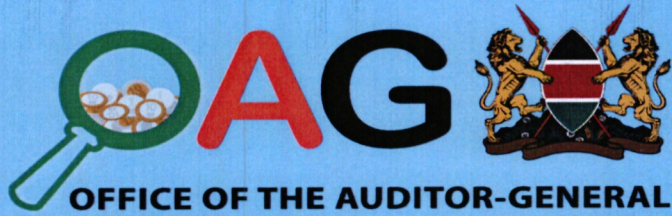
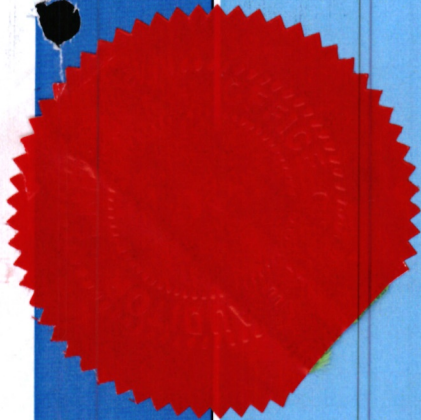


REPUBLIC OF KENYA



Enhancing Accountability



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REPORT

OF

THE AUDITOR-GENERAL

ON

**HOMA BAY COUNTY EXECUTIVE CAR
LOAN AND MORTGAGE (MEMBERS)
SCHEME FUND**

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



**HOMA BAY COUNTY
EXECUTIVE CAR LOAN AND MORTGAGE (MEMBERS) SCHEME
FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Homa Bay County Executive Car Loan and Mortgage(Members) Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the fund and as advised by the SRC in the circular under the reference, Homa Bay county Executive adopted the PFM regulations 2014 to guide in the operationalization of the fund.

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. Arising there from, the Homa Bay County Executive approved and adopted the Staff Loans Policy Paper on December 2016.

The fund is wholly owned by the county government of Homa Bay Executive and is domiciled in Kenya.

b) Principal Activities

The Fund's principal activities are to:

- Process applications for loans in accordance with the set terms and conditions of borrowing.
- Liaise with the mortgage company, if any, to set up a revolving fund for the disbursement of the loans.

Vision

“To ensure better housing to Staffs and improved mobility at affordable cost”

Mission

“To provide affordable, accessible and sustainable car loans and Mortgage to Homa Bay County Executive staff.”

Core Values

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

c) Key Management

Ref	Name	Position
1	Mr. Seth Giriago	Chief Office Finance, Economic Planning &Service delivery.
2	Mr. Laban Ayoo	Fund Administrator
3	Mr. Zedekia Mwaga	Fund Accountant

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

d) Registered Offices

P.O. Box 469-40300
Council Building/House/Plaza
Homa Bay –Rongo Road/Highway
Homa Bay, KENYA

e) Fund Contacts

Telephone: +254 20 38617565/55
E-mail: executive@homabay.go.ke
Website: www.homabaycounty@.go.ke

f) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Kencom Building, Moi Avenue
P.O. Box 19828 - 00100
Nairobi, Kenya
3. Equity Bank
Equity Centre, Upper Hill
P.O. Box 1234 - 00100
Nairobi, Kenya

g) Independent Auditors

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

h) Principal Legal Adviser

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

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

2. FUND MANAGEMENT COMMITTEE

Ref	Name	Details of qualifications and experience
1	Nicholas K' Oriko	CEC- Finance, Economic Planning and Service Delivery
2	Prof. Donald Ogweno	Ag.County Secretary
3	Mr. George Ouko Illah	County Attorney
4	Dr. David Okeyo	CEC-M Trade, Industry, Cooperatives and Enterprise Development
5	Mr. Laban Ayoo	Fund Administrator
6	Mr.Zeddekia Mwaga	Fund Accountant

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

3. STATEMENT OF PERFORMANCE AGAINST 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 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 Homabay County Executive Car Loan and Mortgage (Members) Scheme Fund are to:

- Provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.
- Provide a loan scheme for the purchase of vehicles by members of the Scheme.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Homabay County Executive Mortgage(Members) scheme fund	To provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.	Increased home ownership by the scheme members	Amount of mortgage loans advanced to scheme members	In FY 2021/2022 Homabay county executive through the Mortgage scheme fund advanced Ksh. 3,000,000 as new loans to the scheme members
Homabay County Executive Car Loan (Members)Scheme fund	To provide a loan scheme for the purchase of vehicles by members of the scheme.	Increased car ownership by the scheme members	Amount of car loans advanced to scheme members	In FY 2021/2022 Homabay county executive never advanced car loans to its scheme members

