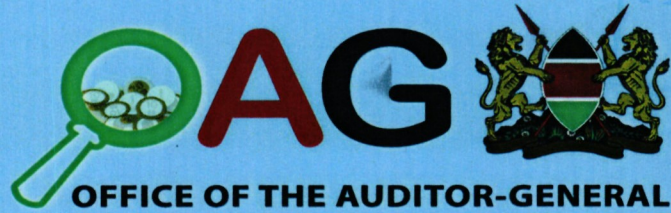


REPUBLIC OF KENYA



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THE NATIONAL ASSEMBLY

**REPORT**

DATE: 31 MAY 2022

TUESDAY

TABLED BY: Majority Whip,  
Hon E. Wangwe, MP

OF Gertinde Chebet

CLEARING THE TABLE:

**THE AUDITOR-GENERAL**

**ON**

**SALARIES AND REMUNERATION  
COMMISSION MORTGAGE AND CAR  
LOAN SCHEME FUND**

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



Salaries & Remuneration  
Commission

Rewarding productivity

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
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30 MAR 2022  
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**SALARIES AND REMUNERATION COMMISSION  
MORTGAGE AND CAR LOAN SCHEME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

---

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



**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**TABLE OF CONTENTS**

ABBREVIATIONS AND ACRONYMS.....	iii
1. SRC MORTGAGE AND CAR LOAN SCHEME FUND INFORMATION AND MANAGEMENT .....	iv
2. MORTGAGE AND CAR LOAN SCHEME FUND COMMITTEE .....	vi
3. CHAIRPERSON’S REPORT .....	viii
4. REPORT OF THE OFFICER ADMINISTERING THE FUND .....	ix
5. STATEMENT OF COMPLIANCE .....	x
6. STATEMENT OF THE OFFICER ADMINISTERING FUNDS RESPONSIBILITIES.....	xi
7. MANAGEMENT DISCUSSION AND ANALYSIS .....	xii
8. REPORT OF THE INDEPENDENT AUDITOR .....	xiii
9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021 .....	1
10. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 .....	2
11. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021 .....	3
12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021 .....	4
13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021 .....	5
14. NOTES TO THE FINANCIAL STATEMENTS.....	6
Appendix 1 .....	10
PROGRESS ON FOLLOW UP OF THE AUDITOR’S RECOMMENDATIONS.....	10

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**ABBREVIATIONS AND ACRONYMS**

FY	Financial Year
HR	Human Resource
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
Ksh	Kenya Shillings
MOU	Memorandum of Understanding
PFM	Public Finance Management Act / Regulations
SRC	Salaries and Remuneration Commission

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**1. SRC MORTGAGE AND CAR LOAN SCHEME FUND INFORMATION AND  
MANAGEMENT**

**1.1. Background information**

Salaries and Remuneration Commission (SRC) is established under Article 230 of the Constitution of Kenya, 2010, to:

- a) Set and regularly review the remuneration and benefits of all State officers; and
- b) Advise the national and county governments on the remuneration and benefits of all other public officers.

Scheme fund was established in line with the constitutional principles under Article 230(5) of the Constitution of Kenya, 2010 on attraction and retention of requisite skills in the public service. The scheme fund is owned by the Commission and domiciled in Kenya.

**1.2. Principal activities**

The scheme fund's principal activity is to offer low interest loan facilities to members of the Commission for the purchase of motor vehicles, existing residential property, purchase of land and construction, renovation and improvement of an existing residential property, and takeover of loans on existing mortgages or equity release.

**1.3. Key management**

The Mortgage and Car Loan Scheme Fund Committee, which is made up of the management team representatives and officers of the Commission, execute the scheme fund's day-to-day operations.

The scheme fund's Committee members, who served during the financial year (FY) ended 30 June 2021, and who had direct fiduciary responsibility were;

- |                   |                                                                  |
|-------------------|------------------------------------------------------------------|
| a) Margaret Njoka | Director Corporate Services (Chairperson)                        |
| b) Samuel Makori  | Head, Human Resource and Administration (Secretary)              |
| c) James Sitienei | Head, Legal Services Department                                  |
| d) Gregory Ogwel  | Principal Officer Job Evaluation and Salary Structure Department |
| e) Milka Kiplagat | Records Management Officer, Registry                             |

**1.4. Fund Headquarters**

Williamson House, 6th Floor,  
4th Ngong Avenue  
P.O. Box 43126, GPO-00100,  
Nairobi, Kenya

