

REPUBLIC OF KENYA



*Enhancing Accountability*



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**REPORT**

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| TABLED BY          | Majority leader |
| COMMITTEE          |                 |
| CLERK AT THE TABLE | Njats           |

**OF**

**THE AUDITOR-GENERAL**

**ON**

**HOMA BAY COUNTY ASSEMBLY CAR  
AND MORTGAGE LOAN FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2024**



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**HOMA BAY COUNTY ASSEMBLY  
CAR AND MORTGAGE LOAN FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
JUNE 30, 2024**

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

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

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**1. Acronyms and Glossary of Terms**

**a) Acronyms**

|       |  |
|-------|--|
| BOM   | Board of Management                                |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards   |
| PFM   | Public Finance Management                          |
| PSASB | Public Sector Accounting Standards Board           |
| Kshs  | Kenya Shillings                                    |
| HBCA  | Homa Bay County Assembly                           |
| CASB  | County Assembly Service Board                      |
| MCA   | Member of County Assembly                          |
| LMC   | Loans Management Committee                         |

**b) Glossary of Terms**

|                      |   |
|----------------------|---|
| Fiduciary Management | The key management personnel who had financial responsibility |
|----------------------|---|

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

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**2. Key Entity Information and Management**

**a) Background information**

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

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

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17<sup>th</sup> December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising therefrom, the Homa Bay County Assembly passed a Car Loan and Mortgage Regulations in 2014.

The fund is wholly owned by the County Assembly of Homa Bay and is domiciled in Kenya

**b) Principal Activities**

The principal activity/mission/ mandate of the fund is to provide mortgage and car loans to MCAs and staff.

**Vision**

“A modern County Assembly that offers excellence in service delivery and leadership for the people of Homa Bay County”

**Mission**

To ensure that the Assembly exercises its legislative, oversight and representation functions effectively within the framework of the Kenyan Constitution and working with all those committed to building productive and prosperous Homa Bay County.

**Strategic Objectives**

- To develop and sustain the Homa Bay County assembly institutional capacity to better discharge its constitutional mandate
- To improve the legislative process at Homa Bay County Assembly
- To improve the capacity of Homa Bay County Assembly and to provide effective oversight to county government
- To fully develop the representation and outreach work of the members of county assembly

**HOMABAY COUNTY ASSEMBLY**

**Car and Mortgage Loan Fund**

**Annual Report and Financial Statements for the period ended June 30, 2024**

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**c) Loans Management Committee**

| Ref | Name                         | Position         |
|-----|------------------------------|------------------|
| 1.  | Richard Ouma Ogindo          | Chairperson      |
| 2.  | Tom Adinda                   | Vice Chairperson |
| 3.  | Hon. Paul Odock              | Member           |
| 4.  | Hon. Lilian Kocholla         | Member           |
| 5.  | Hon. Titus Asiago            | Member           |
| 6.  | Hon. Alice Weke              | Member           |
| 7.  | Hon. Bob Obondo              | Member           |
| 8.  | Hana Awino Ager              | Member           |
| 9.  | Ms. Jacinter Adede           | Member           |
| 10. | Mr. Bosstone Ernest Nyang'or | Member           |
| 11. | Ms. Wendy Winnie Opar        | Member           |

**d) Key Management Team**

| Ref | Name               | Position           |
|-----|--------------------|--------------------|
| 1   | Hana Awino Ager    | Fund Administrator |
| 2   | CPA Jacinter Adede | Fund Accountant    |

**e) Fiduciary Oversight Arrangement**

**Public Accounts and investments Committee**

- The Public Accounts and Investments Committee shall be responsible for the examination of the accounts showing the appropriations of the sum voted by the House to meet the public expenditure and of such other accounts laid before the House as the Committee may think fit.
- Examine the reports and accounts of the public investments;
- Examine the reports, if any, of the auditor general on the public investments; and
- Examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices.