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
Mr. Laban Ayoo	Fund Administrator
Mr. Zedekia Mwaga	Fund Accountant
<i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i>	

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2022**

5. FUND MANAGEMENT COMMITTEE CHAIR REPORT

Income

The fund earned interest amounting to KShs. 282,264 for the period. Projects implementation during the period was carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to an opening cash balance of Kshs. 2,131,632 at the beginning of the year.

Expenditures

Due to Covid 19 pandemic there were no expenditure cost incurred during the period as there were limited activities. However, there was a finance cost of Kshs 1,560.

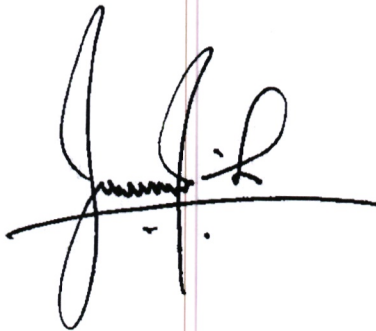
Financial Performance

a) Revenue

In the year ended 30th June 2022, the fund had projected interest income of KShs. 282,264. Out of the projected revenue, the fund was able to realise KShs. 282,264 in actual interest income, representing 100% performance.

b) Loans

During the financial year 2021/2022 the fund disbursed 1 new loans.



Signed:

Nicholas O. Koriko
Chairperson of the Fund Management Committee

6. FUND ADMINISTRATOR'S REPORT

It is my pleasure to present, on behalf of the Fund Administration Committee, the County Executive car and Mortgage loan fund financial statements for the year ended 30th June 2022. 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.

Review of performance

Income

The fund earned interest amounting to KShs. 282,264 for the period. Projects implementation during the period was carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to an opening cash balance of Kshs. 2,131,632 at the beginning of the year.

Expenditures

There was a finance cost of Kshs 1,560.

Financial Performance

c) Revenue

In the year ended 30th June 2022, the fund had projected interest income of KShs. 282,264 Out of the projected revenue, the fund was able to realise KShs282,264 in actual interest income, representing 100% performance.

In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget	Actual	Realization (%)
Revenue	KShs	KShs	
Interest income	282,264	282,264	100%
Total income	282,264	282,264	100%

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

d) Loans

During the financial year 2021/2022 the fund disbursed 1 new loan.

Cash flows

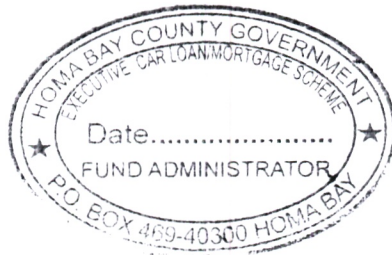
In the FY 2021/2022, we had a few liquidity disruptions. This was as a result of late disbursement from the national treasury hence affecting deductions and remission of the interest and principal.

e) Conclusion

FY 2021/2022 was not a good year in general only one new applicants and high number of defaulters.



Ken **FUND ADMINISTRATOR**



7. CORPORATE GOVERNANCE STATEMENT

The Homa Bay County Executive Car Loan and Mortgage(Members) Scheme Fund 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 provides for the regulation and administration of the Car and Mortgage Loan Fund.

Its mandate is to provide car and Mortgage loans to members of Executive staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements.

The operations of the fund are governed by a fund administrator and the fund Management committee.

8. MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the fund recorded a deficit of Kshs. 1,689,296 up from a deficit of Kshs 165,544 reported in the prior financial year ended June 30, 2021.

The management, from time to time, seeks to have enabling regulations governing the fund's operations and is committed to ensure strict adherence to the set fund regulations in furtherance of compliance with statutory requirements.

9. SUSTAINABILITY REPORTING

During the financial year under review, the entity did not engage in any corporate social responsibility activity. The fund, however, intends to start engaging in corporate social responsibility activities upon widening the scope of the Scheme to cover more members

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2022**

10. REPORT OF THE TRUSTEES/ FUND MANAGEMENT COMMITTEE

The Fund Management Committee submits their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

10.1 Principal activities

The principal activities of the Fund are to:

- Process applications for loans in accordance with the set terms and conditions of borrowing.
- Liaise with the mortgage company, if any, to set up a revolving fund for the disbursement of the loans.

