

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY
REPORT
DATE: 02 MAR 2021
DAY: TUESDAY
TABLED BY: Chief Whip - Majority
CLERK-AT-THE-TABLE: Moses Lemuna

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**STATE OFFICERS AND PUBLIC OFFICERS
MOTOR CAR LOAN SCHEME**

**FOR THE YEAR ENDED
30 JUNE, 2019**

THE NATIONAL TREASURY




**STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN
SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 MAR 2021	
DAY:	
TABLED BY:	
CLERK-AT THE-TABLE:	

STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND
Annual Reports and Financial Statements
For the year ended June 30, 2019.

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The State Officers and Public Officers Car Loan Scheme Fund was established in 2015, through legal notice no. 195 of 25th September, 2015 under the Public Finance Management Act. This was pursuant to guidelines provided by Salaries and Remuneration Commission on Car Loan benefit for State officers and other Public Servants in December 2014.

The Cabinet Secretary, National Treasury is responsible for the general policy and strategic direction of the Fund while the Chief Executive Officer is the administrator of the Fund.

(b) Principal Activities

The Salaries and Remuneration Commission on 17th December 2014 set and advised on the car and House mortgage benefits for all state officers and other public officers in Kenya. The objective and purpose for which the Fund was established is to provide a car loan facility to State Officers and Public Officers of the National government to purchase a motor car.

(c) Key Management

The Fund is administered through the Car Loan Secretariat by the Accounting Officer / Principal Secretary of the Ministry for the time being responsible for matters related to Finance. Management of the Fund is overseen by an Advisory Board for the reporting period comprising;

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S/No.	Name of Board Member	Designation
1	Dr. Kamau Thugge, CBS	Principal Secretary for the National Treasury.
2	Mr. Samson Wangusi	Alternate for the Principal Secretary for Public Service Management.
3	Eng. Charles Nzuka	Alternate for the Principal Secretary- for Transport and Infrastructure
4	Mrs. Ann Gitau	Chief Executive Officer Salaries and Remuneration Commission (SRC)
5	Mr. Dismus Ogot	Alternate for the Chief Executive Officer Public Service Commission(PSC)
6	Mr. Arthur Nduati	Budget, Financial and Economic Affairs, National Treasury
7	Mr. Francis Musyimi	Principal Administrative Secretary, National Treasury
8	Mrs. Margaret Muiru	Officer administering the Fund/ Secretary

(d) Fiduciary Management

During the financial year under focus the Fund operations were undertaken by the Fund Secretariat and administered by the Officer Administering the Fund. The Officer administering the Fund therefore hereby submits the report of the Fund and the financial statements for the year ended 30 June 2019 which shows the state of the Fund affairs.

The members of Secretariat who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

S/No.	Name of Secretariat	Designation
1.	Mrs. Margret W. Muiru, OGW	Chief Executive Officer.
2.	Mr. George Kariuki	Assistant Director, ICT
3.	Godffrey Busolo	Deputy Secretary
4.	Kennedy Odhiambo	Principal, Human Resource Officer
5.	Patrick Mugoh	Senior Accountant
6.	Justus Karuri	Senior Accountant
7.	Bernard Nganga	Assistant Internal Auditor General
8.	Kenneth Korir	Supply Chain Officer
9.	Edna Atisa	Chief Investment Officer
10.	Faith kiptis	Senior Finance Officer

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(e) Fiduciary Oversight Arrangements

The overall oversight role of the Fund lies with the National Assembly in line with article 226(2) of the Constitution and Public Financial Management Act 2012. The Fund Auditors remains the Auditor General of the Government of Kenya. Internal audit for the Scheme is carried by the audit section within the National Treasury.

(f) Head office

The National Treasury Building, 6th Floor Room 627,
Harambee Avenue
P.O. Box 30007-00100
NAIROBI

(g) Contacts

State Officers and Public Officers Motor Car Loan Scheme Fund.
Telephone: (+254) 2718050
Website: www.treasury.go.ke

(h) Bankers

(i) Central Bank of Kenya,

Address: Haile Selassie Avenue
Mailing Address: P.O Box 60000-00200, Nairobi, Kenya

(ii) Kenya Commercial Bank

Moi Avenue branch
P.O. Box 48400- 00100, Nairobi, Kenya.

