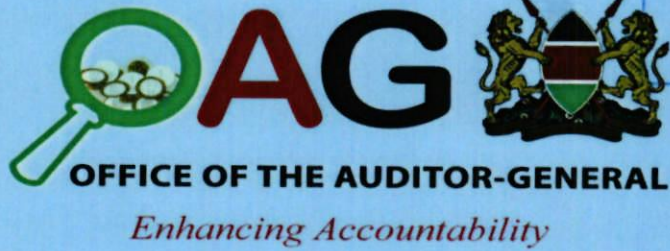


REPUBLIC OF KENYA



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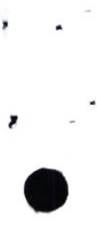
THE AUDITOR-GENERAL

ON

MIGORI COUNTY ASSEMBLY CAR LOAN  
AND MORTGAGE FUND

FOR THE YEAR ENDED  
30 JUNE, 2020

PAPERS LAID	
DATE	23/02/2022
TABLED BY	SML
COMMITTEE	-
CLERK AT THE TABLE	CAROLINE CHIBROP





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**MIGORI COUNTY ASSEMBLY**  
**CAR LOAN AND MORTGAGE FUND**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2020**

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

***Migori County Assembly Car Loan  
And Mortgage Fund.***  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**TABLE OF CONTENTS**

TABLE OF CONTENTS.....	i
1. KEY ENTITY INFORMATION AND MANAGEMENT.....	ii
2. FORWARD BY THE CLERK OF THE ASSEMBLY .....	iv
3. STATEMENT OF MANAGEMENT RESPONSIBILITIES.....	v
4. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY (specify entity name) ...	vi
5. FINANCIAL STATEMENTS .....	1
5.1. STATEMENT OF RECEIPTS AND PAYMENTS.....	1
5.2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES.....	2
5.3. STATEMENT OF CASH FLOWS.....	3
5.4. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT.....	4
5.5. SIGNIFICANT ACCOUNTING POLICIES.....	5
5.6. NOTES TO THE FINANCIAL STATEMENTS .....	9

**Migori County Assembly Car Loan  
And Mortgage Fund.**

**Reports and Financial Statements  
For the year ended June 30, 2020**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The Migori County Assembly car loan and Mortgage Board was established in the year 2014 by an act of Migori County Assembly.

The car loan and Mortgage board was to establish a fund for financing car Loan and Mortgages to Honourable members of Migori County Assembly as well as staff of Migori County Assembly as per the SRC circular.

**(b) Key Management**

The Migori County Assembly Car loan & mortgage Boards' day-to-day management is under the following key organs:

- The Clerk of the County Assembly as the chairperson;
- The Chief Finance Officer of the county assembly as the secretary;

**(c) Fiduciary Management**

The key management personnel who held office during the year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	- <b>Emmanuel Abala</b>
2.	Chief Finance Officer	- <b>Evans Ogutu Ouma</b>

**(d) Fiduciary Oversight Arrangements**

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- The Internal Auditor-**Beryl Pendo Mauko**
- Migori County Assembly CPIAC committee

**(e) Migori County Assembly Headquarters**

P.O. Box 985-40400 Suna-Kenya  
ISOLATED BUILDING  
Migori Level 4 hospital-Highway

**(f) Migori County Assembly Contacts**

**Migori County Assembly Car Loan  
And Mortgage Fund.  
Reports and Financial Statements  
For the year ended June 30, 2020**

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Telephone: (254) 0713556633

E-mail: [www.migorica.go.ke](http://www.migorica.go.ke)

Website: [www.migoricountyassembly.go.ke](http://www.migoricountyassembly.go.ke)

**(g) Entity Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. KCB Bank(K) ltd  
Migori Branch

**(h) Independent Auditors**

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

**(i) Principal Legal Adviser**


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

**Migori County Assembly Car Loan  
And Mortgage Fund.  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**2. FORWARD BY THE CLERK OF THE ASSEMBLY**

<b>Budget performance</b>
During the financial year ended 30 <sup>th</sup> June 2020, Migori County Assembly's Car loan & mortgage Board did not have a budget estimate, all transfers to DTB bank car loan & mortgage account were check off loans recoveries for the financial year.
<b>Operational Performance</b>
<b>Performance of key development projects</b>
<b>Comment on value-for-money achievements</b>
The Recurrent absorption process was procedural during the financial year as per the operational achievements hence value for money.
<b>Challenges and Recommended Way Forward</b>
The key challenges during the financial year were; Non-funding of the revolving fund at DTB to meet the fund requirements Bank charges, penalties on revolving fund account Lack of car loan & mortgage regulations.

