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**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**COMMISSION ON REVENUE  
ALLOCATION STAFF CAR LOAN  
SCHEME**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

NATIONAL ASSEMBLY  
PAPER LAID

DATE: 19 APR 2023 Wednesday

TABLED BY: Hon. Owen Boya (Deputy leader of the Majority Party)

CLERK AT THE TABLE: Madh



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# **COMMISSION ON REVENUE ALLOCATION**

## **STAFF CAR LOAN SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30 JUNE 2022**

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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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## **I. CAR LOAN SCHEMES' INFORMATION AND MANAGEMENT**

### **Background information**

The Commission on Revenue Allocation approved the establishment of a Staff Car Loan Scheme in FY 2019/20. The approval was based on the Salaries & Remuneration Commission's Circular No. SRC/ADM/CIR/1/13 VOL. III (128) dated 17<sup>th</sup> December 2014 which advised on Car Loan & Staff Mortgage Benefit for all State Officers and other public officers in Kenya.

The approved Car Loan is expected to facilitate members of staff to benefit from Government and Commission funded loans to acquire vehicles through low interest loans. It is expected that this benefit will motivate members of staff and immensely contribute towards attraction and retention of requisite skills in the Commission in line with our enabling Act.

The fund was established with an initial capital outlay of **Kshs. 18,776,000/-** paid out from the Commission's budget as seed capital for the fund. The capital will be enhanced annually from the same budgetary allocations to the Commission.

The Car Loan scheme is administered by a Committee appointed by the Commission. The terms of reference for the Committee is to review and consider loan applications from members of staff regarding acquisition of motor vehicles. Once an application meets the required threshold, the Committee then makes loan approval recommendation for consideration by the Commission secretary.

### **Principal Activities.**

The principal activity of the Car Loan scheme is to facilitate acquisition of motor vehicles either:

- i) New vehicles,
- ii) Local second-hand vehicles with a 10 years maximum period since date of manufacture
- iii) Imported second-hand vehicles with an 8 years maximum period since date of manufacture

### **Mission**

To make reliable recommendations on equitable revenue sharing, revenue enhancement and prudent public financial Management.

### **Vision**

No Kenyan Left Behind

### **Committee Members**

The Car Loan Scheme's day-to-day operations are managed by a five-member committee, three of whom serve as secretariat.

Members of the Committee are as follows;

- |    |                 |           |
|----|-----------------|-----------|
| 1. | Joseph Kuria    | Chairman  |
| 2. | Sheila Yieke    | Member    |
| 3. | William Birech  | Member    |
| 4. | Maureen Junge   | Treasurer |
| 5. | Caroline Karimi | Secretary |

### **Fiduciary Management**

The committee members above served during the financial year ended 30 June, 2022 and they had direct fiduciary responsibility to the Commission and the members of staff.

### **Headquarters**

Commission on Revenue Allocation  
14 Riverside Drive  
Grosvenor suite 2<sup>nd</sup> and 3<sup>rd</sup> Floor  
P.O Box 1310-00200 Nairobi  
Tel: (020) 4298000

### **Commission Contacts**

Telephone: (254) (020) 4298000  
E-mail: [info@crakenya.org](mailto:info@crakenya.org)  
Website: [www.crakenya.org](http://www.crakenya.org)

### **Fund Bankers**

KCB Bank Limited  
KICC Branch  
Harambee Avenue  
P. O. Box 46950-00100 Nairobi  
Tel: (020) 29248501,  
Fax: (020) 29248501,

### **Independent Auditors**

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

### **Principal Legal Adviser**

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

**II. COMMITTEE OF CRA STAFF CAR LOAN SCHEME**



**Joseph Kuria**  
Director ICT / Chairman

He holds a Master's Degree in Business Administration, Strategic Management from the University of Nairobi and a BSc. Degree in Computer Science from Egerton University. He is currently pursuing a PhD in Information Systems.

He holds the following professional certifications: MCP, MCSE, MCDBA, CISA, CEH, MCT, PMP and PRINCE2 He is a member of Information Systems Audit and Control Association (ISACA). He has over 16 years working experience in both Public and Private Sector. Mr. Kuria is a leading technology strategist with experience spanning systems and network architecture, business re-engineering, data center technologies, application development, global vendor management, budgeting and project portfolio management. He is a strategic adviser to both National and County governments of Kenya on the adoption of computer based financial and revenue management systems and deployment of Integrated Shared Services across government.