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(i) Independent Auditors

Auditor General

Office of Auditor General, Kenya

Anniversary Towers, University Way

P.O. Box 30084, GOP 00100, Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General





State Law Office

Harambee Avenue





P.O. Box 40112, City Square 00200, Nairobi, Kenya

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THE BOARD OF DIRECTORS






S/No	BOARD MEMBER	PROFILES
1	 Dr. Kamau Thugge, CBS	Chairman, State Officers and Public Officers Motor Car Loan Scheme Fund Principal Secretary, National Treasury
2	 Mr. Francis Musyimi, CBS,	Board member Principal Administrative Secretary, National Treasury
3	 Mrs. Margaret W. Muiru, OGW	Ag. Chief Executive Officer and secretary to the board
3	 Mr. Arthur Nduati	Board member DG, Budget Fiscal and Economic Affairs

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4	 <p>CPA, Dismus Ogot</p>	<p>Board member Rep. Chief Executive Officer, Public Service Commission</p>
5	 <p>Eng. Charles Nzuka</p>	<p>Board member Rep. Principal Secretary, Ministry of Infrastructure</p>
6	 <p>Mr. Samson Wangusi</p>	<p>Board member Rep. Principal Secretary, State Department for Public Service and Youth Affairs</p>
7	 <p>Ms. Ann Gitau, MBS</p>	<p>Board member, Chief Executive Officer, Salaries and Remuneration Commission</p>

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MANAGEMENT TEAM

S/No	MANAGEMENT TEAM	PROFILES
1	 Mrs. Margaret W. Muiru,OGW	Ag. Chief Executive Officer
2	 CPA Bernard Nganga	Principal Internal Auditor
3	 Mr. Kenneth Odhiambo	Human Resource & Development Officer
4	 Ms. Edna Atisa	Principal Investment Officer
5	 Mr. George Kariuki	Ag. Director (ICT)

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6	 Mr. Kenneth Korir	Procurement Officer
7	 CPA Patrick Mugoh	Senior Accountant
8	 Mr Godfrey Busolo	Deputy Secretary

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CHAIRMAN'S STATEMENT

The State Officers and Public Officers Car Loan Scheme Fund was established in 2015, through legal notice no. 195 of 25th September, 2015 under the Public Finance Management Act. This was pursuant to guidelines provided by Salaries and Remuneration Commission on Car Loan benefit for State officers and other Public Servants in December 2014.

The Cabinet Secretary, National Treasury appointed Secretariat to oversee operationalization of the fund. Towards this end, several milestones including appointment of Advisory Board members and development of the procedures and guidelines have been achieved. The Fund is currently implementing the pilot Motor Car Loan Application programme to inform the full roll out.

In view of the above and the progress made so far in the operationalization of the scheme, the Fund expects to roll out a sensitization programme for State Officers and Public Officers in the first half of Financial Year 2019/20 so as increase awareness and thus improve uptake of the loan facility.



.....
Julius M, Muia, PhD, EBS
Chairman, State Officers and Public Officers Motor Car Loan Scheme Fund and
Principal Secretary National Treasury

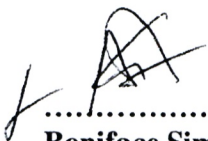
STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND
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REPORT OF THE CHIEF EXECUTIVE OFFICER

On behalf of the Management of the State Officers and Public Officers Motor Car Loan Scheme Fund, I wish to present the annual report and financial Statements for the year ended 30th June 2019. The State Officers and Public Officers Motor Car Loan Scheme Fund is financed by the Government of Kenya.

During the period under review, the Fund undertook various activities geared towards operationalization of the Scheme. Notably, the Fund developed a web based motor car loan application system to facilitate the application process. Additionally, the Secretariat undertook sensitization exercise targeting the Human Resource officers in the Civil Service who are expected to guide the applicants through the process of applying for the loan facility.

We appreciate the support accorded to the Secretariat by the Management of the National Treasury during the process of operationalization of the Scheme when most structures were being established. We look forward to the continued support from all the stakeholders.



.....
Boniface Simba, OGW
Ag. Chief Executive Officer
& Administrator of the Fund

STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND
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CORPORATE GOVERNANCE STATEMENT

The Board held three Board meetings in the year under review.

In order to address the issues of succession, the Advisory Board commenced the process of developing human resource documents to guide the same.

Additionally, the process of creating a Board Charter addressing issues relating to roles of Directors, Board induction, training and evaluation, as well as conflict of interest, governance audit, removal of Directors and functions of the Board was initiated and is being developed.

The Charter is in the process of being reviewed before final approval.

STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND
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MANAGEMENT DISCUSSION AND ANALYSIS

The State Officers and Public Officers Motorcar Loan Scheme Fund undertook a pilot programme targeting the first fifty applicants. By the close of the Financial Year three applicants had been processed through the Advisory Board. Currently the pilot programme is underway.

The Fund complied with the statutory requirements of submitting quarterly financial Statements to the National Treasury. With regard to risks, the fund does not foresee any major risk that is likely to affect its operations in the short or long term. However, it is noted that the challenge of uptake by the beneficiaries arising from many factors such as lack of awareness is likely to affect the uptake. To surmount the challenge, the Fund intends to mount sensitization exercise targeting the beneficiaries.

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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the State Officers and Public Officers Motor Car Loan Scheme Fund affairs.

Principal activities

The principal activities of the entity are to facilitate access to the Motor Car Loan facility to State Officer and Public Officers.

Results

The results of the entity for the year ended June 30, 2019 are set out on pages 1 to 5.

Directors

The members of the Board of Directors who served during the year are shown on page (vi).

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds The State Officer and Public Officers Motor Car Loan Scheme Fund did not trade during the year (FY 2018/2019) and hence no remittance to the Consolidated Fund.

Auditors

The Auditor General is responsible for the statutory audit of the State Officer and Public Officers Motor Car Loan Scheme Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Boniface Simba, OGW
Ag. Chief Executive Officer
& Administrator of the Fund

STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND
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For the year ended June 30, 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 116 (7) of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of that Fund, which give a true and fair view of the state of affairs of the State Officers and Public Officers Motor Car Loan Scheme Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the *entity*.

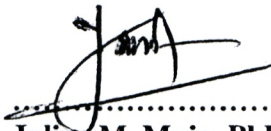
The Directors are responsible for the preparation and presentation of the *Fund's* financial statements, which give a true and fair view of the state of affairs of the *Fund* for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Fund*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

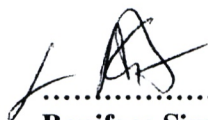
The Directors accept responsibility for the *Fund's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Section 116 (7) of the Public Finance Management Act, 2012. The Directors are 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, 2019, and of the *Fund's* financial position as at that date. The Directors 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.

Nothing has come to the attention of the Directors 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

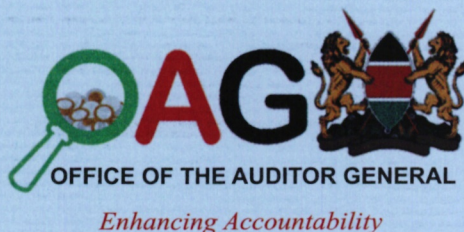
The *Fund's* financial statements were approved by the Board on 25/9/19 2019 and signed on its behalf by:


.....
Julius M. Muia, PhD, EBS
Chairman, State Officers and Public Officers
Motor Car Loan Scheme Fund and
Principal Secretary National Treasury


.....
Boniface Simba, OGW
Ag. Chief Executive Officer
& Administrator of the Fund

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019 – THE NATIONAL TREASURY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of State Officers and Public Officers Motor Car Loan Scheme Fund set out on pages 1 to 21, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Officers and Public Officers Motor Car Loan Scheme Fund as at 30 June, 2019, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Officers and Public Officers Motor Car Loan 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 opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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

Failure to Operationalize the Fund

Section 4(a) and (b) of the Public Finance Management (National Government) Regulations, 2015, provides for the object and purpose of the Fund as provision of car loans facility to State and Public Officers of the National Government. Contrary to the provisions, the Fund Management has not undertaken the requisite activities since inception in 2015 to operationalize the Fund. Consequently, the Fund's allocation totalling Kshs.3,847,507,790 as at 30 June, 2019 continues to remain idle. Although management has indicated having commenced processing of loan applications, only four (4) requests valued at Kshs.17,320,000 had been processed but remained undisbursed as at 30 June, 2019. The Fund is therefore, in breach of law and is not fulfilling the mandate for which it was established.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 overall governance

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain 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.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Fund 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 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 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.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

10 February, 2021

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019 KSh	2017-2018 KSh
Revenue from non-exchange transactions			
Transfers from other governments	6	375,000,000	637,500,000
Revenue from exchange transactions		-	-
Finance income-external investments	7	9,000	-
Other income		-	-
Total revenue		375,009,000	637,500,000
Expenses		-	-
General expenses-bank charges	8	1,210	-
Total expenses		1,210	-
Other gains/(losses)		-	-
Surplus before tax		375,007,790	637,500,000
Taxation	9	-	-
Surplus/(deficit) for the period/year		375,007,790	637,500,000
Net Surplus for the year		375,007,790	637,500,000

The notes set out on pages 6 to 20 form an integral part of these Financial Statements



Julius M. Muia, PhD, EBS
Chairman of the Board

Date... 27/9/2019.....



