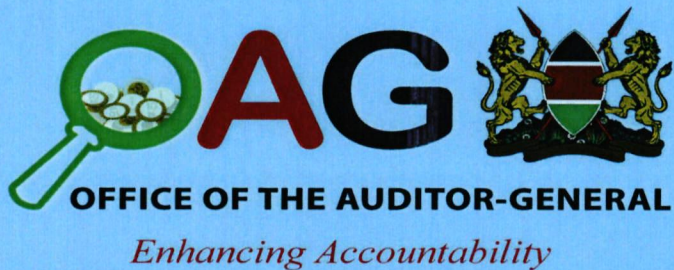


Scanned.

REPUBLIC OF KENYA



## REPORT

PARLIAMENT  
OF KENYA  
LIBRARY

OF

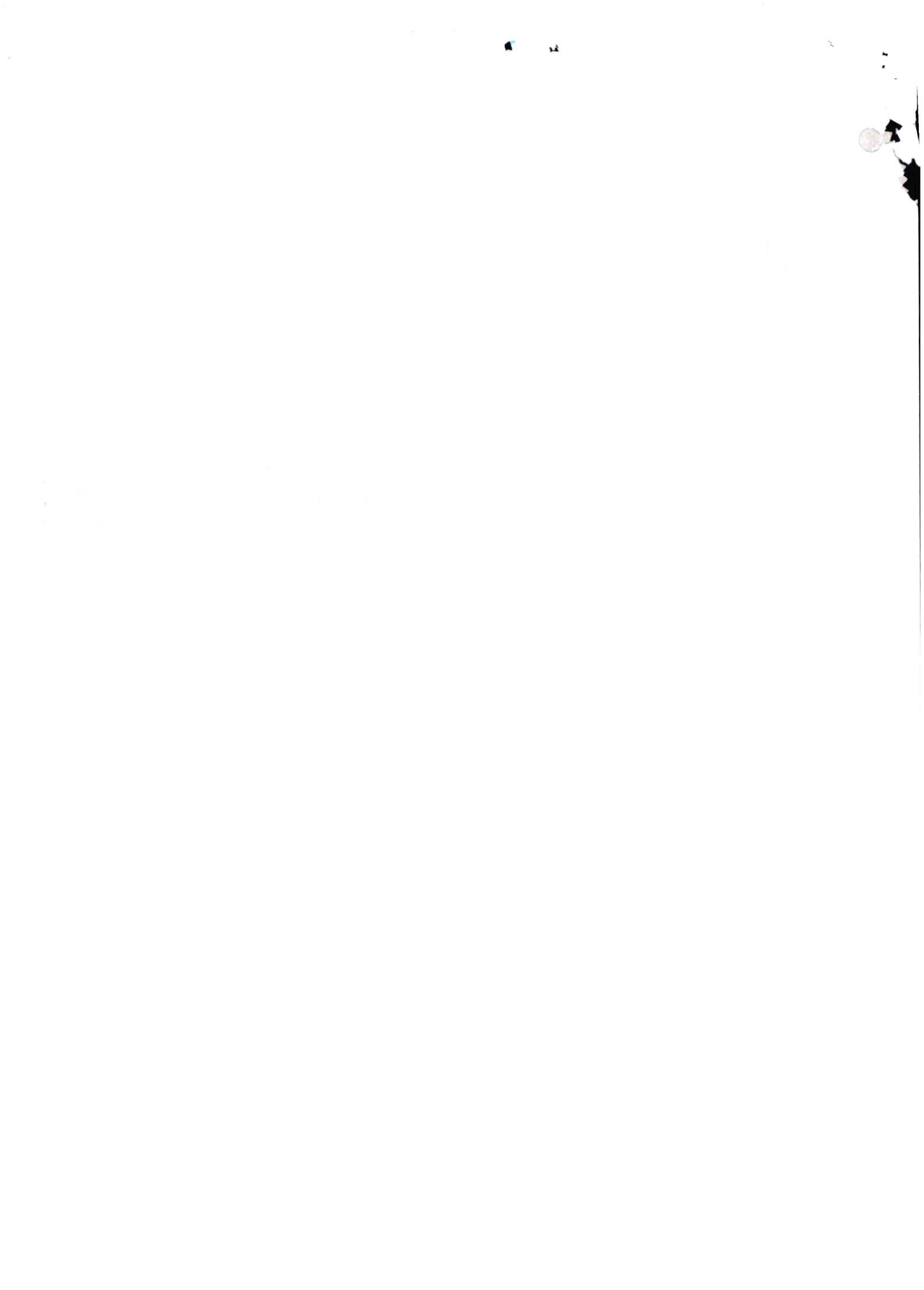
| PAPERS LAID        |                         |
|--------------------|-------------------------|
| DATE               | 8/11/2022               |
| TABLED BY          | Senate<br>Majority Whip |
| COMMITTEE          | _____                   |
| CLERK AT THE TABLE | I. Mbaya                |