10.2 Performance

The performance of the Fund for the year ended June 30, 2022, are set out on page 18

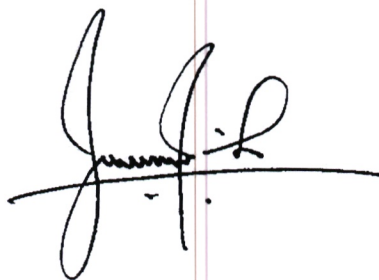
10.3 Trustees

The members of the Fund Management Committee who served during the year are shown on page 5.

10.4 Auditors

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

By Order of the Fund Management Committee



CHAIRPERSON - MORTGAGE SCHEME FUND COMMITTEE

11. 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 established by Public Finance Management (Homabay County Executive Mortgage Scheme Fund) Regulations, 2015 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 30, 2022. 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 and Public Finance Management (Homabay County Executive Mortgage Scheme Fund) Regulations, 2015. 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 30, 2022, 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.

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

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.

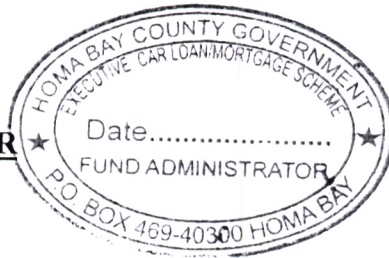
Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the committee on 27th September 2022 and signed on its behalf by:

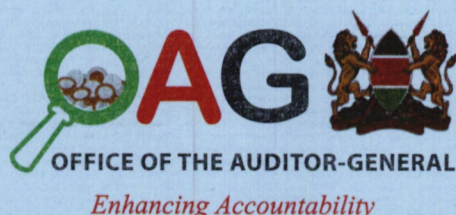


FUND ADMINISTRATOR



REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON HOMA BAY COUNTY EXECUTIVE CAR LOAN AND MORTGAGE (MEMBERS) SCHEME FUND 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

Qualified Opinion

I have audited the accompanying financial statements of Homa Bay County Executive Car Loan and Mortgage(Members) Scheme Fund set out on pages 18 to 41 which

Report of the Auditor-General on Homabay County Executive Car Loan and Mortgage (Members) Scheme Fund for the year ended 30 June, 2022

comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in 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, because of the significance of the matters discussed in the Basis for Qualified Opinion section of my report, the financial statements do not present fairly, the financial position of Homa Bay County Executive Car Loan and Mortgage(Members) Scheme Fund 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 do not comply with the Public Financial Management Act, 2012, Public Finance (Homa Bay County Executive Car Loan(Members) Scheme Fund) Regulations, 2014 and Public Finance Management (County Executive Mortgage (Members) Scheme Fund) Regulations, 2015.

Basis for Qualified Opinion

1. Unsupported Current Portion of Long-Term Receivables from Exchange Transactions Balance

The statement of financial position and Note 5A to the financial statements reflects current portion of long-term receivables from exchange transactions balance of Kshs.9,408,788. Review of records revealed that services of five (5) members of staff were terminated in the month of January, 2022 while they had outstanding loans totalling to Kshs.9,581,007 resulting to an unexplained variance of Kshs.172,219. In addition, Management did not provide documentary evidence to confirm that the loan balances were properly secured.

In the circumstances, the accuracy, validity and recoverability of current portion of long-term receivables from exchange transactions balance of Kshs.9,408,788 could not be confirmed.

2. Unsupported Receivables from Non-Exchange Transactions Balance

The statement of financial position and Note 6 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.44,132,655. Included in this balance are borrowings by and unremitted repayments from the County Treasury of Kshs.40,302,640 and Kshs.3,830,015 respectively. However, the supporting documentation of the borrowings including loans committee approval minutes and lending agreement setting out the terms and purpose for which the County Treasury made the borrowings were not provided for audit review. In addition, the law and regulations under which the borrowings were done and reasons for failure to repay the loans were not provided for audit review.

In the circumstances, the validity, accuracy and recoverability of the receivables from non-exchange transactions balance of Kshs.44,132,655 could not be confirmed.