**1.5. Contacts information**

Tel: +254 (20) 2710065/81  
Tel: +254 (20) 2710071/73  
Tel: +254 794 587 903  
Email: [info@src.go.ke](mailto:info@src.go.ke)  
Website: <https://www.src.go.ke/>  
Twitter – @srckenya: <https://bit.ly/2Rw2b0a>  
Instagram – @srckenya: <https://bit.ly/30ZFzbH>

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

Flickr – srkenya: <https://bit.ly/3dsPcEV>

Facebook – @SRCKE: <https://bit.ly/3aJkVkB>

LinkedIn – Salaries and Remuneration Commission: <https://bit.ly/2U4khZ4>

YouTube – Salaries and Remuneration Commission: <http://tiny.cc/o3cjoz>

**1.6. Fund Bankers and Administrators**

Co-operative Bank of Kenya Limited  
Haile Selassie Avenue  
P.O Box 48231, GPO-00100  
Nairobi, Kenya

**1.7. Independent auditor**


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

**1.8. Principal legal adviser**

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

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**2. MORTGAGE AND CAR LOAN SCHEME FUND COMMITTEE**

 <p>Margaret Njoka Chairperson/Director Corporate Services</p>	<p>Ms. Njoka is the Director of Corporate Services, appointed to that position in February 2017. She holds a Master’s Degree in Business Administration and Bachelor’s Degree in Commerce (Accounting), both from the Kenyatta University. She is a Certified Public Accountant (K), Credit Management Professional and a qualified and administration practitioner.</p> <p>Ms. Njoka has over 15 years of experience in finance and HR in senior management in both the public and private sector.</p>
 <p>Samuel K. Makori Member/Head, Human Resources and Administration</p>	<p>Mr. Makori is the Head of Human Resources and Administration, with more than 25 years of experience in the public service. He has a Master’s degree in Business Administration (MBA-HRM option) and a Post Graduate Diploma in HR and Business Management and a member of the Institute of Human Resource Management.</p> <p>He Joined the Commission in 2013 where he has steered the HR and Administration function from inception to the current status. Mr. Makori has previously worked with the Kenya Revenue Authority, Kenya Instituted of Curriculum Development and the Kenya Railways, among others.</p>
 <p>James Sitienei Member/Head, Legal Services</p>	<p>Mr. Sitienei is the Head of Legal Services. He holds a Bachelor’s and Master’s degrees in law and is an advocate of the High Court of Kenya. He has more than 20 years of experience in the private and public sectors.</p>
 <p>Gregory Ogwel Member/Principal Officer, Job Evaluation and Salary Structure</p>	<p>Mr. Ogwel is the Principal Officer in the Job Evaluation and Salary Structure Department. He holds a Master’s Degree in Economics from the University of Nairobi and Bachelor’s Degree in Economics and Mathematics from Egerton University.</p> <p>He has more than 11 years of experience in the public service. He previously worked with the Ministry of State for Planning and National Development as an Economist/Statistician II.</p>

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**



Milka  
Kiplagat

Member/Records Management  
Officer, Registry

Ms. Kiplagat works in the Human Resource and Administration Department as a Records Management Officer. She holds a Bachelor's Degree in Library and Information Science, with more than 34 years of experience in the public service.

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**3. CHAIRPERSON’S REPORT**

The Salaries and Remuneration Commission established a Mortgage and Car Loan Scheme Fund Committee whose main responsibility is to coordinate and engage the administrator in the management of the scheme fund on behalf of SRC. The scheme fund’s Committee members are drawn from the two directorates and three departments.

The Commission developed internal rules that sets out guidelines on accessibility of loans as well as requirements to be met by the applicants. Further in consultation with Cooperative bank, a Memorandum of Understanding (MOU) was signed on provision of administration services to the scheme.

The key objective of the scheme fund is to support employees acquire mortgage and car loan facilities as a way of motivation and retention of staff at the Commission. It also enhances loyalty and commitment to the Commission.

The scheme fund has supported fifteen members of staff with various products and has disbursed a total of **Ksh 124,031,826**. The Co-operative Bank continues to carry out due diligence for all loan applications so as to minimise risks associated with asset acquisition.

The Committee shall endeavour to support staff through continuous engagement with the Bank and ensure that more staff benefit from the fund.