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2021**





---

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2021**

---

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

**TABLE OF CONTENTS**

|   |    |
|---|----|
| TABLE OF CONTENTS   | 2  |
| 1. KEY ENTITY INFORMATION AND MANAGEMENT  | 3  |
| 2. FUND MANAGEMENT COMMITTEE  | 5  |
| 3. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED BOJECTIVES  | 6  |
| 4. MANAGEMENT TEAM  | 7  |
| 5. FUND MANAGEMENT COMMITTEE CHAIR REPORT   | 8  |
| 6. FUND ADMINISTRATOR'S REPORT  | 9  |
| 7. CORPORATE GOVERNANCE STATEMENT   | 11 |
| 8. MANAGEMENT DISCUSSION AND ANALYSIS   | 12 |
| 9. SUSTAINABILITY REPORTING   | 13 |
| 10. REPORT OF THE TRUSTEES/ FUND MANAGEMENT COMMITTEE   | 14 |
| 11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES  | 15 |
| 12. REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR<br>HOMABAY COUNTY EXEXUTICE CAR LOAN AND MORTGAGE (MEMBERS) SCHEME<br>FUND 17 |    |
| 13. FINANCIAL STATEMENTS  | 18 |
| 13.2 STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2021 .....  | 19 |
| 13.3 STATEMENT OF CHANGES IN NET ASSETSAS AT 30 JUNE 2021 .....   | 20 |
| 13.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021 ..  | 21 |
| 13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS<br>FOR THE PERIOD ENDED 30 JUNE 2021 .....  | 22 |
| 13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....  | 23 |
| 14. NOTES TO THE FINANCIAL STATEMENTS   | 35 |
| 15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS   | 38 |



## 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 14<sup>th</sup> 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 17<sup>th</sup> 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. Noah Ochieng  | Chief Office Finance, Economic Planning &Service delivery. |
| 2   | Mr. Laban Ayoo    | Fund Administrator   |
| 3   | Mr. Daniel Owuor  | Head of Treasury Accounting                                |
| 4   | Mr. Zedekia Mwaga | Fund Accountant  |



**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](mailto:executive@homabay.go.ke)  
Website: [www.homabaycounty@.go.ke](http://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  
Reports and Financial Statements  
For the year ended June 30, 2021

---

**2. FUND MANAGEMENT COMMITTEE**

| <b>Ref</b> | <b>Name</b>           | <b>Details of qualifications and experience</b>                |
|------------|-----------------------|--|
| 1          | Nicholas K' Oriko     | CEC- Finance, Economic Planning and Service Delivery           |
| 2          | Mr. Isaiah Ogwe       | County Secretary   |
| 3          | Mr. George Ouko Illah | County Attorney  |
| 4          | Dr. David Okeyo       | CEC-M Trade, Industry, Cooperatives and Enterprise Development |
| 5          | Mrs. Beatrice Ogolla  | CEC-M Energy and Mining  |
| 6          | Mr. Laban Ayoo        | Fund Administrator   |
| 7          | Mr.Zeddekia Mwaga     | Fund Accountant  |
|            |                       |  |



**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 2020/2021 Homabay county executive through the Mortgage scheme fund advanced Ksh. 7,000,000 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 2020/2021 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.Zeddekia Mwaga   | Fund Accountant                          |
| <i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i> |  |



10

## 5. FUND MANAGEMENT COMMITTEE CHAIR REPORT

### Income

The fund earned interest amounting to KShs. 438,296 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. 5,370,315 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 603,840.