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

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**f) Registered Offices**

Homa Bay County Assembly  
P.O. Box 20-40300  
County Assembly Building  
Homabay, KENYA

**g) Fund Contacts**

Telephone: (254) 706511947  
E-mail: [info@homabayassembly.go.ke](mailto:info@homabayassembly.go.ke)  
Website: [www.homabayassembly.go.ke](http://www.homabayassembly.go.ke)

**h) Fund Bankers**

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

**i) Independent Auditors**

Auditor General  
Office of the Auditor General  
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

**3. Loans Management Committee**



a) **Hon. Richard Ouma Ogindo**  
Chairperson Loans and Mortgage Committee



b) **Hon. Tom Adinda**  
Vice Chairperson Loans and Mortgage Committee

| Ref | Name                         | Position |
|-----|------------------------------|----------|
| c)  | Hon. Paul Odock              | Member   |
| d)  | Hon. Lilian Kocholla         | Member   |
| e)  | Hon. Titus Asiago            | Member   |
| f)  | Hon. Alice Weke              | Member   |
| g)  | Hon. Bob Obondo              | Member   |
| h)  | Ms. Hana Awino Ager          | Member   |
| i)  | Ms. Jacinter Adede           | Member   |
| j)  | Mr. Bosstone Ernest Nyang'or | Member   |
| k)  | Ms. Wendy Winnie Opar        | Member   |

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

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**4. Management Team**



**CPA OWINO HANNINGTON DAY**

Homa Bay County Assembly Clerk  
Responsibility: Fund Administrator.



**Ms. Jacinter Adede**

Principal Finance Officer  
Responsibility: Fund Accountant.  
MBA from University of Nairobi  
BBA from Maseno University  
Member of ICPAK

**5. Loans Management Committee's Report**

**Income**

The fund earned interest amounting to KShs. 7,646,316 for the period. Projects implementation during the period were carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to an opening cash balance of Kshs. 17,055,550 as at the beginning the year.

**Expenditures**

The total expenditures during the period amounted to KShs. 5,907,508.

**Financial Performance**

**Revenue**

In the period ended 30<sup>th</sup> June 2024 the fund had projected interest income of Kshs. 7,646,316. Out of the projected revenue, the fund was able to realise Kshs. 7,646,316 in actual interest income representing 100% performance.

**Loans Disbursed**

During the period ended 30<sup>th</sup> June 2024, the fund disbursed ten additional Mortgages and one car loan to MCAs and Staff members. The total loan beneficiaries to date is 85.

Name..... Richard Oparaku ..... Signature..... For: [Signature] ..... Date..... 30/9/2024.....  
Chairperson of the LMC

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

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**6. Report of the Fund Administrator**

It is my pleasure to present, on behalf of the Fund Administration Committee, the County Assembly Mortgage and Car loan fund financial statements for the period ended 30 June 2024. The financial statements present the financial performance of the fund over the past three quarters.

**Sustainability**

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long-term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

**Review of performance**

**Income**

The fund earned interest amounting to KShs. 7,646,316 for the period. Projects implementation during the period were carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to an opening cash balance of Kshs. 17,055,550 as at the beginning the year.

**Expenditures**

The total expenditures during the period amounted to KShs. 5,907,508.

**7. Statement of Performance against the County Fund's Predetermined Objectives****Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board, includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Homa Bay County Assembly Car and Mortgage Loan Fund as per the strategic plan are to:

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

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

| <b>Program</b>                              | <b>Objective</b>  | <b>Outcome</b>  | <b>Indicator</b>                             | <b>Performance</b>   |
|---|---|---|--|--|
| Homa Bay County Assembly Mortgage Loan Fund | To provide a loan scheme for purchase, development, renovation or repair of residential property by members of scheme | Increased home ownership by scheme members                        | Amount of mortgage loans advanced to members | In the FY 2023/2024 the HBCA Car and Mortgage Loan Fund disbursed new Mortgages to MCAs and Staff amounting to Kshs. 32,350,000. |
| Homa Bay County Assembly Car Loan Fund      | To provide a loan scheme for the purchase of vehicles by the members of the scheme                                    | Increased car ownership and convenient mobility by scheme members | Amount of car loans advanced to members      | In the FY 2023/2024 the HBCA Car and Mortgage Loan Fund disbursed new car loans to MCAs and Staff amounting to Kshs. 4,000,000   |

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

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**8. Corporate Governance Statement**

The Homa Bay County Assembly Car and Mortgage Loan Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WHI3/14 of 14<sup>th</sup> February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 provides for the regulation and administration of the Car and Mortgage Loan Fund.

