Standard requires,

Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

for Sale and Discontinued Operations	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: 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.
IPSAS 45- Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

	and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
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(i) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

4. Summary of 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) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii. Revenue from exchange transactions

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2024 was approved by the Committee members on 29th June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations on the FY 2024 budget following the governing body's approval.

The entity's 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 of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

Summary of Significant Accounting Policies (Continued)

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

a) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

b) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 50-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

**Kisumu County Car Loan & Mortgage Scheme Fund
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Summary of Significant Accounting Policies (Continued)

c) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

d) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

e) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

f) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

Summary of Significant Accounting Policies (Continued)

g) Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves

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

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

Summary of Significant Accounting Policies (Continued)

k) 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.

l) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

m) Related parties

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

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

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:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

c) Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

6. Notes to the Financial Statements Continued

1. Interest income

Description	FY2023/2024	FY2022/2023
	Kshs	Kshs
Interest income from loans (mortgage loans)	1,029,398	227,455
Interest income from loans (car loans)	7,903	37,740
	1,037,301	265,195

Disclosure: The increase in interest income is attributed to the mortgage uptake in the financial year 2022/2023

2. Other income

Description	FY2023/2024	FY2022/2023
	Kshs	Kshs
Insurance recoveries	22,400	56,000
Income from sale of tender documents	-	-
Miscellaneous income	-	-
	22,400	56,000

3. Use of Goods and Services

Description	FY2023/2024	FY2022/2023
	Kshs	Kshs
Loan processing costs	-	31,000
Professional services costs	-	-
Total	-	31,000

**Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

Notes to the Financial Statements Continued

4. Finance costs

Description	FY2023/2024	FY2022/2023
	Kshs	Kshs
Bank charges	6,318	5,400
Interest on loans from banks	-	-
Total	6,318	5,400

5. Cash and cash equivalents

Description	FY2023/2024	FY2022/2023
	Kshs	Kshs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others-Savings account	9,026,331	6,454,471
	9,026,331	6,454,471

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

Financial institution	Account number	FY2023/2024	FY2022/2023
		Kshs	Kshs
a) Current account			
Family Bank	028000017643	9,026,331	6,454,471
Sub- total		9,026,331	6,454,471
Grand total		9,026,331	6,454,471

Kisumu County Car Loan & Mortgage Scheme Fund
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Notes to the Financial Statements Continued

6. Receivables from exchange transactions

Description	FY2023/2024	FY2022/2023
	Kshs	Kshs
Current Receivables		
Interest receivable	-	48,069
Current loan repayments due	11,155,149	8,574,599
Total Current receivables	11,155,149	8,622,667
	-	-
Total Non-current receivables		
Long term loan repayments due	17,772,146	21,823,104
Total Non-current receivables	17,772,146	21,823,104
	28,927,294	30,445,772

Additional disclosure on interest receivable

Description	2023/2024	2022/2023
	Kshs	Kshs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	48,069
Accrued interest receivable from long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due		
Current portion of long-term loans from previous years	8,113,698	8,574,599
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	3,041,463	-

Disclosure: Within the Long term receivables of Kshs 17,772,146, there is an amount of Kshs. 179,592 that has been outstanding since 2023 but was subsequently cleared on 26th July 2024

**Kisumu County Car Loan & Mortgage Scheme Fund
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Notes to The Financial Statements (Continued)

7. Interest Receivables

	Description	FY2023/2024	FY2022/2023
S.N O	Loan Beneficiary	Kshs	Kshs
1	Mrs. Alice Moraa Onserio	-	40,084
2	Mr. Stephen Orot	-	7,985
	TOTAL	-	48,069

Disclosure: The interest receivable relates to current financial year interest computed on non-performing loans.