**Sheila Yieke**  
Director Legal Affairs / Member

She is an Advocate of the High Court of Kenya and holds an MBA, Finance from the United States International University and a Certified Public Secretary (K). In addition she is alumni of the International Development Law Organization (IDLO) and a member of the Chartered Institute of Purchasing and Supplies (UK). She has worked with Sotik Tea and Sotik Highlands Tea Estates, Kenya Investment Authority and Kosgey and Masese Co. Advocates. Internationally she has worked at the UN, IGAD, NORDIC and UNOPS.



**William Birech**  
Human Resource Manager / Member

Mr William K Birech is Manager HR/Admin at the Commission on Revenue Allocation. He holds MBA from the University of Nairobi, a B. Com (HR) from the Catholic University of Eastern Africa, a Higher National Diploma in Human Resource Management and a Diploma in Personnel Management from the IHRM College.

He has over fifteen years' experience in Human Resource Management having worked at the Postbank and the Rural Electrification Authority before joining the Commission on 5<sup>th</sup> January 2015.

He has written and published articles on HR matters in reputable HR journals in Kenya especially The Management and the IHRM journal.



**Maureen Junge**  
Finance Manager / Treasurer

Ms. Junge has extensive work experience in public finance with emphasis on budgeting, financial management, financial analysis, and reporting. She is a Certified Secretary, Certified Accountant, and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK). She holds a Masters of Science degree and a Bachelors of Commerce degree (Finance) from the University of Nairobi.

As the inaugural manager in charge of finance, Ms. Junge was instrumental in developing finance policies and setting up the operational procedures in the finance department including aligning them to the public financial management and reporting systems.

She previously worked with Kenya Investment Authority, Africa Investment Bank (AIG) and Reliance General Limited.



**Caroline Karimi**  
Records Officer / Secretary

She is the Records Management Officer at the Commission on Revenue Allocation and a holder of a bachelor's degree in Information Science from the Kenya Methodist University. A certified member of Kenya Associations of records managers and archivist (KARMA), a member of network of information professionals of Kenya (NIP).

She has over 10yrs experience in the area of records and archives management having worked in the office of the president, ministry of Information and communication and Ministry of Forestry and Wildlife.

### III. CHAIRMAN'S REPORT, CRA STAFF CAR LOAN SCHEME

The Commission on Revenue Allocation appointed a Staff Car Loan Committee whose terms of reference is to review and consider loan applications from members of staff regarding acquisition of motor vehicles. Once an application meets the required threshold, the Committee then makes loan approval recommendation for consideration by the Commission.

The committee developed internal rules and guidelines which govern the operations of the staff car loan scheme and which are binding on all matters relating to the Scheme. They set out rules and regulations that provide guidance on accessibility of the loans and the threshold to be met by the loan applicants.

CRA's Staff Car Loan Scheme's key objective is to support employees in access low interest loans for acquisition of:

- i. New vehicles,
- ii. Local second-hand vehicles which should not be more than 10 years from date of manufacture
- iii. Imported second-hand vehicles which should not be more than 8 years from date of manufacture

During the year under review, the Scheme's capital was enhanced to Kshs. 28.3million (2021:Kshs. 18.8 million) and cumulative interest earning of KShs. 204,786 (2021: Kshs. 27,696) both from the utilised and unutilised accounts.

The Scheme in the reporting period has disbursed Kshs. 5.3 million (2021: KShs. 4.15 million) in loan applications with a total of 4 members of staff from different cadres benefitting from it. The Committee has continued to carry out due diligence for all the loan application to minimize risks in acquisition of vehicles.

The Commission continues to engage and encourage members staff on take up of the benefit which contributes to motivation amongst other factors.



Mr. Joseph Kuria

**CHAIRMAN, CRA STAFF CAR LOAN SCHEME COMMITTEE**

**Date:** 29 / 08 / 2022

#### **IV. REPORT OF THE COMMISSION'S STAFF CAR LOAN SCHEME.**

The Commission Secretary (officer administering the Commission's Car Loan Scheme) submits his report and financial statements for the year ended 30 June, 2022 which shows the state of the scheme's affairs.

##### **Principal Activities**

The principal activity of the Commission's Car Loan scheme is to provide car loan facilities to the staff members.

##### **Results**

The results of the Car Loan scheme for the year ended 30 June, 2022 are set out on page 1-4.

##### **Management**

The car loan committee members who served during the year are shown on page (v-vi). The members are drawn from different directorates of the Commission.