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

The operations of the fund are governed by a fund administrator and the fund Management committee in accordance with the Public Finance Management Act of 2012 and the Homabay County Assembly Mortgage Scheme Regulations 2016. The Homabay County Assembly Mortgage Scheme Regulations 2016 contains the following key areas:

- Process of appointment and removal of committee members
- Roles and Functions of the Committee
- Induction and Training for the members
- Committee Remuneration
- Ethics and Conduct of members
- Governance Audit

The Committee held a total of seventy-two meetings during the period under review that was attended by all members.

**9. Management Discussion and Analysis****a) Revenue**

In the period ended 30<sup>th</sup> June 2024, the fund had projected interest income of KShs 3,875,160. Out of the projected revenue, the fund was able to realise actual interest income, representing 100% performance.

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

| <b>Revenue classification</b> | <b>Revenue budget (KShs)</b> | <b>Actual (KShs)</b> | <b>Realisation (%)</b> |
|-------------------------------|------------------------------|----------------------|------------------------|
| <b>Revenue</b>                | <b>KShs</b>                  | <b>KShs</b>          |                        |
| Transfers from County Govt.   | 0.0                          | 0.0                  | 0%                     |
| Interest income               | 7,646,316                    | 7,646,316            | 100%                   |
| Other income                  | -                            | -                    | -                      |
| <b>Total income</b>           | <b>7,646,316</b>             | <b>7,646,316</b>     | <b>100%</b>            |

**b) Loans**

During the period ended 30<sup>th</sup> June 2024, the fund disbursed seventeen additional Mortgages and one car loan to MCAs and staff members. The total loan beneficiaries to date is eighty five.

**Cash flows**

In the period ended 30<sup>th</sup> June 2024, we had a few liquidity disruptions. This was as a result of late disbursement from the national treasury hence affecting issuance of new loans, deductions and remission of the interest and principal. The cash and cash equivalent were Kshs. 96,121,036 as at 30<sup>th</sup> June 2024, being an increase from Kshs 17,055,550 as at 30<sup>th</sup> June 2024.

**c) Conclusion**

The period ended 30<sup>th</sup> June 2024 was good in general. Good progress was made and the momentum has been created to enable Homa Bay County Assembly car loan fund continue on a trajectory into prosperity.

The loan repayment during the period wasn't 100% realized though. We have identified gaps and areas to improve on in the subsequent years.

## **10. Environmental and Sustainability Reporting**

County Assembly of Homa Bay exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on six pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

### **a) Employee welfare**

Homabay County Assembly ensures that the welfare of all its employees is taken care of by providing them with a private medical insurance cover for all staffs and their family members. The County Assembly ensures that the employees carry out their duties in a safe environment in compliance with the Occupational Safety and Health Act of 2007, (OSHA).

### **b) Community Engagements/Corporate Social Responsibility**

The County Assembly of Homabay does not give cash or any incentive directly to the community but ensures that they carry out their legislative mandate through enacting laws with the aim of changing the community lives. This is evident through the fact finding and public participation held in the communities before a law is passed in the Assembly. By passing environment friendly laws like the Climate change Act, 2022.

### **c) Others**

The County Assembly of Homabay has a Library and Website where information concerning Legislation is available to the Public. There is also a public gallery where members of the public are allowed to follow the proceedings of the Assembly hence enhancing transparency.

### **d) Market place practices**

The HBCA makes efforts in ensuring responsible competition practices by eliminating corruption practices, providing conducive political involvement, fair competition and respect for competitors. Also, by maintaining a good supply chain and supplier relations by maintaining good business practices, like treating suppliers responsibly by honouring contracts and respecting payment practices. HBCA also maintains ethical marketing practices and safeguard consumer rights and interests.

## **11. Report of The Trustees**

The Trustees submit their report together with the audited financial statements for the period ended 30<sup>th</sup> June 2024 which show the state of the Fund affairs.

### **Principal activities**

The principal activities of the Fund are to provide a loan scheme for purchase, development, renovation or repair of residential property by members of scheme and provide a loan scheme for the purchase of vehicles by the members of the scheme.