  
\_\_\_\_\_  
Clerk of the County Assembly

### **3. STATEMENT OF MANAGEMENT RESPONSIBILITIES**

Sections 164 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of a County Government Entity to prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Car Loan & mortgage Board is responsible for the preparation and presentation of the Car Loan & mortgage financial statements, which give a true and fair view of the state of affairs of the Car loan and Mortgage for the year, ended June 30, 2020. 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 County Assembly; (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 County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Car Loan & mortgage board accepts responsibility for the Car Loan & mortgage financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public-Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended June 30, 2018, and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the County Assembly which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The Car loan & mortgage board confirms that the Car loan & mortgage financial statements has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Assembly's funds received during the quarter under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

#### **Approval of the financial statements**

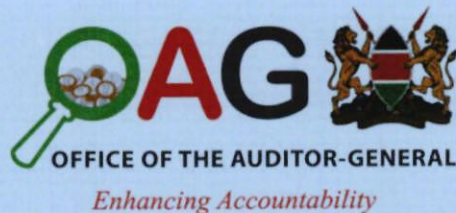
The County Government's financial statements were approved and signed by the Clerk of the County Assembly on \_\_\_\_\_ 2020

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Clerk of the County Assembly

# 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 MIGORI COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Migori County Assembly Car Loan and Mortgage Fund set out on pages 1 to 13, which comprise of the statement of financial assets and liabilities as at 30 June, 2020 and, the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Migori County Assembly Car Loan and Mortgage Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Migori County Assembly Car Loan and Mortgage Fund Act, 2014 and Public Finance Management, Act 2012.

#### Basis for Adverse Opinion

##### 1. Accounting Framework Used in Preparation of Financial Statements

The financial statements have been prepared in accordance with the Cash Basis of accounting method under the International Public Sector Accounting Standards (IPSAS) which comprise of; the statement of financial assets and liabilities and statement of receipts and payments. However, Section 81(3) of the Public Finance Management Act, 2012 prescribes Accrual Basis of accounting method for Funds with the following elements of financial statements; the statement financial position, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts.

In the circumstances, the financial statements as prepared and presented do not comply with the provisions of Section 81(3) of the Public Finance Management Act, 2012.

## **2. Lack of Trial Balance**

The Management of the County Assembly of Migori Car Loan & Mortgage Fund did not provide for audit review a trial balance to support the figures reported in the financial statements for the year ended 30 June, 2020.

Consequently, the accuracy, validity and completeness of the balances reflected in the financial statements for the year ended 30 June, 2020 could not be confirmed.

## **3. Unsupported and Unreconciled Cash and Cash Equivalents**

The statement of financial position reflects a bank balance of Kshs.131,391,077 as at 30 June, 2020. The Management did not provide a bank confirmation certificate to support the balance.

Further, the statement of cash flow reflect closing cash and cash equivalent in 2018/2019 of Kshs.80,751,467 which differs with the opening balance of Kshs.142,399,249 in 2019/2020 leading to unreconciled variance of Kshs.61,647,782.

Consequently, the existence, accuracy and completeness of the cash and cash equivalents balance of Kshs.131,391,077 as at 30 June, 2020 could not be confirmed.

## **4. Undisclosed Loan Recovered and Interest Income**

The statement of receipts and payments for the year ended 30 June, 2020 reflect nil receipts. However, analysis of the Migori County Assembly payroll availed for audit revealed recoveries amounting to Kshs.55,586,315. comprising of loan deduction of Kshs.52,251,136 and interest charge of Kshs.3,335,179 recovered from the beneficiaries of the Car Loan and Mortgage Fund during the period under review but the amounts were was not incorporated in the financial statements.

Consequently, the propriety, accuracy and completeness of the receipts could not be confirmed.