##### **Auditors**

The Auditor General is responsible for the statutory audit of the Commission's Staff Car Scheme in accordance with the Section 81(4a) of the Public Financial Management Act, 2012 and Section 35 of the Public Audit Act, 2015.

**V. STATEMENT OF THE OFFICER ADMINISTERING SCHEME'S RESPONSIBILITIES**

Section 84(1) of the Public Finance Management Act, 2012 requires the officer administering the scheme to prepare financial statements in respect of that Fund, which give a true and fair view of the scheme at the end of the financial year/period and the operating results of the Fund for that year/period. The Officer is also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. Further, that he is also responsible for safeguarding the assets of the Fund.

The Officer administering the Fund (Commission Secretary) 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 (period) ended on June 30, 2022. Further, his other responsibilities include: (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 Commission; (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 Officer administering the 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 Accrual basis of Accounting method under the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the Commission's Act. He is also of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. He further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Commission Secretary to indicate that the Scheme will not remain a going concern for at least the next 12 months from the date of this statement.

  
CPA James Katule

**COMMISSION SECRETARY/CEO**

Date : 29/08/2022

**Approval of the financial statements**

The Commission's Staff Car Loan Scheme's financial statements were approved by the Commission on **29<sup>th</sup> August 2022** and signed on its behalf by the Commission Secretary and Chairperson of the Commission.



CPA James Katule  
**COMMISSION SECRETARY**



Dr. Jane Kiringai  
**CHAIRPERSON**

## **VI. CORPORATE GOVERNANCE STATEMENT**

The Staff Car Loan Scheme is guided by an internal staff car loan policy and procedures manual. The policy is also anchored on the SRC regulations Ref No: SRC/ADM/CIR/1/13 Vol. III (128), the PFM Act, 2012 and CRA's Human resource policies and procedures manual.

The scheme is administered internally by a Staff Car loan Committee appointed by the Commission secretary. It has a membership of six and carries out its operations through a secretariat of three members within the same committee. The Committee shall serve for a tenure period of 3 years which may be renewable once i.e. the current committee was appointed in September 2020. The Committee shall put in place regular measures to ensure succession process in the Car Loan Scheme committee and shall as part of the succession plan, ensure that not more than 50% of the members retire at the same time. Any committee member may resign before completion of the three-year term, by giving not less than one month's written notice to the Chairman of the scheme and a copy to the appointing authority (CEO)

Meetings of the committee are held on every first Thursday of the month or on need based depending on the agenda. During the period under review, the Committee held five (5) meetings for review and consideration of loan requests and review for financial statements for FY2021/22. Recommendations on loan requests by the Car loan committee were then made to the Commission secretary for approval and payment.

## **VII. MANAGEMENT DISCUSSION AND ANALYSIS**

### **Operational and Financial Performance**

During the year, the Fund was reinstated to Kshs. 28.3 million in capital and accumulated Kshs. 204,786 as interest earned from utilised and unutilised accounts. The fund had 4 withdrawals amounting to Kshs.5.3 million and achieved a 33.2% (2021: 22%) absorption rate performance of its total capital base in FY 2021/22. The low absorption is mainly attributed to inability of most members of staff to meet requirements of 1/3 rule if they opt to apply for the loan facility.

### **Funds' compliance with statutory requirements**

The Fund's Terms of Reference and Regulations were anchored on the SRC's guidelines on Car Loan Schemes. Further, in the implementation of the same, the Commission ensured compliance with HR Policies and Procedures manual 2015 e.g. regarding requirements of 1/3 Rule principle and section 12B of the Income Tax on provision of fringe benefit tax.

### **Key activities the Fund is undertaking**

The main reason for setting up the Fund was mainly to provide financial support for staff members in acquisition of low interest car loan facility for acquisition of:

- i. New vehicles,
- ii. Local second-hand vehicles which should not be more than 10 years from date of manufacture
- iii. Imported second-hand vehicles which should not be more than 8 years from date of manufacture

### **Material arrears in statutory/financial obligation**

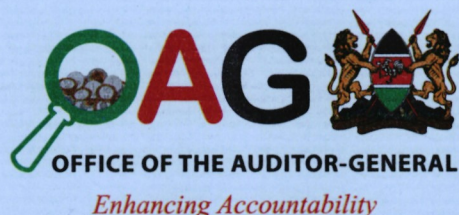
The Fund had a minimal liability from previous financial year on fringe tax benefit which was fully settled in FY 2021/22.

### **The Fund's financial probity and governance issues**

The Fund runs its operation through a committee appointed by the Commission.