### **Results**

The results of the Fund for the period ended 30<sup>th</sup> June 2024 are set out on Financial Statements Section of the report.

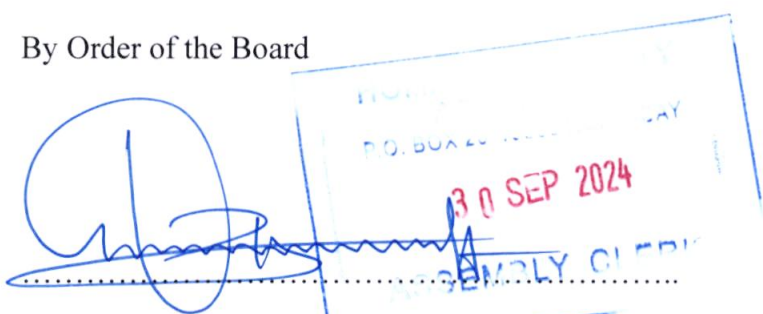
### **Trustees**

The members of the Board of Trustees who served during the period are shown on the key entity information and management page. There were no changes in the Board during the financial year.

### **Auditors**

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

By Order of the Board



**Fund Administration Committee**

**Date:**

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

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**12. Statement of Management’s Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by pursuant to Section 167 of the Public Finance Management (PFM) Act 2012 the fund Administrator 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 Homa Bay County Assembly Car Loan and Mortgage Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Homa Bay County Assembly Car Loan and Mortgage Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014. 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 period ended 30 June 2024, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

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

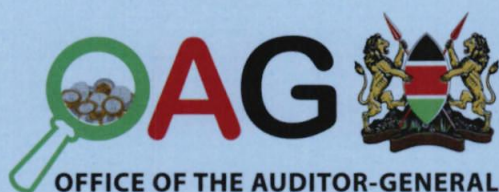
**Approval of the financial statements**

The Fund’s financial statements were approved by the Board on 30<sup>th</sup> 9 2024 and signed on its behalf by:

**Administrator of the County Public Fund**

# REPUBLIC OF KENYA

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*Enhancing Accountability*

## **REPORT OF THE AUDITOR-GENERAL ON HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND FOR THE YEAR ENDED 30 JUNE, 2024**

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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 the intended purpose; and
- 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 adverse 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**

#### **Adverse Opinion**

I have audited the accompanying financial statements for Homa Bay County Assembly Car and Mortgage Loan Fund set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2024, and the statement of financial performance,

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*Report of the Auditor-General on Homa Bay County Assembly Car and Mortgage Loan Fund for the year ended 30 June, 2024*

statement of cash flows, statement of changes in net assets 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 Homa Bay County Assembly Car and Mortgage Loan Fund as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1.0 Misrepresentation of the Name of the Fund**

The financial statements reflect the name of the Fund as Homa Bay Assembly Car and Mortgage Loan Fund. However, the enabling regulations established two (2) funds. The Homa Bay County Assembly (Mortgage Scheme Fund) Regulations, 2016 established a Fund known as Homa Bay County Assembly Mortgage Scheme Fund, while Homa Bay County Assembly (Car Loans scheme fund) Regulations 2016 established a Fund by the name Homa Bay County Assembly Car Loan Scheme Fund. There was no evidence that was provided to confirm the two funds were merged to one.

In the circumstances the accuracy of the name and completeness of the financial statements could not be confirmed.

### **2.0 Undisclosed Expenditure in the Financial Statements**

The statement of financial performance and as disclosed in Note 2 to the financial statements reflects Kshs.5,907,508 expenditure on use of goods and assets. However, review of cash book, bank statement and payment voucher made on 23 November 2023 vide PV number 10963 to Kenya Orient Life Assurance of Kshs.2,800,000 revealed that expenditure was not disclosed in the financial statement. This resulted to understatement of the use of goods and services.

In the circumstances, the accuracy of the Kshs.5,907,508 on use of goods and assets as at 30 June 2024 could not be confirmed.

### **3.0 Long Term Loan Repayments Due from Former Administration Members**

The Statement of Financial Position and note 4 to the financial statement reflects a current long term receivables balance of Kshs.66,635,622 out of which Kshs.47,765,438 was under current loan during the year which were from former administrations members of the county assembly. The Board has not demonstrated deliberate efforts to recover the

outstanding amounts, due to the fact that the properties and vehicles used as collateral to secure the loans were not jointly registered between the Board and the borrowers.