### Financial Performance

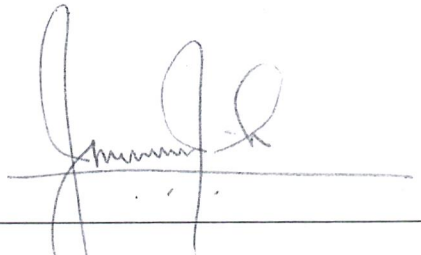
#### a) Revenue

In the year ended 30<sup>th</sup> June 2021, the fund had projected interest income of KShs. 549,024.64. Out of the projected revenue, the fund was able to realise KShs. 438,296 in actual interest income, representing 79.83% performance.

#### b) Loans

During the financial year 2020/2021 the fund disbursed 3 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 30<sup>th</sup> June 2021. 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. 438,296 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. 5,370,315 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 603,840.

### Financial Performance

#### c) Revenue

In the year ended 30<sup>th</sup> June 2020, the fund had projected interest income of KShs. 549,024.64 Out of the projected revenue, the fund was able to realise KShs. 438,296 in actual interest income, representing 79.83% 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        | 549,025        | 438,296 | 79.83%          |
| <b>Total income</b>    | 549,025        | 438,296 | 79.83%          |



**d) Loans**

During the financial year 2020/2021 the fund disbursed 3 new loans.

**Cash flows**

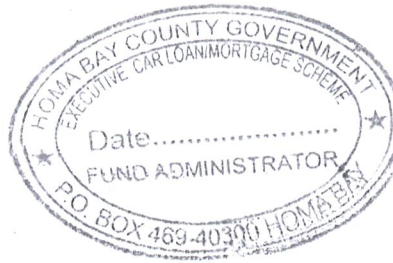
In the FY 2020/2021, we had a few liquidity disruptions. This was as a result of late disbursement from the national treasury hence affecting deductions and remission of the interest and principal.

**e) Conclusion**

FY 2020/2021 was not a good year in general due to Covid 19, only two new applicants and high number of defaulters.



**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 14<sup>th</sup> 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. 165,544 down from a surplus of Kshs 439,059 reported in the prior financial year ended June 30, 2020.

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

## **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, 2021, are set out on page 18

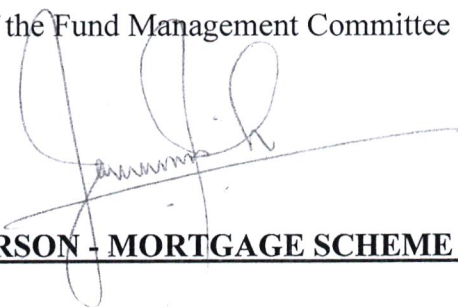
### **10.3 Trustees**

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, 2021. 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, 2021, 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  
Reports and Financial Statements  
For the year ended June 30, 2021**

---

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.

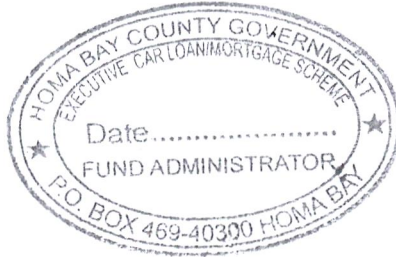
Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the committee on 27th September 2021 and signed on its behalf by:

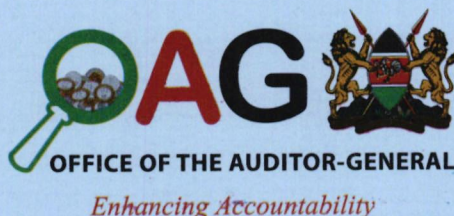


**FUND ADMINISTRATOR**



# 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, 2021**

---

### **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 the 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 Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund for the year ended 30 June, 2021*

comprise of the statement of financial position as at 30 June, 2021, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund as at 30 June, 2021, 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 Financial Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unsupported Unremitted Repayments**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.38,330,015 as disclosed in Note 6 to the financial statements. The receivables include unremitted repayments from County Treasury of Kshs.3,830,015. However, Management did not provide documents to support the transactions including schedules indicating particular period of these repayments, and the beneficiaries from whom the amount was receivable.