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON COMMISSION ON REVENUE ALLOCATION STAFF CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2022**

### **PREAMBLE**

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

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

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

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

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

#### **Opinion**

I have audited the accompanying financial statements of Commission on Revenue Allocation Staff Car Loan Scheme set out on pages 1 to 11, which comprise the statement

of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, and the statement of cash flows, the 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 the Commission on Revenue Allocation Staff Car Loan Scheme as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Commission on Revenue Allocation Staff Car Loan Scheme Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

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

## **Basis for Conclusion**

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

## **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing 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 abolish the Scheme or cease operations.

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

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

Those charged with governance are responsible for overseeing the Scheme'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 overall 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal 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**

**03 January, 2023**

## IX. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2022

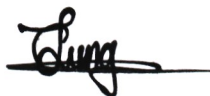
	Note	2021 -2022 Kshs	2020 -2021 Kshs
<b>REVENUE</b>			
Interest earned	5	204,786	27,696
<b>Total revenue</b>		<b>204,786</b>	<b>27,696</b>
<b>EXPENDITURE</b>			
General Expenses	6	1,680	2,145
<b>Total expenses</b>		<b>1,680</b>	<b>2,145</b>
<b>Surplus for the period</b>		<b>203,106</b>	<b>25,551</b>

The notes set out on pages 5 to 11 form an integral part of the Financial Statements



CPA James Katule  
**COMMISSION SECRETARY**

Date: 29/08/22



CPA Maureen Junge  
**FINANCE MANAGER**  
**ICPAK No. 9883**

Date: 29/08/22



Dr. Jane Kiringai  
**CHAIRPERSON**

Date: 29/08/22

## X. STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	20,522,956	14,768,218
Short term receivables	8	1,766,512	-
		<b>22,289,468</b>	<b>14,768,218</b>
<b>Non-current assets</b>			
Long term receivables	9	6,208,189	4,033,333
		<b>6,208,189</b>	<b>4,033,333</b>
<b>Total assets</b>		<b>28,497,657</b>	<b>18,801,551</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
		-	-
<b>Non-current liabilities</b>			
		-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		<b>28,497,657</b>	<b>18,801,551</b>
<b>FINANCED BY:</b>			
Accumulated capital	10	28,269,000	18,776,000
Accumulated surplus		228,657	25,551
<b>Total net assets and liabilities</b>		<b>28,497,657</b>	<b>18,801,551</b>


The Financial Statements set out on pages 1 to 4 were signed on behalf of the Commission by:

  
CPA James Katule  
Commission Secretary/CEO

Date: 29/08/22

  
CPA Matreen Junge  
Finance Manager/ ICPAK No. 9883

Date: 29/08/22

  
Dr. Jane Kiringai  
Chairperson

Date: 29/08/22

**XI. STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

Particulars	Notes	Car Loan Fund	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>As at July 1, 2020</b>		<b>11,276,000</b>		<b>11,276,000</b>
Surplus for the year			25,551	<b>25,551</b>
Funds received during the year		7,500,000		<b>7,500,000</b>
<b>As at June 30, 2021</b>		<b>18,776,000</b>	<b>25,551</b>	<b>18,801,551</b>
<b>As at July 1, 2021</b>		<b>18,776,000</b>	<b>25,551</b>	<b>18,801,551</b>
Surplus for the year			203,106	<b>203,106</b>
Funds received during the year		9,493,000		<b>9,493,000</b>
<b>As at June 30, 2022</b>		<b>28,269,000</b>	<b>228,657</b>	<b>28,497,657</b>

**XII. STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 30 JUNE 2022

		2021-2022	2020-2021
		Kshs	Kshs
Surplus/Deficit for the year before tax		203,106	25,551
<b>Adjusted for:</b>			
Depreciation and Amortisation		-	-
(Non-cash grants received)		-	-
(Contributed assets)		-	-
Impairment		-	-
(Gains and losses on disposal of assets)		-	-
Contribution to provisions		-	-
Contribution to impairment allowance		-	-
(Finance income)		-	-
Finance cost			
<b>Working capital adjustments:</b>			
(Increase in inventory)		-	-
(Increase)/Decrease in receivables	8 & 9	(3,941,368)	(4,033,333)
Increase in deferred income			-
Increase/(Decrease) in payables			-
Increase in payments received in advance			
<b>Net cash flows from operating activities</b>		<u>(3,738,262)</u>	<u>(4,007,782)</u>
<b>Cash flows from investing activities</b>			
(Increase)/Decrease in accounts receivable			-
Decrease in accounts payable			-
<b>Net cash flows used in investing activities</b>			-
<b>Cash flows from financing activities</b>			
Additional Capital	10	9,493,000	7,500,000
<b>Net cash flows used in financing activities</b>		<u>9,493,000</u>	<u>7,500,000</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>5,754,738</u>	<u>3,492,218</u>
Cash and cash equivalents at 1 July 2021		<u>14,768,218</u>	<u>11,276,000</u>
<b>Cash and cash equivalents at 30 June 2022</b>	7	<u><u>20,522,956</u></u>	<u><u>14,768,218</u></u>