In the circumstances, the recoverability of the loan balances of Kshs.47,765,438 could not be confirmed.

#### **4.0 Unsupported Long Term Loan Repayment**

The statement of financial position reflects a balance of Kshs.381,464,972 under long term loan repayment due as disclosed in note 4 to the financial statement. However, the balance was not supported by any schedules, sub schedules, and other approved documents as required by section 99(3) of the public finance management (county government) regulations 2015. Therefore, the accuracy and propriety could not be confirmed.

In the circumstances, the accuracy and propriety of the long-term loan repayment due balance of Kshs.381,464,972 as at 30 June, 2024 could not be confirmed.

#### **5.0 Failure to Provide Approved Annual Budget**

Management discussion and analysis report on page xiii under paragraph of revenue reflects that the management projected interest income of Kshs.3,875,160 and realized an actual interest income of Kshs.7,646,316. However, statement of comparison of budget and actual amount reflects original and final budget of Kshs.7,646.316 under interest income and use of goods and services of Kshs.5,907,508 on original and final budget. This is an indication that statement of comparison of budget and actual amount on original and final budget were prepared based on actual funds received. In addition, the approved budget was not provided for audited, therefore, the propriety of the original and final figure could not be ascertained.

In the circumstances, the accuracy and propriety of the original and final budget figure could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Homa Bay County Assembly Car and Mortgage Loan 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.

#### **Emphasis of Matter**

##### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year ended 30 June 2024 reflects capital expenditure final budget and actual on comparable basis of

Kshs.242,780,461 and of Kshs.39,780,461 resulting to under realization of Kshs.203,000,000. The under expenditure may have adversely affected the Fun's planned activities.

My opinion is however not modified in respect of this matter.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

### **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 and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my 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**

#### **1.0 Failure to Register Charges on Mortgaged Properties and Jointly Register of Log Books**

The statement of financial position and as disclosed in Note 4 to the financial statement reflects a balance of Kshs.66,635,622 under current loan repayment due and Kshs.381,464,972 under long term loan repayment due. However, review of the title deeds and logbooks securing these loans revealed that the fund has not registered a charge on the title deeds to reflect its interest in the properties nor jointly registered the logbooks to secure the outstanding loans.

In the circumstances, the property used as security cannot be traded in the event of a beneficiary defaulting on loan obligation leading to a loss of funds. In addition, management is in breach of the law.

## **2.0 Unremitted Deductions**

The statement of financial position and as disclosed in Note 4 to the financial statement reflects a current portion of long-term receivables balance of Kshs.66,635,622 out of which Kshs.18,870,184 was under loan repayment due. The balance was the deductions from members of the county assembly and its employees that were deducted but not remitted to the mortgage fund as is prescribed by the law. The sub-details of the names of the borrowers for the Kshs.18,870,184 was also not provided.

In the circumstances, the management is in breach of the law.

## **3.0 Receivables from Homa Bay County Assembly Operations Account**

The Statement of financial position reflects long term receivables from non-exchange transactions balance of Kshs.191,474,372 which, as disclosed in note 5 to the financial statements, was due from Homa Bay County Assembly Operations Account. However, the Fund Management had failed to recover the amount of Kshs.191,474,374 from Homa Bay County Assembly's Operation Account despite the fact that the amount had accumulated from 2017/2018 to 2023/2024 financial years, a period of seven years.

In addition, the borrowings of funds from the Fund by the County Assembly to fund its operations were contrary to Regulation 4 of the Homa Bay County Assembly (Mortgage Scheme Fund) Regulations, 2016, which provides that the object and purpose of the Fund shall be to provide a loan scheme for the purchase, development, renovation, or repair of residential property by members of the scheme. The borrowings were also contrary to Regulation 4 of Homa Bay County Assembly (Car Loans Scheme Fund) Regulations, 2016, which stipulates that the object and purpose of the Fund shall be to provide a loan scheme for the purpose of motor vehicles by members of the scheme.