  
**Ms. Margaret N. Njoka**  
**Chairperson, SRC Staff Mortgage and Car Loan Scheme**

**Date: 04 March 2022**

**Salaries and Remuneration Commission --Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**4. REPORT OF THE OFFICER ADMINISTERING THE FUND**

The Mortgage and Car Loan Scheme fund was established in February 2019. As at the close of the period, the fund had received **Ksh 217,250,603** from the National Treasury and disbursed **Ksh 124,031,826** to successful applicants.

The scheme fund's funds were utilised in accordance with the provisions of the Public Finance Management (PFM) Act, 2012, the Public Financial Management Regulation, 2015, and all other applicable legislation and for the purpose for which it was intended.

The scheme fund's principal activity is to offer low interest loan facilities to employees of the Commission for the purchase of existing residential property, construction, purchase of land and construction and improvement, takeover or equity release and purchase of motor vehicles for personal use.

The scheme fund's administrators hereby submit their report together with the financial statements for the year ended 30 June 2021, which show the state of the scheme fund's affairs.



**Mrs. Anne R. Gitau, MBS  
COMMISSION SECRETARY/CEO**

**Date: 04 March 2022**

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**5. STATEMENT OF COMPLIANCE**

The Salaries and Remuneration Commission Mortgage and Car Loan Scheme Fund is regulated by various laws and regulations. The Fund is committed to ensuring compliance with all the laws and regulations governing government entities.

On Financial reporting, Section 84 of the PFM Act, 2012, Financial statements shall be prepared for a public fund established by the constitution, an Act of Parliament or Entity legislation for each financial year in a form prescribed by the Public Sector Accounting Standards Board.

Not later than three months after the end of each financial year, the administrator of the fund shall submit the financial statements prepared under this section to the Auditor General.

The administrator shall submit a copy of the report to the cabinet secretary responsible for the fund.

The Fund has complied with these requirements and submitted the reports within the stipulated timelines.

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**6. STATEMENT OF THE OFFICER ADMINISTERING FUNDS RESPONSIBILITIES**

Section 84 of the PFM Act, 2012, requires that, at the end of each financial year, the Administrator of a Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended 30 June 2021.

This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy, at any time the financial position of the Fund;
- c) 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;
- d) Safeguarding the assets of the Fund;
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

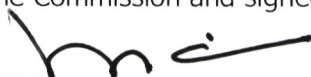
The Administrator of the Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended 30 June 2021, and of the Fund's financial position as at that date. The Administrator confirms 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.

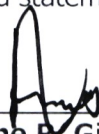
In preparing the financial statements, the Administrator has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Commission's Mortgage and Car Loan Scheme Fund statements for 30 June 2021 were approved by the Commission and signed on its behalf by:



**Mrs. Lyn C. Mengich**  
Chairperson



**Mrs. Anne R. Gitau, MBS**  
Commission Secretary/CEO

**Date: 04 March 2022**

**Date: 04 March 2022**

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**7. MANAGEMENT DISCUSSION AND ANALYSIS**

**7.1 Operational and financial performance**

As at the close of the FY 2020/21, the scheme fund's financial position was **Ksh 217,250,603** in capital and **Ksh 680,986** as interest earned from unutilised funds held in the call- deposit account.

**7.2 Compliance with statutory requirements**

The scheme fund terms of reference and regulations are anchored on the Commission's guidelines on Mortgage and Car Loan Scheme Fund.

**a) Key activities the scheme fund is undertaking**

The main reason for setting up the scheme fund is to provide financial support for the acquisition of mortgage facility at a subsidised interest rate relating to;

1. Home development loans
2. Acquisition or purchase of residential homes
3. Purchase of land for home construction
4. Purchase of motor vehicles

**b) Major risks facing the scheme fund**

**• Liquidity risk**

Liquidity risk is the risk that the scheme fund will not be able to meet financial obligations when they fall due. This risk is managed by ensuring that the scheme fund is liquid enough to meet its obligations whenever they fall due. This has since been managed over the previous years by ensuring sufficient budget allocations are appropriated to the scheme fund.

**• Credit risk**

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. The scheme fund's exposure to credit risk is low owing to the fact that properties acquired are charged to the Bank and thus held as security. The administrator also mitigates the risk by strictly scrutinizing the prevailing financial state of the borrower before processing an application.