Further, the balance includes an amount of Kshs.34,500,000 relating to borrowings by the County Treasury. However, Management did not provide documents to support the transactions including confirmation of the balance by the beneficiaries, terms of the loan, interest receivable and when the receivable was due.

In the circumstances, the accuracy and completeness of the receivables from non-exchange transactions balance of Kshs.38,330,015 could not be confirmed.

#### **2. Unsupported Receivables from Exchange Transactions**

The statement of financial position and as disclosed in Note 5A and 5B to the financial statements reflects current portion of long term receivables from exchange transactions balance of Kshs.14,609,879 and long term receivables from exchange transactions balance of Kshs.54,411,982 all totalling to Kshs.69,021,861. However, the receivables balances were not supported.

In the circumstances, the accuracy and completeness of the receivable from exchange transactions balance of Kshs.69,021,861 could not be confirmed.

#### **3. Unsupported Reserve Fund**

As previously reported, the statement of financial position and the statement of changes in net assets reflects a negative reserve fund balance of Kshs.41,002,583. The same

balance had been reflected in the financial statements as at 30 June, 2019 and 30 June, 2020. However, Management did not provide documents to support the balance.

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

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

### **Key Audit Matter**

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**

#### **1. Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.50,549,249 and Kshs.438,296 respectively resulting to an under-funding of Kshs.50,110,949 or 99% of the budget. Similarly, the Fund expended Kshs.165,544 against an approved budget of Kshs.50,549,245 resulting to an under-expenditure of Kshs.50,383,705 or 99.6% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

#### **2. Unresolved Prior Year Audit Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

## **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 matter 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**

#### **Over Payment of Fund Administrative Expenses**

The statement of comparison of budget and actual amounts reflects a total final expenditure budget of Kshs.1,505,000 and actual administrative expenses of Kshs.600,000 which represents 40% of the total budgeted expenditure. This is contrary to Regulation 197(d) of the Public Finance Management (County Governments) Regulations, 2015 which sets the limit for administration costs at three percent of the Fund's approved budget.

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 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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 control 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 control would not necessarily disclose all matters in the internal control that

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

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

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

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

I communicate with 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

01 September, 2022

Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021

13. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021

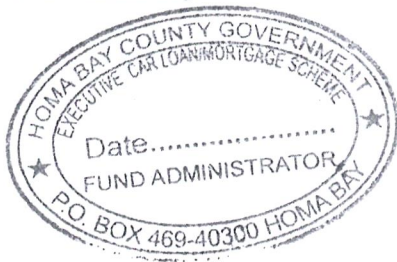
|   | Note | 2020/2021        | 2019/2020      |
|---|------|------------------|----------------|
|   |      | KShs             | KShs           |
| <b>Revenue from exchange transactions</b> |      |                  |                |
| Interest income                           | 1    | 438,296          | 441,699        |
| <b>Total revenue</b>                      |      | <b>438,296</b>   | <b>441,699</b> |
| <b>Expenses</b>                           |      |                  |                |
| Fund administration expenses              | 2    | 600,000          | -              |
| Finance costs                             | 3    | 3,840            | 2,640          |
| <b>Total expenses</b>                     |      | <b>603,840</b>   | <b>2,640</b>   |
| <b>Surplus/(deficit) for the period</b>   |      | <b>(165,544)</b> | <b>439,059</b> |