3. Unsupported Long-Term Receivables from Exchange Transactions Balance

The statement of financial position and Note 5B to the financial statements reflects long-term receivables from exchange transactions balance of Kshs.52,304,155. However, the balance was not supported by appropriate schedules and ledgers.

In the circumstances, the accuracy and completeness of the outstanding long-term loans balance of Kshs.52,304,155 could not be confirmed.

4. Unsupported Reserve Fund

As previously reported, the statement of changes in net assets reflects a negative reserve fund balance of Kshs.41,002,583. However, the Management did not provide documents to support the balance.

In the circumstances, the accuracy and validity of the reserve fund balance of Kshs.41,002,583 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted receipts of Kshs.50,282,264 and an actual receipts of Kshs.282,264 resulting to a shortfall of Kshs.50,000,000 or 99.4%. In addition, budgeted expenditure amounted to Kshs.Kshs.2,005,000 while actual expenditure amounted to Kshs.1,971,560 resulting to an under expenditure of Kshs.33,440. The reasons for the shortfall in receipts were not provided.

In the circumstances, service delivery to the beneficiaries may have been impacted negatively.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

The Public Sector Accounting Standard Board (PSASB) financial reporting template issued in July, 2022 stipulates that the Management should disclose on progress on follow up of prior year auditor's recommendations. Review of Note 15 to the financial statements revealed that five (5) issues raised by the Auditor-General in the report for 2020/2021 had not been resolved. However, Management did not provide supporting documents on the status while no reason was provided for the omission.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Register Charges on Mortgaged Properties and Jointly Register Log Books on Car Loans to Members

The statement of financial position and Note 5A to the financial statements reflects long term receivables from exchange transactions totalling to Kshs.52,304,155. Review of records revealed that Management did not have a charge registered on the financed properties as required by Regulation 20(b) of the Public Finance Management (County Executive Mortgage (Members) Scheme Fund) Regulations, 2015 which requires the mortgage institution to charge security on the properties acquired through loan from the Fund to protect the interests of the Fund.

In addition, the log books of the vehicles subject to the loans were not jointly issued between the County and member of the scheme in line with the requirement of Regulation 9(2) of the Public Finance Management (County Executive Car Loan (Members) Scheme Fund) Regulations, 2014 which require that such jointly issued log book shall be kept in custody of the officer administering the Fund until the loan is repaid in full by the member of the scheme.

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

2. Failure to Insure Mortgaged Properties and Motor Vehicles on Loan

Review of mortgaged properties and loan on motor vehicles records revealed that on Management did not enforce mortgage insurance as required by Regulation 17(1) of the

Public Finance Management (County Executive Mortgage (Members) Scheme Fund) Regulations, 2015 which requires a borrower to take out and maintain a mortgage protection policy and a fire policy with an insurance firm approved by the committee, the cost of which shall be paid by the borrower or out of the Fund and debited in such borrower's account and Regulation 13(1) of the Public Finance Management (County Executive Car Loan (Members) Scheme Fund) Regulations, 2014 which states that a member of the scheme shall comprehensively insure any vehicle purchased through the scheme with an approved insurer by the Board and shall submit evidence of the cover to the administrator.

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

3. Un-Balanced Fund Budget

The Statement of Comparison of Budget and Actual Amounts revealed that the Fund had a final revenue budget of Kshs.50,282,264 while the final expenditure budget was Kshs.2,005,000 resulting to budgeted surplus of Kshs.48,277,264 contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which provides that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, the budget revenue and expenditure appropriations shall be balanced.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 the International Public Sector Accounting Standards (Accruals Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the ability of Homa County Executive Car Loan and Mortgage (Members) Scheme Fund to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to dissolve the Fund or cease operations.

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

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

Those charged with governance are responsible for overseeing the Homa County Executive Car Loan and Mortgage (Members) Scheme Fund financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 ability of Fund to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Homa Bay County Executive Car Loan and Mortgage Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 February, 2023