**c) The scheme fund's financial probity and governance issues**

The scheme fund operates through a Committee whose main role is to oversee its operations and implementation by both the Administrator and the Commission. The Committee's membership is drawn from all directorates and departments of the Commission for inclusivity purposes.

# REPUBLIC OF KENYA

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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON SALARIES AND REMUNERATION COMMISSION MORTGAGE AND CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021**

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### PREAMBLE

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

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

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

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

## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

I have audited the accompanying financial statements of Salaries and Remuneration Commission Mortgage and Car Loan Scheme Fund set out on pages 1 to 10 which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 Salaries and Remuneration Commission Mortgage and Car Loan Scheme Fund as at 30 June, 2021, and its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Salaries and Remuneration Commission (SRC Staff Mortgage) Regulations, 2017 and 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 Salaries and Remuneration Commission Mortgage and 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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and the Commissioners**

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 its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to abolish the 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 Commissioners are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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


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

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

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

**07 April, 2022**

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2020/2021
		Ksh
<b>Revenue from exchange transactions</b>		
Interest on un-utilized deposits	15	364,215
Interest on individual staff mortgage and car loans	16	1,990,330
<b>Total revenue</b>		<b>2,354,545</b>
<b>Expenses</b>		
Fund administration expenses	17	1,990,330
General expenses		-
Finance costs		-
<b>Total expenses</b>		<b>1,990,330</b>
<b>Surplus for the period</b>		<b>364,215</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Commission's Mortgage and Car Loan Scheme Fund statements were approved and signed by the Accounting Officer on 4<sup>th</sup> March 2022.



**Mrs. Lyn C. Mengich  
Chairperson**



**Mrs. Anne R. Gitau, MBS  
Commission Secretary/ CEO**



**CPA Mary C. Konuche  
Head of Finance  
ICPAK No: 9824**

**Date: 04 March 2022**

**Date: 04 March 2022**

**Date: 04 March 2022**

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**


**10. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2020/2021
		Ksh
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	18	112,945,777
Current receivables from exchange transactions	19	9,026,018
<b>Total Current assets</b>		<b>121,971,795</b>
<b>Non-current assets</b>		
Long term receivables from exchange transactions	19	95,959,794
<b>Total Non-Current assets</b>		<b>95,959,794</b>
<b>Total assets</b>		<b>217,931,589</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables from exchange transactions		-
		-
<b>Non-current liabilities</b>		
Non-current employee benefit obligation		-
		-
<b>Total liabilities</b>		<b>-</b>
<b>Net assets</b>		<b>217,931,589</b>
<b>Equity</b>		
Revolving Fund	20	217,567,374
Accumulated Surplus		364,215
<b>Total Net Assets</b>		<b>217,931,589</b>
<b>Total Net Assets and Liabilities</b>		<b>217,931,589</b>

The Mortgage and Car Loan Scheme Fund Financial statements were approved and signed by the Accounting Officer on:

  
Mrs. Lyn C. Mengich  
Chairperson

  
Mrs. Anne R. Gitau, MBS  
Commission Secretary/  
CEO

  
CPA Mary C. Konuche  
Head of Finance  
ICPAK No: 9824

Date: 04 March 2022

Date: 04 March 2022

Date: 04 March 2022

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**11. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021**

	<b>Revolving Fund</b>	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>
Transfers from the Main SRC A/C	159,416,771	-	159,416,771
Additional capital during the Year	58,150,603	-	58,150,603
Surplus/(deficit)	-	364,215	364,215
<b>Balance as at 30 June 2021</b>	<b>217,567,374</b>	<b>364,215</b>	<b>217,931,589</b>

**Note:** The additional capital during the year of Ksh.58,150,603 was funding from the exchequer during the financial year 2020/2021. The funding was availed in four tranches of Ksh.1,250,000; Kshs.2,500,000; Ksh.19,400,603 and Ksh.35,000,000.