*Mr. Laban Ayoo*

Administrator of the Fund  
 Name: Mr. Laban Ayoo

*Mr. Daniel Owuor*

Head of Treasury Accounting  
 Name: Mr. Daniel Owuor

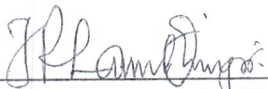


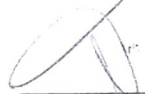
Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

|   | Note | 2020/2021          | 2019/2020          |
|---|------|--------------------|--------------------|
|   |      | Kshs               | KShs               |
| <b>Assets</b>   |      |                    |                    |
| <b>Current assets</b>   |      |                    |                    |
| Cash and cash equivalents   | 4    | 2,314,650          | 5,370,315          |
| Current portion of long-term receivables from exchange transactions | 5A   | 14,609,879         | -                  |
| Receivables from Non-Exchange Transactions                          | 6    | 38,330,015         | 27,830,015         |
| <b>Total Current Assets</b>   |      | <b>55,254,544</b>  | <b>33,200,330</b>  |
|   |      |                    |                    |
| <b>Non-current assets</b>   |      |                    |                    |
| Long term receivables from exchange transactions                    | 5B   | 54,411,982         | 76,631,740         |
|   |      |                    |                    |
| <b>Total assets</b>   |      | <b>109,666,526</b> | <b>109,832,070</b> |
|   |      |                    |                    |
| <b>Represented By</b>   |      |                    |                    |
| Revolving Fund  |      | 147,500,000        | 147,500,000        |
| Reserves  |      | (41,002,583)       | (41,002,583)       |
| Accumulated surplus   |      | 3,169,109          | 3,334,653          |
| <b>Total Equity</b>   |      | <b>109,666,526</b> | <b>109,832,070</b> |

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 \_\_\_\_\_ 2021 and signed by:

  
 Administrator of the Fund  
 Name: Laban Ayoo


  
 Head of Treasury Accounting  
 Name: Daniel Owuor



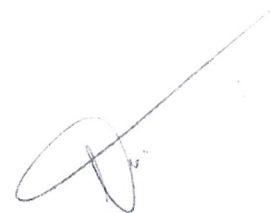
**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021**

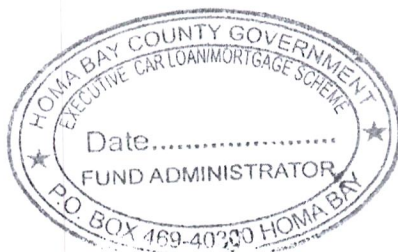
|                                   | Revolving<br>Fund  | Reserve<br>Fund     | Accumulated<br>surplus | Total              |
|-----------------------------------|--------------------|---------------------|------------------------|--------------------|
|                                   |                    | KShs                | KShs                   | KShs               |
| <b>Balance as at 1 July 2019</b>  | 147,500,000        | (41,002,583)        | 2,895,594              |                    |
| Surplus/(deficit) for the period  |                    | -                   | 439,059                | 439,059            |
| <b>Balance as at 30 June 2020</b> | <b>147,500,000</b> | <b>(41,002,583)</b> | <b>3,334,653</b>       | <b>109,832,070</b> |
| <b>Balance as at 1 July 2020</b>  | <b>147,500,000</b> | <b>(41,002,583)</b> | <b>3,334,653</b>       | <b>109,832,070</b> |
| Deficit for the period            |                    | -                   | (165,544)              | (165,544)          |
| <b>Balance as at 30 June 2021</b> | <b>147,500,000</b> | <b>(41,002,583)</b> | <b>3,169,109</b>       | <b>109,666,526</b> |