CPA James Katule  
**COMMISSION SECRETARY**

Date: 29/08/22



CPA Maureen Junge  
**FINANCE MANAGER**  
**ICPAK No. 9883**

Date: 29/08/22



Dr. Jane Kiringai  
**CHAIRPERSON**

Date: 29/08/22

**XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 30 JUNE 2022**

Particulars	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Absorption
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Government grants and subsidies	9,493,000	-	9,493,000	9,493,000	-	100%
Other Income						
<b>Total income</b>	<b>9,493,000</b>	<b>-</b>	<b>9,493,000</b>	<b>9,493,000</b>	<b>-</b>	<b>100%</b>
<b>Expenditure</b>						
Operation and Maintenance	9,493,000	-	9,493,000	9,493,000	-	100%
<b>Total expenditure (O&amp;M)</b>	<b>9,493,000</b>	<b>-</b>	<b>9,493,000</b>	<b>9,493,000</b>	<b>-</b>	<b>100%</b>

## **XIV. NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

### **1. General Information**

The Commission on Revenue Allocation (CRA) was established under Article 215 of the Constitution of Kenya. The Commission's principle responsibility is to provide an objective and independent framework for equitable sharing of nationally raised revenues. The Commission also plays a key role in ensuring that the county governments adhere to prudent financial management principles, enhance revenues for both national and county government. Further, the Commission plays a critical role in addressing regional disparities by proposing recommendations aimed at accelerating balanced development in the country, especially marginalized areas.

### **2. Statement of Compliance basis of preparation – IPSAS 1**

The Financial Statements of the CRA Staff Car Loan scheme have been prepared in accordance to and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Accrual Basis Financial Reporting under the Accrual basis of Accounting and relevant legal framework of Kenya. The financial statement complies with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya (PSASB).

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The accounting policies adopted will be applied consistently over the years. The financial statements have been prepared on the accrual basis following the Government's standard chart of accounts. The accrual basis of accounting recognizes transactions and events whenever they are incurred.

### **3. Summary of Accounting policies**

#### **(i) Non-Current Assets**

The fund does not maintain any non-current assets

#### **(ii) Recognition of Revenue and expenses**

Income is recognized in the period in which it's earned. Income is not accrued if its recoverability is doubtful. The Revenue constitutes all incomes accruing to the Fund in the form of interest earned both on the Utilized fund (3%) and Unutilized fund (bank deposit). All interest is recouped back to the revolving account on a monthly basis.

#### **(iii) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise Cash book balance as at 30th June 2022.

#### **(iv) Fund Account**

The fund is enhanced gradually on an annual basis through annual appropriations from the Commission's Budget. Further, all accrued interest is recouped back to the fund. The Fund was mainly established to enable members of staff

members acquire loans for purchase of personal vehicles. The facility is extended to applicants at an interest rate of 3%.

### **XIII. NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

#### **(V) Fringe Benefit Tax**

Fringe Benefit Tax was introduced by the new provisions under section 12B of the Income Tax Act. It is payable by the Commission in respect of car loans provided to staff at an interest rate lower than the market rate (3%). The taxable value of Fringe Benefit tax is determined as;

- (a) (Market Int rate for the month – Interest charged to employees) x Loan amount
- (b) Fringe benefit Tax payable by the Commission = (a) x 30%

#### **Prescribed Rates of Interest published by Commissioner of Tax.**

The prescribed rates of interest are published by the Commissioner of Tax on a quarterly basis. In the reporting year the interests were published as 7%, 7%, 7% and 7% for Q1, Q2, Q3 and Q4 respectively

Fringe benefit tax liability lies with the employer.

#### **(vi) Related parties – IPSAS 20**

The scheme regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the scheme or vice versa. The Commission is regarded as related party and comprise the Commissioners, Commission Secretary and members of staff

#### **(vii) Public Sector Combinations – IPSAS 40**

The standard which has been applicable since January 2019 covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. This standard is however not relevant to the CRA staff car loan scheme.