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2020/2021
		Ksh
<b>Cash flows from operating activities</b>		
Surplus		364,215
(Increase) in Current Receivables		(9,026,018)
(Increase) in Non-Current Receivables		(95,959,794)
<b>Net cash flows from operating activities</b>		<b>(104,621,597)</b>
<b>Cash flows from investing activities</b>		
Transfer from the SRC Main A/c		159,416,771
Additional Capital during the year		58,150,603
<b>Net cash flows used in investing activities</b>		<b>217,567,374</b>
<b>Cash flows from financing activities</b>		
		-
<b>Net cash flows used in financing activities</b>		<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>112,945,777</b>
Cash and cash equivalents at 1 July (Beginning)		-
<b>Cash and cash equivalents at 30 June (End)</b>		<b>112,945,777</b>



Mrs. Lyn C. Mengich  
Chairperson

Date: 04 March 2022



Mrs. Anne R. Gitau, MBS  
Commission Secretary/  
CEO

Date: 04 March 2022



CPA Mary C. Konuche  
Head of Finance  
ICPAK No: 9824

Date: 04 March 2022

**13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		% utilisation	
	2020/21	Ksh	2020/21	Ksh	2020/21	Ksh	2020/21	Ksh	2020/21	Ksh	2020/21	2020/21
<b>Revenue</b>												
Commission Transfers	5,000,000		53,150,603		58,150,603		58,150,603		-		100	
Interest income from un-utilized deposits	-		-		-		364,215		364,215		100	
Interest on individual staff mortgage and car loans	1,990,000		-		1,990,000		1,990,330		(330)		100	
<b>Total income</b>	<b>6,990,000</b>		<b>53,150,603</b>		<b>60,140,603</b>		<b>60,505,148</b>		<b>364,215</b>			
<b>Expenses</b>												
Fund administration expenses	1,990,000		-		1,990,000		1,990,330		(330)		100	
General expenses	-		-		-		-		-		-	
Finance cost									-		-	
<b>Total expenditure</b>	<b>1,990,000</b>		<b>-</b>		<b>1,990,000</b>		<b>1,990,330</b>		<b>(330)</b>		<b>100</b>	
<b>Net Income</b>	<b>5,000,000</b>		<b>53,150,603</b>		<b>58,150,603</b>		<b>58,514,818</b>		<b>364,215</b>		<b>100</b>	

**Budget notes**

There were no general and financial costs from the fund

## **14. NOTES TO THE FINANCIAL STATEMENTS**

### **14.1 General Information**

SRC is established by and derives its authority and accountability from Article 230 of the constitution, and was operationalised by SRC Act, 2011. The Commission is wholly owned by Government of Kenya (GoK) and is domiciled in Kenya. The Commission's principal activity is to set and regularly review the remuneration and benefits of all State officers and to advise the national and county governments on the remuneration and benefits of all public officers

### **14.2 Statement of compliance and basis of preparation**

The scheme fund's financial statements have been prepared in accordance with and comply with IPSAS. The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the scheme fund. The accounting policies have been consistently applied to all the years presented.

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

### **14.3 Early adoption of standards**

The Scheme fund did not adopt any new or amended standards in year 2020.

## **Summary of significant accounting policies and notes to the financial statement**

### **a) Revenue recognition**

#### **Revenue from exchange transactions**

Revenue is recognised in the period in which it is earned. Income is not accrued if its recoverability is doubtful. Revenue constitutes all incomes accruing to the Fund in the form of interest earned on unutilized fund. The rate applicable during the year was 3%.

### **b) Budget information**

The original budget for the FY 2020/2021 was approved. 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 scheme fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the scheme fund recorded additional appropriations on the FY 2020/2021 budget following the governing body's approval.

### **c) 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 Co-operative bank at the end of the financial year.

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

**d) Fund Account**

The fund is enhanced gradually on an annual basis through appropriations from the Commission's Budget. Further, all interest earned from funds held in the call account is recouped back to the fund. The Fund was mainly established in order to enable members purchase motor vehicles, acquire existing residential property, purchase of land and construct, renovate and improve existing residential property, and takeover loans on existing mortgages or equity release. The facility is extended to applicants at an interest rate of 3% which are funds utilized by the Bank for administration of the Fund.

**d) Comparative figures**

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

**e) Events after the reporting period**

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

**f) Ultimate and Holding Entity**

The scheme fund is a Public Fund established by the under the Salaries and Remuneration Commission. Its ultimate parent is the Salaries and Remuneration Commission.

**g) Currency**

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

**h) Financial risk management**

The scheme fund's activities expose it to a variety of financial risks, including credit and liquidity risks. The scheme fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The scheme fund does not hedge any risks and has in place policies to ensure that credit is only extended to borrowers with with an established credit history. The scheme fund 's financial risk management objectives and policies are detailed below:

- **Credit risk management**

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. The scheme fund's exposure to credit risk is low owing to the fact that properties acquired are charged to the Bank and thus held as security. The administrator also mitigates the risk by strictly scrutinizing the prevailing financial state of the borrower before processing an application.