**Administrator of the Fund  
Name: Laban Ayoo**



**Head of Treasury Accounting  
Name: Daniel Owuor**



Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021

13.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021

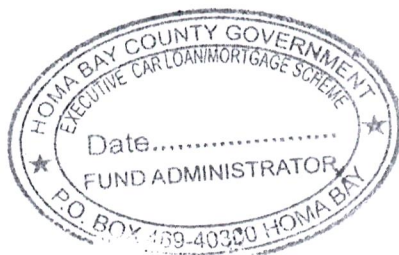
|   | Note | FY2019/2020         | FY2020/2021        |
|---|------|---------------------|--------------------|
|   |      | Kshs.               | Kshs.              |
| <b>Cash flows from operating activities</b>                 |      |                     |                    |
| <b>Receipts</b>   |      |                     |                    |
| Interest received   | 1    | 438,296             | 441,699            |
| <b>Total Receipts</b>                                       |      | <b>438,296</b>      | <b>441,699</b>     |
|   |      |                     |                    |
| <b>Payments</b>   |      |                     |                    |
| General expenses  | 2    | (600,000)           |                    |
| Finance Costs   | 3    | (3,840)             | (2,640)            |
| <b>Total Payments</b>                                       |      | <b>(603,840)</b>    | <b>(2,640)</b>     |
|   |      |                     |                    |
| <b>Cash flows from operating activities</b>                 |      | <b>(165,544)</b>    | <b>439,059</b>     |
|   |      |                     |                    |
| <b>Cash flows from investing activities</b>                 |      |                     |                    |
| Proceeds from loan principal repayments                     |      | 14,609,879          | 14,281,616         |
| Loan disbursements paid out                                 |      | (7,000,000)         | (6,000,000)        |
| <b>Net cash flows used in investing activities</b>          |      | <b>7,609,849</b>    | <b>8,281,616</b>   |
|   |      |                     |                    |
| <b>Cash flows from financing activities</b>                 |      |                     |                    |
| Net borrowings by County Treasury                           |      | (10,500,000)        | (6,263,586)        |
| <b>Net cash flows used in financing activities</b>          |      | <b>(10,500,000)</b> | <b>(6,263,586)</b> |
|   |      |                     |                    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>(3,055,665)</b>  | <b>2,457,089</b>   |
| Cash and cash equivalents at 1 <sup>st</sup> July 2020      |      | 5,372,835           | 2,913,226          |
| <b>Cash and cash equivalents at 30 June 2021</b>            |      | <b>2,314,650</b>    | <b>5,370,315</b>   |

*Laban Ayoo*

Administrator of the Fund  
 Name: Laban Ayoo

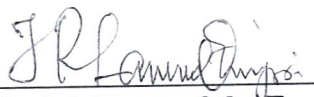
*Daniel Owuor*

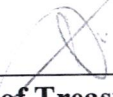
Head of Treasury Accounting  
 Name: Daniel Owuor

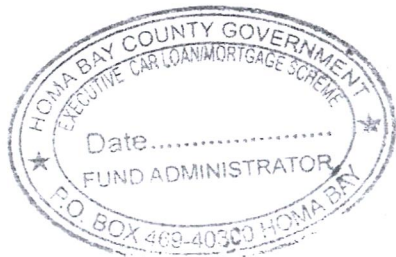


**13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021**

|                               | Original budget   | Adjustments | Final budget      | Actual on comparable basis | Performance difference | % utilisation |
|-------------------------------|-------------------|-------------|-------------------|----------------------------|------------------------|---------------|
|                               | 2021              | 2021        | 2021              | 2021                       | 2021                   | 2021          |
|                               | KShs              | KShs        | KShs              | KShs                       | KShs                   |               |
| <b>Revenue</b>                |                   |             |                   |                            |                        |               |
| Transfer from County Treasury | 50,000,000        | -           | 50,000,000        | -                          | -                      | -             |
| Interest income               | 549,245           | -           | 549,245           | 438,296                    | 110,729                | 79.83%        |
| <b>Total income</b>           | <b>50,549,245</b> | <b>-</b>    | <b>50,549,245</b> | <b>438,296</b>             | <b>50,110,729</b>      | <b>0.87%%</b> |
| <b>Expenses</b>               |                   |             |                   |                            |                        |               |
| Fund administration expenses  | 1,500,000         | -           | 1,500,000         | 600,000                    | 900,000                | 40.00%        |
| Finance cost                  | 5,000             | -           | 5,000             | 3,840                      | 1,160                  | 76.80%        |
| <b>Total expenditure</b>      | <b>1,505,000</b>  | <b>-</b>    | <b>1,505,000</b>  | <b>603,840</b>             | <b>901,160</b>         | <b>40%</b>    |
| <b>Surplus for the period</b> | <b>49,044,245</b> | <b>-</b>    | <b>49,044,245</b> | <b>(165,544)</b>           | <b>49,209,569</b>      |               |

  
 Administrator of the Fund  
 Name: Laban Ayoo

  
 Head of Treasury Accounting  
 Name: Daniel Owuor



**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 2020**

| Standard                              | Effective date and impact:   |
|---------------------------------------|--|
| <b>IPSAS 39:</b><br>Employee Benefits | <b>Applicable: 1<sup>st</sup> January 2018</b><br>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:  |
|---|---|
| <b>IPSAS 40: Public Sector Combinations</b> | <b>Applicable: 1<sup>st</sup> January 2019:</b><br>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 22 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.