## **5. Unsupported Account Receivables**

Th statement of financial assts and liabilities reflects account receivable balance of Kshs.7,539,575 representing loan repayment due as disclosed in Note 8 to the financial statements. However, the Management did not provide adequate relevant documents to support the balance.

Consequently, the validity, accuracy and completeness of the account receivables balance of Kshs.7,539,575 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Migori County Assembly Car Loan and Mortgage 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 adverse 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of the report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the procedures performed, I confirm that, internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (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 governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability 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 abolish the Fund or cease operations,

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied

in an effective way in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability the Fund to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease sustaining its services.

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**03 February, 2022**


**Migori County Assembly Car Loan  
And Mortgage Fund.  
Reports and Financial Statements  
For the year ended June 30, 2020**


**5. FINANCIAL STATEMENTS**

**5.1. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE  
2020**

		2019/20	2018/19
	Note	KShs	KShs
<b>RECEIPTS</b>			
Transfers from the County Treasury/Exchequer Releases	1		105,000,000
Proceeds from Sale of Assets		-	-
Other Receipts		-	-
<b>TOTAL RECEIPTS</b>			<b>105,000,000</b>
<b>PAYMENTS</b>			
Compensation of Employees	2	-	
Fund administration expenses	3		4,631,496
Subsidies			
Transfers to Other Government Entities			
Other grants and transfers			
Social Security Benefits	4		
Acquisition of Assets			
Finance Costs	5	3,468,596	17,669,124
Other Payments	6		
<b>TOTAL PAYMENTS</b>		<b>3,468,596</b>	<b>22,300,620</b>
<b>SURPLUS/DEFICIT</b>		<b>(3,468,596)</b>	<b>82,699,379</b>

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/9/ 2020 and signed by:

  
Clerk of the Assembly  
Name: Emmanuel Abala

  
Chief Finance Officer – County Assembly  
Name: Evans Ogotu Ouma  
ICPAK Member Number: 20005

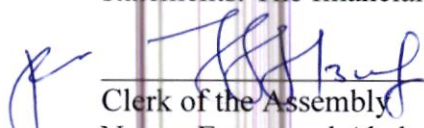



**Migori County Assembly Car Loan  
And Mortgage Fund.  
Reports and Financial Statements  
For the year ended June 30, 2020**

**5.2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE 2020**

		2019/2020	2018/19
FINANCIAL ASSETS	Note	KShs	KShs
<b>Cash and Cash Equivalents</b>			
Bank Balances	7	131,391,077	142,399,249
Cash Balances		-	-
Fixed Assets		-	-
<b>Total Assets</b>		131,391,077	142,399,249
Accounts receivables	8	7,539,575	<b>40,566,160</b>
<b>TOTAL FIXED &amp; FINANCIAL ASSETS</b>		<b>138,930,653</b>	<b>182,965,409</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions	9	-	40,566,160
Upfront interest on DTB LOAN		-	12,624,037
Check off arrears DTB		-	68,806,942
<b>NET FIXED &amp; FINANCIAL ASSETS</b>		<b>138,930,653</b>	<b>142,399,249</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd		<b>142,399,249</b>	61,647,782
Surplus/Deficit for the year		<b>(3,468,596)</b>	-
Opening Balance Equity			80,751,467
<b>NET FINANCIAL POSITION</b>		<b>138,930,653</b>	<b>142,399,249</b>

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/9/20 2020 and signed by:

  
Clerk of the Assembly  
Name: Emmanuel Abala

  
Chief Finance Officer – County Assembly  
Name: Evans Ogutu Ouma  
ICPAK Member Number: 20005



**Migori County Assembly Car Loan  
And Mortgage Fund.  
Reports and Financial Statements  
For the year ended June 30, 2020**

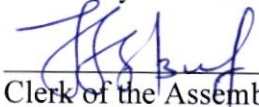
**5.3. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