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

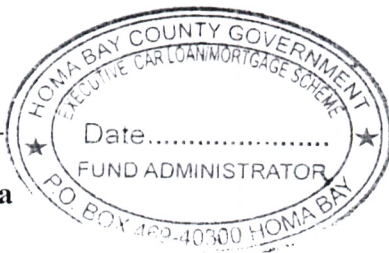

13. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2022

	Note	2021/2022	2020/2021
		KShs	KShs
Revenue from exchange transactions			
Interest income	1	282,264	438,296
Total revenue		282,264	438,296
Expenses			
Fund administration expenses	2	1,970,000	600,000
Finance costs	3	1,560	3,840
Total expenses		1,971,560	603,840
Surplus/(deficit) for the period		(1,689,296)	(165,544)



for Administrator of the Fund
Name: Mr. Zedekiah Mwaga

Ag. Head of Treasury Accounting
Name: Mr. Laban Ayoo

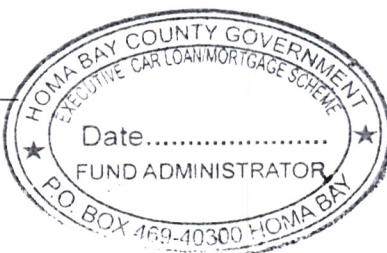
**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2022

	Note	2021/2022	2020/2021
		Kshs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	2,131,632	2,314,650
Current portion of long-term receivables from exchange transactions	5A	9,408,788	14,609,879
Receivables from Non-Exchange Transactions	6	44,132,655	38,330,015
Total Current Assets		55,673,075	55,254,544
Non-current assets			
Long term receivables from exchange transactions	5B	52,304,155	54,411,982
Total assets		107,977,230	109,666,526
Represented By			
Revolving Fund		147,500,000	147,500,000
Reserves		(41,002,583)	(41,002,583)
Accumulated surplus		1,479,813	3,169,109
Total Equity		107,977,230	110,770,932

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 _____ 2022 and signed by:

Zedekiah Mwaga
 Administrator of the Fund
 Name: Zedekiah Mwaga




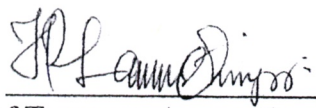
Laban Ayoo
 Head of Treasury Accounting
 Name: Laban Ayoo



13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE, 2022

	Revolving Fund	Reserve Fund	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2020	147,500,000	(41,002,583)	3,334,653	109,832,070
Deficit for the period		-	(165,544)	(165,544)
Balance as at 30 June 2021	147,500,000	(41,002,583)	3,169,109	109,666,526
Balance as at 1 July 2021	147,500,000	(41,002,583)	3,169,109	109,666,526
Deficit for the period		-	(1,689,296)	(1,689,296)
Balance as at 30 June 2022	147,500,000	(41,002,583)	1,479,813	107,977,230


 Administrator of the Fund
 Name: Zedekiah Mwaga

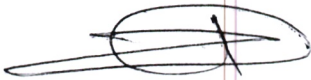

 Head of Treasury Accounting
 Name: Laban Ayoo

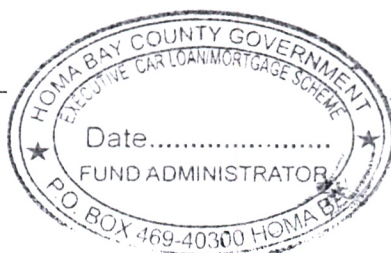


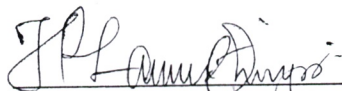
Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
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For the year ended June 30, 2022

13.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE, 2022

	Note	FY2021/2022	FY2020/2021
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Interest received	1	282,264	438,296
Total Receipts		282,264	438,296
Payments			
General expenses	2	(1,970,000)	(600,000)
Finance Costs	3	(1,560)	(3,840)
Total Payments		(1,971,560)	(603,840)
Cash flows from operating activities		(1,689,296)	(165,544)
Cash flows from investing activities			
Proceeds from loan principal repayments	5	10,306,399	14,609,879
Loan disbursements paid out	5	(3,000,000)	(7,000,000)
Net cash flows used in investing activities		7,309,399	7,609,849
Cash flows from financing activities			
Net borrowings by County Treasury	6	(5,802,640)	(10,500,000)
Net cash flows used in financing activities		(5,802,640)	(10,500,000)
Net (decrease) in cash and cash equivalents		(185,537)	(3,055,665)
Cash and cash equivalents at 1 st July 2020	4	2,317,170	5,372,835
Cash and cash equivalents at 30 June 2021		2,131,632	2,317,170