Boniface Simba, OGW
Ag. Chief Executive Officer
& Administrator of the Fund

Date... 26/9/19.....



CPA Patrick Mugoh
Ag. Fund Accountant
ICPAK Number: 18704

Date... 26/9/19.....

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For the year ended June 30, 2019.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

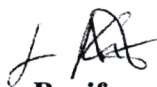
	Notes	2018-2019 KSh	2017-2018 KSh
Assets			
Current assets			
Cash and cash equivalents	10	3,847,507,790	3,472,500,000
Non-current assets		-	-
Total assets		3,847,507,790	3,472,500,000
Liabilities			
Current liabilities		-	-
Non-current liabilities		-	-
Total liabilities		-	-
Net assets		3,847,507,790	3,472,500,000
Accumulated surplus B/F		3,472,500,000	2,835,500,000
Surplus for the Year		375,007,790	637,500,000
Total net assets and liabilities		3,847,507,790	3,472,500,000

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



Julius M. Muia, PhD, EBS
 Chairman of the Board

Date: 27/9/2019



Boniface Simba, OGW
 Ag. Chief Executive Officer
 & Administrator of the Fund

Date: 26/9/19




CPA Patrick Mugoh
 Ag. Fund Accountant
 ICPAK Number:18704


Date: 26/9/2019


STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND
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STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019

	Balance at start of year	Income	Expenditure	Balance at end of year	Capital	Reserves
At July 1, 2017	-	-	-	-	2,835,000,000	2,835,000,000
Capital/Development grants received during the year	-	-	-	-	637,500,000	637,500,000
At June 30, 2018	-	-	-	-	3,472,500,000	3,472,500,000
At July 1, 2018	-	-	-	-	3,472,500,000	3,472,500,000
Capital/Development grants received during the year	-	-	-	-	375,000,000	375,000,000
Loan application fee received	-	-	-	-	9,000	9,000
Less:- Bank charges for cheque books	-	-	-	-	(1,210)	(1,210)
At June 30, 2019	-	-	-	-	3,847,507,790	3,847,507,790


Julius M. Muia, PhD, EBS
 Chairman of the Board


Boniface Simba, OGW
 Ag. Chief Executive Officer
 & Administrator of the Fund


CPA Patrick Mugoh
 Ag. Fund Accountant
 ICPAK Number:18704

Date.....27/9/2019.....


Date.....26/9/19.....

Date.....26/9/19.....


STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019


	Notes	2018-2019 Kshs	2017-2018 Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies		375,000,000	637,500,000
Total Receipts		375,000,000	637,500,000
Payments	8	1,210	
Total Payments		1,210	-
Net cash flows from operating activities		374,998,790	637,500,000
Cash flows from investing activities	7	9,000	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities		-	-
Net cash flows used in financing activities		-	-
Net increase in cash and cash equivalents		375,007,790	637,500,000
Cash and cash equivalents at 1 JULY 2018		3,472,500,000	2,835,500,000
Cash and cash equivalents at 30 JUNE 2019		3,847,507,790	3,472,500,000


Julius M. Muia, PhD, EBS
 Chairman of the Board

Date... 27/9/2019


Boniface Simba, OGW
 Ag. Chief Executive Officer
 & Administrator of the Fund

Date... 26/9/19

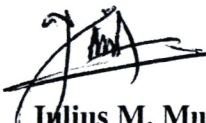

CPA Patrick Mugoh
 Ag. Fund Accountant
 ICPAK Number: 18704

Date... 26/9/19


STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019


	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants and subsidies	850,000,000	(475,000,000)	375,000,000	375,000,000	-
Total income	850,000,000	(475,000,000)	375,000,000	375,000,000	-
Expenses	-	-	-	-	-
Total expenditure	-	-	-	-	-
Surplus for the period	850,000,000	(475,000,000)	375,000,000	375,000,000	-


Julius M. Muia, PhD, EBS
 Chairman of the Board

Date... 27/9/2019.....


Boniface Simba, OGW
 Ag. Chief Executive Officer
 & Administrator of the Fund

Date... 26/9/19.....