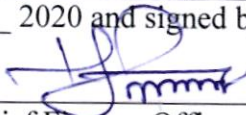
		2019/20	2018/19
	Note	KShs	KShs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts from operating income</b>			
Transfers from the County Treasury/Exchequer Releases	1	-	105,000,000
Other Receipts			
<b>Payments for operating expenses</b>			
Compensation of Employees	2	-	
Fund administration expenses	3		4,631,496
Subsidies			
Transfers to Other Government Entities			
Other grants and transfers			
Social Security Benefits	4		
Finance Costs	5	3,468,596	17,669,124
Other Payments	6		
<b>Adjusted for:</b>			
Adjustments during the year		(7,539,576)	
<b>Net cash flows from operating activities</b>		<b>11,008,172</b>	<b>82,699,379</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets			-
Acquisition of Assets			-
<b>Net cash flows from investing activities</b>			-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(11,008,172)</b>	<b>82,699,379</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	7	<b>142,399,249</b>	<b>(1,947,912)</b>
<b>Cash and cash equivalent at END of the year</b>		<b>131,391,077</b>	<b>80,751,467</b>

**5.4. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: DEVELOPMENT FOR THE YEAR ENDED  
30 JUNE 2020**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% Utilization difference
	KShs	KShs	c=a+b	e=d-c	KShs
<b>RECEIPTS</b>					
Transfers from the County Treasury/ Exchequer Releases	-	-	-	-	-
Proceeds from Sale of Assets					
Other Receipts					
<b>TOTAL</b>	-	-	-	-	-
<b>PAYMENTS</b>					
Compensation of Employees	-	-	-	-	-
Fund administration expenses			-	-	-
Subsidies		-	-	-	-
Transfers to Other Government Entities		-	-	-	-
Other grants and transfers		-	-	-	-
Social Security Benefits		-	-	-	-
Acquisition of Assets		-	-	-	-
Finance Costs		-	-	3,468,596	
Other Payments		-	-	-	
<b>TOTAL</b>		-	-	3,468,596	
<b>SURPLUS/ DEFICIT</b>				(3,468,596)	

The entity financial statements were approved on 30/7/ 2020 and signed by:

  
Clerk of the Assembly  
Name: Emmanuel Abala

  
Chief Finance Office – County Assembly  
Name: Evans Ogotu Ouma  
ICPAK Member Number: 20005



## **5.5. SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

### **1. Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The statement of assets and liabilities, although not a requirement of the IPSAS Cash Standard, has been included to disclose information on receivables and payables.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

### **2. Reporting entity**

The financial statements are for the Migori County Assembly. The financial statements encompass the reporting entity as specified in section 164 of PFM Act 2012.

### **3. Recognition of receipts and payments**

#### **a) Recognition of receipts**

The Migori County Assembly recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Assembly.

#### **Tax receipts**

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

#### **Transfers from the Exchequer/ County Treasury**

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Receipts**

Other receipts relate to receipts such as tender fees among others. These are recognised in the financial statements when the associated cash is received.

**b) Recognition of payments**

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

**Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

**Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**4. In-kind contributions**

In-kind contributions are donations that are made to Migori County Assembly in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, Migori County Assembly includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

## **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5. 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.

#### **Restriction on cash**

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

### **6. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

### **7. Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted and prescribed by the Public Sector Accounting Standards Board. Other liabilities including pending bills are disclosed in the financial statements.

### **8. Non-current assets**

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**9. Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Migori county Assembly at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**10. Budget**

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Migori County Assembly budget was approved as required by Law .A high-level assessment of the Migori County Assembly's' actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

**11. Comparative figures**

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

**12. Subsequent events**

Events subsequent to submission of the financial year end financial statements to County Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of the County Treasury.

**13. Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

**14. Related party transactions**

Related party transactions involve cash and in kind transactions with the National Government, National Government entities and County Government entities. Specific information with regards to related party transactions is included in the disclosure notes.