- **Liquidity risk management**

Liquidity risk is the risk that the scheme fund will not be able to meet financial obligations when they fall due. This risk is managed by ensuring that the scheme fund is liquid enough to meet its obligations whenever they fall due. This has since been managed over the previous years by ensuring sufficient budget allocations are appropriated to the scheme fund.

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

- **Interest rate risk**

Interest rate risk is the risk that the scheme fund’s financial condition may be adversely affected as a result of changes in interest rate levels. The scheme fund’s interest rate risk arises from bank deposits. This exposes the scheme fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the scheme fund’s deposits.

- **Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with a local commercial Bank and negotiate for favourable interest rates from time to time in tandem with prevailing market rates and economic conditions.

**i.) Capital risk management**

The objective of the scheme fund’s capital risk management is to safeguard the scheme fund’s ability to continue as a going concern. The scheme fund capital structure comprises of the following funds:

	<b>2020/21</b>
	<b>Ksh</b>
Revaluation reserve	-
Revolving fund	217,567,374
Accumulated surplus	364,215
<b>Total funds</b>	<b>217,931,589</b>
Total Advances	124,031,821
Less: cash and bank balances	112,945,771
Net debt/ (excess cash and cash equivalents)	-19,046,003
<b>Gearing</b>	<b>-</b>

**15. Interest on un-utilized deposits**

Description	<b>2020/2021</b>
	<b>Ksh</b>
Interest on call deposit	364,215
<b>Total other income</b>	<b>364,215</b>

**16 Interest on Individual staff mortgage and car loans; 3%**

Description	<b>2020/2021</b>
	<b>Ksh</b>
Interest on Individual staff mortgage and car loans	1,990,330
<b>Total other income</b>	<b>1,990,330</b>

**17.Fund administration expenses**

Description	<b>2020/2021</b>
	<b>Ksh</b>
Administrative cost	1,990,330
<b>Total other income</b>	<b>1,990,330</b>

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

The Fund administration expense charged on the loaned at the rate of three percent (3%) per annum on a reducing balance on the amount advanced under each application. The administrative cost for the year was Ksh. 1,990,330.35.

**18. Cash and cash equivalents**

Description	2020/2021
	Ksh
On-call deposits	77,945,777
Current account	35,000,000
Others	
<b>Total cash and cash equivalents</b>	<b>112,945,777</b>

**19. Receivables from exchange transactions**

Description	2020/2021
	Ksh
<b>Current Receivables</b>	
Interest receivable	-
Current loan repayments due	9,026,018
Other exchange debtors	-
Less: impairment allowance	-
<b>Total Current receivables</b>	<b>9,026,018</b>
<b>Non-Current receivables</b>	-
Long term loan repayments due	95,959,794
<b>Total Non-Current receivables</b>	<b>95,959,794</b>
<b>Total receivables</b>	<b>104,985,812</b>

**20. Revolving Fund Balances**

Description	2020/2021
	Ksh
Transfer from the main SRC A/c	159,416,771
Additional capital during the Year	58,150,603
<b>Balance carried down</b>	<b>217,567,374</b>

**Note:** The additional capital during the year of Ksh.58,150,603 was funding from the exchequer during the financial year 2020/2021. The funding was availed in four tranches of Ksh.1,250,000; Kshs.2,500,000; Ksh.19,400,603 and Ksh.35,000,000.

**Salaries and Remuneration Commission –Mortgage and Car Loan Scheme fund  
Reports and Financial Statements  
For the year ended 30 June, 2021**

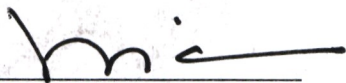
**Appendix 1**

**PROGRESS ON FOLLOW UP OF THE AUDITOR’S RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. Focal persons were nominated to resolve the issues as shown below with the associated time frame within which the issues are expected to be resolved.

<b>Reference No. on the external audit report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolve d/Not Resolved )</b>	<b>Timeframe: (Date when expect issue will be resolved)</b>

**Note:** No follow up recommendations since this is the first year of Audit of the Mortgage Car Loan Scheme fund.



**Mrs. Lyn C. Mengich**  
Chairperson

**Date: 04 March, 2022**



**Mrs. Anne R. Gitau, MBS**  
Commission Secretary/CEO

**Date: 4<sup>th</sup> March, 2022**