**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  
Reports and Financial Statements  
For the year ended June 30, 2021**

**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<br>KShs | Fully performing<br>KShs | Past due<br>KShs | Impaired<br>KShs |
|--|----------------------|--------------------------|------------------|------------------|
| <b>At 30 June 2021</b>                     |                      |                          |                  |                  |
| Receivables from exchange transactions     | 14,609,879           | 14,609,879               |                  |                  |
| Receivables from non-exchange transactions | 38,330,015           | 38,330,015               |                  |                  |
| Bank balances                              | 2,314,650            | 2,314,650                |                  |                  |
| <b>Total</b>                               | <b>55,254,544</b>    | <b>55,254,544</b>        |                  |                  |
| <b>At 30 June 2020</b>                     |                      |                          |                  |                  |
| Receivables from non-exchange transactions | 27,830,015           | 27,830,015               | -                | -                |
| Bank balances                              | 5,370,315            | 5,370,315                | -                | -                |
| <b>Total</b>                               | <b>33,200,330</b>    | <b>33,200,330</b>        | -                | -                |

**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  
Reports and Financial Statements  
For the year ended June 30, 2021**

**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:

|   | 2021               |  | 2020               |
|---|--------------------|--|--------------------|
|   | KShs               |  | KShs               |
| Revaluation reserve                         |                    |  |                    |
| Revolving fund                              | 147,500,000        |  | 147,500,000        |
| Reserve                                     | -41,002,583        |  | -41,002,583        |
| Accumulated surplus/(Deficit)               | <b>3,169,109</b>   |  | <b>3,334,653</b>   |
| <b>Total funds</b>                          | <b>109,666,526</b> |  | <b>109,832,070</b> |
|   |                    |  |                    |
| Total borrowings                            | 34,500,000         |  | 24,000,000         |
| Less: cash and bank balances                | 2,314,650          |  | 5,370,315          |
| Net debt/(excess cash and cash equivalents) | 32,185,350         |  | 18,629,685         |
| <b>Gearing</b>                              |                    |  |                    |

Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021

14. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

| Description                                     | FY2020/2021    | FY2019/2020    |
|---|----------------|----------------|
|   | KShs           | KShs           |
| Interest income from loans(mortgage /car loans) | 438,296        | 441,700        |
| <b>Total interest income</b>                    | <b>438,296</b> | <b>441,700</b> |

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

2. Fund Administrative Expenses

| Description             | FY2020/2021    | FY2019/2020  |
|-------------------------|----------------|--------------|
|                         | KShs           | KShs         |
| Administrative expenses | 600,000        | 0            |
| <b>Total</b>            | <b>600,000</b> | <b>2,640</b> |

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**3. Finance Costs**

| Description  | FY2020/2021  | FY2019/2020  |
|--------------|--------------|--------------|
|              | KShs         | KShs         |
| Bank Charges | 3,840        | 2,640        |
| <b>Total</b> | <b>3,840</b> | <b>2,640</b> |

**4. Cash and Cash Equivalents**

| Description                            | FY2020/2021         | FY2019/2020      |
|--|---------------------|------------------|
|  | KShs                | KShs             |
| Current account                        | 2,314,650           | 5,370,315        |
| <b>Total cash and cash equivalents</b> | <b>2,314,649.55</b> | <b>5,370,315</b> |

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

| Financial institution  | Account number | FY2020/2021      | FY2019/2020      |
|------------------------|----------------|------------------|------------------|
|                        |                | KShs             | KShs             |
| <b>Current account</b> |                |                  |                  |
| Equity Bank            | 0980265695510  | 2,314,650        | 5,370,315        |
| <b>Total</b>           |                | <b>2,314,650</b> | <b>5,370,315</b> |