#### **(viii) Financial Instruments – IPSAS 41 (*The standard is not relevant to the CRA staff car loan scheme*)**

This standard is applicable from 1st January 2022. Its objective 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 an entity's future cash flows.

IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

- 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;
- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and

- Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

**4. Staff Car Loan Scheme's Beneficiaries**

The movement of the scheme's beneficiaries during the year is as below;

	<b>Cadre</b>	<b>Total</b>	<b>2021/22</b>	<b>2020/21</b>
<b>2</b>	Directors	1	1	-
<b>3</b>	Deputy Directors	-	-	-
<b>4(A)</b>	Managers	2	1	1
<b>4(B)</b>	Assistant Managers	3	2	1
<b>5</b>	Officers	1	-	1
<b>6</b>	Assistant Officers	-	-	-
<b>7</b>	Logistic Staff	-	-	-
<b>8</b>	Support Staff	-	-	-
		<b>7</b>	<b>4</b>	<b>3</b>

### XIII. NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2021-2022	2020-2021
	Kshs	Kshs
<b>5. Income</b>		
Interest -Utilized Fund (3%)	204,786	9,114
Interest -Unutilized Fund (Bank deposit)	-	18,582
	<b>204,786</b>	<b>27,696</b>
<b>6. General Expenses</b>		
Bank Charges	1,680	2,145
	<b>1,680</b>	<b>2,145</b>
<b>7. Cash and cash equivalents</b>		
Cash Book balance	20,522,956	14,768,218
Short Term deposits (Bank statement)		
	<b>20,522,956</b>	<b>14,768,218</b>
<b>8. Short term receivables (Current Receivables)</b>		
Outstanding Loans advanced as at 30th June 2022	1,766,512	-
	<b>1,766,512</b>	-
<b>9. Long term receivables (Non- Current Receivables)</b>		
Outstanding Loans advanced as at 30th June 2022	6,208,189	4,033,333
	<b>6,208,189</b>	<b>4,033,333</b>
<b>10. Fund Account</b>		
Capital Fund	18,776,000	11,276,000
Additional Capital	9,493,000	7,500,000
	<b>28,269,000</b>	<b>18,776,000</b>

**Note:** The staff car loan fund account comprises of **Kshs. 1,000** which was transferred from staff Mortgage scheme in FY 2018/19 for account opening. The rest of the capital was transferred directly from the CRA main account

#### 11. Financial Risk Management

The scheme being fairly new will endeavor to regularly review its risk management policies once in place to reflect changes in markets and emerging best practices. Risk management will be carried out by the administering staff car loan committee under the direct supervision of the Commission secretary.

##### (i) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the staff car loan scheme.

Credit Risk arises from bank balances, receivables and amounts due from related parties. Although this risk is unlikely to occur in the short term, it is mitigated as follows; (a) Cash and short-term deposits are placed

with well-established financial institutions of high credit standing, (b) The CRA staff car loan scheme does not raise debtors in its ordinary course of business apart from those arising from related parties or members of staff which can easily be recovered.

Credit risk with respect to accounts receivable is limited due to the nature of the car loan scheme business and its reliance on government grant and CRA as the main source of funding.

The amount that best describes the staff car loan's scheme exposure to credit at the end of the financial year is made up of;

- a) Cash and bank balances
- b) Outstanding loan balances
- c) Undisbursed loans

**(ii) Liquidity Risk**

Liquidity risk is the risk that the CRA staff car loan scheme will not be able to meet its financial obligations when they fall due. The scheme manages this risk by always ensuring that it has sufficient liquidity to meet its liabilities when due, under both normal and constrained conditions, without incurring unexpected losses.

The scheme ensures availability of sufficient cash on demand to meet expected operational expenses including servicing of financial obligations.

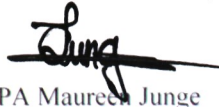
**XV. PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS**

Reference No. on external audit report	Issue / Observation from Auditor	Management Comments	Focal point person to resolve the issue	Status:	Time frame:
N/A	No observation since it was the first report with regard to the scheme.	N/A	CPA Maureen Junge	N/A	N/A



CPA James Katule  
Commission Secretary/CEO

Date: 29/08/22



CPA Maureen Junge  
Finance Manager/ ICPAK No. 9883

Date: 29/08/22



Dr. Jane Kiringai  
Chairperson

Date: 29/08/22