8. Principal Loan Repayments

	Description	FY2023/2024	FY2022/2023
S.N O	Loan Beneficiary	Kshs	Kshs
1	Dr. Mathews Ochieng Owili	1,111,017	110,378
2	Mrs. Ruth A. Odinga Busia	-	480,670
3	Dr. Rosemary Akinyi Okeyo Obara	-	43,076
5	Mr. Charles Babu Karan	700,368	1,024,716
8	Ms. Judith Aluoch	1,111,017	-
9	Mr. Stephen Orot	-	496,633
10	Mrs. Alice Moraa Onserio	699,478	761,367
11	Mr. George Okongo	1,206,387	394,163
12	Ms. Beatrice Odongo	1,316,182	215,555
13	Mr. Kenneth Onyango	1,316,182	215,555
14	Ms. Farida Salim	1,345,148	110,287
15	Ms. Maryline Yanzar	1,345,148	110,287
16	Mr. John Awiti	1,345,148	110,287
17	Mr. John Obiero Ogone	-	815,603
	TOTAL	11,496,076	4,888,596

**Kisumu County Car Loan & Mortgage Scheme Fund
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Notes to The Financial Statements (Continued)

9. Cash generated from operations

	FY2023/2024	FY2022/2023
	Kshs	Kshs
Surplus for the year before tax	1,053,383	284,795
Adjusted for:	-	-
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments	-	-
Decrease in inventory	-	-
(Increase)/ Decrease in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	1,053,383	284,795

**Kisumu County Car Loan & Mortgage Scheme Fund
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Notes to The Financial Statements (Continued)

10. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

**Kisumu County Car Loan & Mortgage Scheme Fund
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Notes To The Financial Statements (Continued)

11. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impair ed Kshs
At 30 June 2024				
Receivables from exchange transactions car loans and mortgages	28,927,294	34,557,163	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	9,026,331	9,026,331	-	-
Total	37,953,626	37,479,100	-	-
At 30 June 2023				
Receivables from exchange transactions car loans and mortgages	30,397,703	29,544,301	853,402	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	6,454,471	6,454,471	-	-
Total	36,852,174	35,998,772	853,402	-

**Kisumu County Car Loan & Mortgage Scheme Fund
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Notes To The Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

i. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Kisumu County Car Loan & Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to The Financial Statements (Continued)

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

d) Capital risk management.

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

	2023/2024		2022/2023
	Kshs		Kshs
Revolving fund	47,295,000		47,295,000
Accumulated surplus	(9,341,374)		(10,394,757)
Total funds	37,953,626		36,900,243
Less: cash and bank balances	(9,026,331)		(6,454,471)
Net debt/(excess cash and cash equivalents)	(9,026,331)		(6,454,471)
Gearing	0%		0%

12. Events after the reporting period

There was non- adjusting events after the reporting period on the Long term receivables of Kshs 17,772,146. Within the long term receivables is an amount of Kshs. 179,592 that has been outstanding since 2023 but was subsequently cleared after the financial year end on 26th July 2024

13. Ultimate and Holding Entity

The entity is a County Public Fund established by PFM Act 2012 under the Department of Finance. Its ultimate parent is the County Government of Kisumu.

14. Currency

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

**Kisumu County Car Loan & Mortgage Scheme Fund
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20. 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)
1	Long overdue outstanding loans	Among the listed defaulters, Mrs. Alice Moraa has so far cleared her outstanding principal of Kshs. 681,675/= while the rest are accrued interest that resulted from delay by the county treasury in remitting the gratuities. The County Treasury is yet to clear the balance of Kshs. 179, 607/=	Resolved by PIC/PAC	
2	Inadequate capital of the fund	It is true the fund has not been financed adequately. The executive agreed to consider budgetary allocation in the year 2024/2025	Not Resolved	
3	Internal Audit function	Due to limited resources both human and technological, the Internal Audit Department did not include the Fund in its Annual Work Plan (AWP) for the previous year 2022/2023 but have now began audit of 2023/2024 and the exercise is still ongoing	Resolved by PIC/PAC	



Fund Administrator

Date.....29/7/24.....