fen: 
Administrator of the Fund
Name: Zedekiah Mwaga

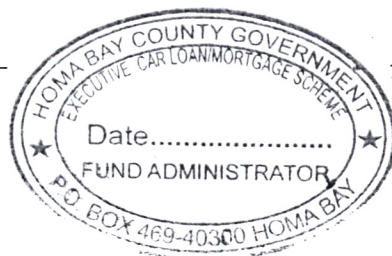


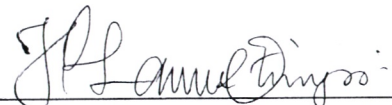

Head of Treasury Accounting
Name: Laban Ayoo

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022	2022	2022	2022	2022	2022
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Transfer from County Treasury	50,000,000	-	50,000,000	-	50,000,000	-
Interest income		-	282,264	282,264		100%
Total income	50,549,245	-	50,282,264	282,264	50,000,000	0.56%
Expenses						
Fund administration expenses	2,000,000	-	2,000,000	1,970,000	30,000	0.985
Finance cost	5,000	-	5,000	1,560	3,440	31.20%
Total expenditure	2,005,000	-	2,005,000	1,971,560	33,440	98.33%
Surplus for the period	47,995,000	-	48,277,264	1,689,296	49,966,560	-3.50%

fen. 
 Administrator of the Fund
 Name: Zedekiah Mwaga




 Head of Treasury Accounting
 Name: Laban Ayoo

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard 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 which are covered purely under Public Sector combinations as amalgamations.

c) Early adoption of standards

The fund did not early – adopt any new or amended standards in year 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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.

4. Budget information

The Homa Bay County 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.

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 in page 18 of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. 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.

6. 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.

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. 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 Fund.

9. Provisions

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

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

Contingent liabilities

The fund 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

The Homa Bay County Executive Car and Mortgage fund 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.

10. Nature and purpose of reserves

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

11. Changes in accounting policies and estimates

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

12. Employee benefits– Retirement benefit plans

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.

13. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. 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.

15. Related parties

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

16. 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.

17. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. There is a change in the comparative figure of total assets due to change in the reporting template. The comparative balance of long term receivables was adjusted by Kshs.2,519 to correct an error of omission on long term loans.

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The Homa Bay County Executive Car Loan and Mortgage(Members) Scheme Fund is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the Homa Bay County Executive.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

The preparation of the Homa Bay Executive Car Loan and Mortgage(Members) Scheme Fund financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The fund based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Useful lives and residual values

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

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

Provisions

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.

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
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For the year ended June 30, 2022**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. 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.

The Fund Management assesses the credit quality of each Staff, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2022				
Receivables from exchange transactions	61,712,943	61,712,943		
Receivables from non-exchange transactions	44,132,655	44,132,655		
Bank balances	2,131,632	2,131,632		
Total	107,977,230	107,977,230		
At 30 June 2021				
Receivables from non-exchange transactions	38,330,015	38,330,015	-	-
Bank balances	2,107,170	2,107,170	-	-
Total	40,437,185	40,437,185	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Fund management 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 on-going 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 Management 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.

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

Description	2022	2021
	KShs	KShs
Revaluation reserve		
Revolving fund	147,500,000	147,500,000
Reserve	(41,002,583)	(41,002,583)
Accumulated surplus/(Deficit)	(1,479,813)	3,169,109
Total funds	107,977,250	109,666,526
Total borrowings	40,302,640	34,500,000
Less: cash and bank balances	(2,131,632)	2,314,650
Net debt/(excess cash and cash equivalents)	38,171,008	32,185,350
Gearing		

Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund
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For the year ended June 30, 2022

14. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Interest income from loans(mortgage /car loans)	282,264	438,296
Total interest income	282,264	438,296

Interest income is calculated at 3% of the gross repayments received during the year.

2. Fund Administrative Expenses

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Administrative expenses	1,970,000	600,000
Total	1,970,000	600,000

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3. Finance Costs

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Bank Charges	1,560	3,840
Total	1,560	3,840

4. Cash and Cash Equivalents

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Current account	2,131,632	2,314,650
Total cash and cash equivalents	2,131,632	2,314,650

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

Financial institution	Account number	FY2021/2022	FY2020/2021
		KShs	KShs
Current account			
Equity Bank	0980265695510	2,131,632	2,314,650
Total		2,131,632	2,314,650