**Migori County Assembly Car Loan  
And Mortgage Fund.  
Reports and Financial Statements  
For the year ended June 30, 2020**

**5.6. NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfers from the County Treasury/Exchequer Releases**

	<b>2019/20</b>	<b>2018/19</b>
	<b>KShs</b>	<b>KShs</b>
Transfers from the County Treasury for Q1	-	
Transfers from the County Treasury for Q2	-	30,000,000
Transfers from the County Treasury for Q3	-	
Transfers from the County Treasury for Q4	-	75,000,000

**2. COMPENSATION OF EMPLOYEES**

	<b>2019/20</b>	<b>2018/19</b>
	<b>KShs</b>	<b>KShs</b>
Net salaries, allowances & statutory deductions	-	
Basic wages of temporary employees-civil	-	
Personal allowances paid as part of salary-CASB	-	
Special duty and other responsibility allowances	-	
Transport & travel allowances	-	
Extraneous allowances		
Telephone allowances	-	
Contracted guards allowances	-	
Social benefit schemes outside government-	-	
Other personnel payments		
<b>Total</b>	-	

**3. FUND ADMINISTRATION EXPENSES**

	<b>2019/20</b>	<b>2018/19</b>
	<b>KShs</b>	<b>KShs</b>
Short fall recovery		4,631,496
Communication, supplies and services		
Domestic travel and subsistence		
Foreign travel and subsistence		
Printing, advertising and information supplies & services		

**Migori County Assembly Car Loan  
And Mortgage Fund.  
Reports and Financial Statements  
For the year ended June 30, 2020**

Rents and rates assets		
Training expenses		
Hospitality supplies and services		
Insurance costs		
Members fees and Dues		
Specialized materials & Services		
Other operating expenses		
General operating services		
Fuel & lubricants		
Routine maintenance – vehicles and other transport equipment		
Routine maintenance Buildings		
Routine maintenance-plant & equipment		
Routine maintenance-office furniture		
Routine maintenance – computers, printers, accessories		
<b>Total</b>		<b>4,631,496</b>

**4. SOCIAL SECURITY BENEFITS**

	2019/20	2018/19
	KShs	KShs
Government pension and retirement benefits		
Social security benefits in cash and in kind		
Employer Social Benefits in cash and in kind		
<b>Total</b>		

**5. FINANCE COSTS**

	2019/20	2018/19
	KShs	KShs
Bank Charges		
Exchange Rate Losses		
Ledger fee	450	1,574,087
Excise duty and other interest fees	3,468,096	16,095,037
<b>Total</b>	<b>3,468,596</b>	<b>17,669,124</b>

**Migori County Assembly Car Loan  
And Mortgage Fund.  
Reports and Financial Statements  
For the year ended June 30, 2020**

**6. OTHER PAYMENTS**

	<b>2019/20</b>	<b>2018/19</b>
	<b>KShs</b>	<b>KShs</b>
Budget Reserves		
Civil Contingency Reserves		
Capital Transfers to Non-Financial Public Enterprises		
Capital Transfer to Public Financial Institutions and Enterprises		
Contracted professional services		
Pending bills 2013-2017		
Legal fees & dues		
<b>Total</b>		

**7. CASH AND BANK BALANCES**

**7A. BANK BALANCES**

<b>Name of Bank, Account No. &amp; Currency</b>	<b>Indicated whether recurrent or development</b>	<b>2019/20</b>	<b>2018/19</b>
Balance B/f			
CBK MIGORI COUNTY ASSEMBLY OPERATIONS	Recurrent Acc		-
DTB ACCOUNT-CAR LOAN & MORTGAGE	Deposits Acc	131,391,077	142,399,249
KCB BANK (K) LTD OPERATIONS ACCOUNT	Commercial Bank Accs.		-
<b>Total</b>		<b>131,391,077</b>	<b>142,399,249</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. ACCOUNTS RECEIVABLE**

	<b>2019/20</b>	<b>2018/19</b>
	<b>Kshs</b>	<b>Kshs</b>
Loan Repayment Due	7,539,576	40,566,160
Clearance Accounts		-

**Migori County Assembly Car Loan  
And Mortgage Fund.  
Reports and Financial Statements  
For the year ended June 30, 2020**

Staff Advances		-
<b>Total</b>	<b>7,539,576</b>	<b>40,566,160</b>

9.

**10. BORROWINGS**

Description	2019/20	2018/19
	Kshs	Kshs
Balance as at the beginning	-	66,564,673
Borrowings	-	54,000,000
Repayment to external borrowings during the period	-	79,998,513
<b>Balance at the end of the period</b>	<b>-</b>	<b>40,566,160</b>

*Migori County Assembly Car Loan  
And Mortgage Fund.*  
**Reports and Financial Statements  
For the year ended June 30, 2020**

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