CPA Patrick Mugoh
 Ag. Fund Accountant
 ICPAK Number:18704

Date... 26/9/19.....

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The State Officers and Public Officers Car Loan Scheme Fund was established in 2015, through legal notice no. 195 of 25th September, 2015 under the Public Finance Management Act. This was pursuant to guidelines provided by Salaries and Remuneration Commission on Car Loan benefit for State officers and other Public Servants in December 2014.

The Cabinet Secretary, National Treasury is responsible for the general policy and strategic direction of the Fund while the Chief Executive Officer is the administrator of the Fund.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the State Officers and Public Officers Motor Car Loan Scheme Fund.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	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 are covered purely under Public Sector combinations as amalgamations.

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The State Officers and Public Officers Motor Car Loan Scheme Fund recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

The State Officers and Public Officers Motor Car Loan Scheme Fund recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

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.

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on 14th June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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 on page 5 of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) **Financial instruments**

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.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity 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 a 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 derecognized 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.

i) 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 labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Entity shall create and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay

all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

n) 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.

o) 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.

p) Related parties

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

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) 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.

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION
UNCERTAINTY**

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

Estimates and assumptions

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

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

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

6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the donor	2018-2019		2018-2019		Total grant	2018-2019
	Amount recognized in Statement of Comprehensive Income & Surplus	Amount received under deferred income	Amount recognized in capital fund	Amount received		
The National Treasury	375,000,000	-	375,000,000	375,000,000	375,000,000	375,000,000
Total	375,000,000	-	375,000,000	375,000,000	375,000,000	375,000,000

7. FINANCE INCOME-EXTERNAL INVESTMENTS

The State Officers and Public Officers Motor Car Loan Scheme Fund gained a credit of ksh. 9,000, arising from loan application fees during the period under review, under Kenya Commercial Bank A/C No.1248074149.

8. EXPENSES

The State Officers and Public Officers Motor Car Loan Scheme Fund incurred expenses in form of bank charges amounting to ksh. 1,210 (printing of cheque books) during the period under review, under Kenya Commercial Bank A/C No.1248069579.

9. TAXATION

The State Officers and Public Officers Motor Car Loan Scheme Fund did not have any Tax liability during the year under review.

'STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND
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10. DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2018-2019	2017-2018
		KShs	KShs
a) Current account			
Central Bank Of Kenya	1000239476	3,472,500,000	3,472,500,000
Kenya Commercial bank	1248076427	-	-
Kenya Commercial bank	1248074149	9,000	-
b) On - call deposits			
Kenya Commercial bank	1248072421	-	-
Kenya Commercial bank	1248069579	374,998,790	-
Grand total		3,847,507,790	3,472,500,000

BANK ACCOUNTS DETAILS

KCB Accounts


- a) 1248076427- Loan Repayment
- b) 1248074149- Recurrent A/c
- c) 1248072421- Loan Disbursement
- d) 1248069579- Fund Deposit

CBK Account No. 1000239476- This is a holding Bank Account.

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR 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. of the external auditor Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved or Partially)	Expected date when the issue is resolved
AA/TNT/SOP OCLS/2016-17/Vol.1/15	The Auditor General gave a clean audit opinion with Emphasis on the matter based on Idle cash held at Central Bank Of Kenya	The Fund has signed an agency contract with Kenya Commercial Bank (KCB) and transferred Kshs. 375 million to an interest earning account. We are in the process of piloting the first fifty applicants with a view of checking the systems to enable us seal any loopholes and enhance the operational procedures and Data Base systems.	CPA JUSTUS KARURI (Senior Accountant)	Partially resolved	30 TH JUNE 2020



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Boniface Simba, OGW
Ag. Chief Executive Officer
& Administrator of the Fund

STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND
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APPENDIX II: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from National Treasury			
	FY 2018/2019			
a.	Recurrent Grants			
		<u>Bank Statement</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts</u>
		<u>Date</u>		<u>relate</u>
		02/05/2019	375,000,000	2018/2019
		Total	375,000,000	
b.	Development Grants		-	
		Total	-	
c.	Direct Payments			
d.	Donor Receipts			
		Total	375,000,000	

The above amounts have been communicated to and reconciled with the parent Ministry, The National Treasury.



CPA PATRICK MUGOH
 Ag Fund Accountant
 State Officers and Public Officers
 Motor Car Loan Scheme Fund



JUSTUS KARURI
 Senior Accountant