5. Receivables from exchange transactions

Description	FY2021/2022	FY2020/2021
	KShs	KShs
5A. Current Portion of loans due		
Current Portion of Outstanding Loans	9,408,788	14,609,879
Sub-Total	9,408,788	14,609,879
5B. Non-Current receivables		
Long term loan repayments due	52,306,674	54,411,982
Prior Year Adjustment	(2,519)	
Sub-Total	52,304,153	54,411,982
Total receivables from exchange transactions	61,712,943	69,021,861

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6. Receivables from non-exchange transactions

Description	FY2021/2022	FY2020/2021
	KShs	KShs
6A. Current Receivables		
Borrowings by County Treasury	40,302,640	34,500,000
Unremitted repayments from County Treasury	3,830,015	3,830,015
Total receivables from non-exchange transactions	44,132,655	38,330,015

7. Cash generated from operations

	FY2021/2022	FY2020/2021
	KShs	KShs
Surplus/(Deficit) for the year before tax	(1,689,296)	(165,544)
Adjusted for:-		
Interest income	282,264	438,296
Finance cost	1,560	43,840
Working Capital adjustments		
(Increase)/Decrease in receivables	(5,802,640)	(10,500,000)
Net cash flow from operating activities	(7,208,112)	(10,183,408)

8. Revolving Fund

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Revolving fund	147,500,000	147,500,000
Total	147,500,000	147,500,000

9. Loan Disbursed

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Loan Disbursed	3,000,000	7,000,000
Total	3,000,000	7,000,000

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**15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S
RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p>Unremitted Deductions</p> <p>Note 3 to the financial statement is the unremitted deductions of Kshs 3,830,015. The Management did not provide adequate documents to support the transactions including the schedules indicating the particular period(s) of these deductions, and the beneficiaries from which the amounts were recovered.</p> <p>Consequently, the accuracy, validity and completeness of Kshs 3,830,015 as at 30 June 2020 could not be confirmed.</p>		Not Resolved	
2.	<p>Borrowings</p> <p>Included in the statement of financial position is the borrowings of Kshs 24,000,000 as at 30 June 2020. However, the Management</p>		Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>did not provide adequate documents to support the transactions including the confirmation of the balance by the beneficiaries, the terms of the loan, the interest receivable and when the recovery is due. Consequently, the accuracy, validity and completeness of Kshs 24,000,000 as at 30 June 2020 could not be confirmed.</p>			
	<p>Outstanding Loan Balances Note 8 to the financial statement is outstanding loan balances of Kshs 76,631,740 which includes Kshs. 27,110,897 in respect of thirteen (13) ex-employees whose contracts were terminated in March 2019 and had not repaid back their loans. In the circumstances, the accuracy, completeness, validity and recoverability of the outstanding loans of Kshs 27,110,897 as at 30 June 2020 could not be confirmed.</p>		<p>Not Resolved</p>	
	<p>Reserve Fund Included in the current assets in the statement of financial position is a</p>		<p>Not Resolved</p>	

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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)
	<p>reserve fund balance of Kshs 41,002,583 as at 30 June 2020. The reserve fund balance in the current assets effectively represents accrued deficits or losses in the fund. However, the Management did not provide documents to support the balance.</p> <p>Consequently, the regularity, accuracy and completeness of the reserve fund of Kshs 41,002,583 could not be confirmed.</p>			
	<p>Revolving Fund</p> <p>Note 9 the statement of financial position is a revolving fund balance of Kshs 147,500,000 as at 30 June 2020 which differs with the closing balance of Kshs.150,395,594 for the 2018/2019 leading to unreconciled variance of Kshs.2,895,594. Further, the Management did not provide documents to support the balance. Consequently, the regularity, accuracy and completeness of the reserve fund of Kshs 147,500,000 as</p>		Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	at 30 June 2020 could not be confirmed			
	<p>Loan Advance to Members</p> <p>Review of the title deeds and logbooks which were used as collateral to secure loans which were advanced to twenty-six (26) members were not supported by the logbooks and title deed. Further, the documents such as motor vehicle insurance certificates, the purchase invoices or sale agreements and the amortization schedules were not provided for audit review contrary to the provisions of section 17(2) of the Public Finance Management (Homa Bay County Executive Car Loan and Mortgage Scheme Fund) Regulations 2017.</p> <p>Consequently, the regularity and validity of the loans which were advanced to members could not be confirmed. Also, the Fund management is in breach of the law.</p>		Not Resolved	