**5. Receivables from exchange transactions**

| Description   | FY2020/2021       | FY2019/2020       |
|---|-------------------|-------------------|
|   | KShs              | KShs              |
| <b>5A. Current Portion of loans due</b>             |                   |                   |
| Current Portion of Outstanding Loans                | 14,609,879        | -                 |
| <b>Sub-Total</b>                                    | <b>14,609,879</b> |                   |
| <b>5B. Non-Current receivables</b>                  |                   |                   |
| Long term loan repayments due                       | 54,411,982        | 76,631,740        |
| <b>Sub-Total</b>                                    | <b>54,411,982</b> | <b>76,631,740</b> |
| <b>Total receivables from exchange transactions</b> | <b>69,021,861</b> | <b>76,631,740</b> |

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**6. Receivables from non-exchange transactions**

| Description   | FY2020/2021       | FY2019/2020       |
|---|-------------------|-------------------|
|   | KShs              | KShs              |
| <b>6A. Current Receivables</b>                          |                   |                   |
| Borrowings by County Treasury                           | 34,500,000        | 24,000,000        |
| Unremitted repayments from County Treasury              | 3,830,015         | 3,830,015         |
| <b>Total receivables from non-exchange transactions</b> | <b>38,330,015</b> | <b>27,830,015</b> |

**7. Cash generated from operations**

|  | FY2020/2021         | FY2019/2020    |
|--|---------------------|----------------|
|  | KShs                | KShs           |
| <b>Surplus/(Deficit) for the year before tax</b> | (165,544)           | 439,059        |
| <b>Adjusted for:-</b>                            |                     |                |
| Interest income                                  | 438,296             | 441,699        |
| Finance cost                                     | 43,840              | 2,640          |
| <b>Working Capital adjustments</b>               |                     |                |
| (Increase)/Decrease in receivables               | (10,500,000)        | -              |
| <b>Net cash flow from operating activities</b>   | <b>(10,183,408)</b> | <b>883,399</b> |

**8. Revolving Fund**

| Description    | FY2020/2021        | FY2019/2020        |
|----------------|--------------------|--------------------|
|                | KShs               | KShs               |
| Revolving fund | 147,500,000        | 147,500,000        |
| <b>Total</b>   | <b>147,500,000</b> | <b>147,500,000</b> |

**9. Loan Disbursed**

| Description    | FY2020/2021      | FY2019/2020      |
|----------------|------------------|------------------|
|                | KShs             | KShs             |
| Loan Disbursed | 7,000,000        | 6,000,000        |
| <b>Total</b>   | <b>7,000,000</b> | <b>6,000,000</b> |

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**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:<br><i>(Resolved / Not Resolved)</i> | Timeframe:<br><i>(Put a date when you expect the issue to be resolved)</i> |
|--|--|---------------------|---|--|
| 1.   | <p><b>Unremitted Deductions</b></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><b>Borrowings</b></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                                |  |

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

| Reference<br>No. on<br>the<br>external<br>audit<br>Report | Issue / Observations from Auditor  | Management<br>comments | Status:<br>(Resolved<br>/ Not<br>Resolved) | Timeframe:<br>(Put a date<br>when you<br>expect the<br>issue to be<br>resolved) |
|---|--|------------------------|--|---|
|   | <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><b>Outstanding Loan Balances</b><br/>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<br/>Resolved</p>                    |   |
|   | <p><b>Reserve Fund</b><br/>Included in the current assets in the statement of financial position is a</p>  |                        | <p>Not<br/>Resolved</p>                    |   |

**Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

| Reference<br>No. on<br>the<br>external<br>audit<br>Report | Issue / Observations from Auditor  | Management<br>comments | Status:<br><i>(Resolved<br/>/Not<br/>Resolved)</i> | Timeframe:<br><i>(Put a date<br/>when you<br/>expect the<br/>issue to be<br/>resolved)</i> |
|---|--|------------------------|--|--|
|   | <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. Consequently, the regularity, accuracy and completeness of the reserve fund of Kshs 41,002,583 could not be confirmed.</p>  |                        |  |  |
|   | <p><b>Revolving Fund</b><br/>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                                       |  |