In the circumstances, the accuracy and recoverability of the long-term receivables from exchange transactions balance of Kshs.191,474,372 as at 30 June, 2024 could not be confirmed. In addition, the management was in breach of the law.

## **4.0 Uninsured Mortgage Loans Against Fire**

The statement of financial position reflects a figure of Kshs.381,464,972 under long term loan repayment due as disclosed in note 4 to the financial statement. Review of the documentation provided revealed that the loanees did not take policies against mortgage protection and fire as required by the Regulations. This was contrary to the Regulations.

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

## **5.0 Lack of Rightful Security Records**

The statement of financial position and as disclosed in Note 4 to the financial statement reflects a current long term receivables balance of Kshs.66,635,622. Included in this was a loan of Kshs.2,000,000 that was advanced to an individual staff (PF No. 20170073373) in October 2022, against a vehicle registration KBD 090P. As at 30 June, 2024 the loan

balance was Kshs.1,330,794. However, the audit revealed that the logbook to vehicle registration number KBD 090P was not jointly registered between the Board and the loanee when she was advanced the loan. Further, the motor vehicle copy of records Ref. No. 202304061390418 detailing registered ownership of vehicle, indicated that as at 6 April, 2023 the vehicle was co-owned by non-staff individual and Equity Bank (Kenya) Limited and not the loanee. In addition, the change of ownership is not documented especially considering that the loan is still running.

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

## **6.0 Unprocedural Security Release**

The audit review revealed that the fund administrator released a logbook to vehicle registration number KCN808B to staff (PF No. 20190067120) on 24, July 2024 without following the laid down procedure as required by the Regulations. There was no formal request for the security document and as at the time of audit October 2024 the security document had not been returned. This was contrary to Regulations that required that security document to be returned within the twenty-one working day period to the fund administrator.

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

## **7.0 Anomalies in Loan Disbursement**

The statement of financial position reflects a balance of Kshs.381,464,972 under long term loan repayment due as disclosed in Note 4 to the financial statement. Included in this was a loan advanced to staff (PF No, 20140098899) of Kshs. 4,000,000 for the purpose of purchasing a car during the year under audit. However, car loan application form and agreement were not fully filled, the applicants ID number was not indicated, there was no date of the committee sitting approving the loan application and the loanee did not sign the loan application form while the advocate and witnessed signed the same application.

Further, in the offer letter, the audit revealed that the ID number of the borrower was not indicated, the vehicle registration number for which the loan was advanced was not indicated on the offer letter as prescribed, the applicant did not sign the offer letter herself but instead someone signed on her behalf and the witness to the execution of the offer letter certified that he saw the loanee present but someone signed for the her, casting doubt in the authenticity of the occurrence.

In addition, the sales agreement, valuation report or a logbook were not provided for audit and as at 30, June 2024, the loanee had an outstanding mortgage balance of Kshs.

21,310,626.03 which was not secured and the loanee was under suspension and therefore not clear how the loans were been serviced concurrently.

In the circumstances, the management was in breach of the law and the recoverability of the loan balance could not be confirmed.

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, and based on the audit procedures performed except for the matter described in the Basis for Conclusion, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1.0 Lack of Financial Management System**

The Homa Bay County Assembly Car and Mortgage Loan Fund did not have a fully established electronic financial management system to record its financial transactions, instead maintained financial transactions in excel work books contrary to Section 102(3) of the Public Finance Management (County Government) Regulations, 2015 that requires sufficient audit trail to be maintained in accounting records for all entries, approvals or adjustments.

In the absence of electronic financial management system of managing financial transactions, the fund is exposed to potential risk of authenticity, accuracy and completeness of financial information.

#### **2.0 Lack of an Approved Strategic plan**

During the year under review, it was established that Homa Bay County Assembly Car and Mortgage Loan Fund did not have an approved strategic Plan to guide its operations as stated in statement of performance against the county funds predetermine objectives. This is contrary to Section 164 (2) (f) of the Public Finance Management Act, 2012.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal

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

### **Responsibilities of the Management and Those Charged with Governance**

The 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 controls as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, the Management is responsible for assessing the Homabay County Assembly Car & Mortgage Loan Fund ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with 878Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**24 December 2024**

HOMABAY COUNTY ASSEMBLY

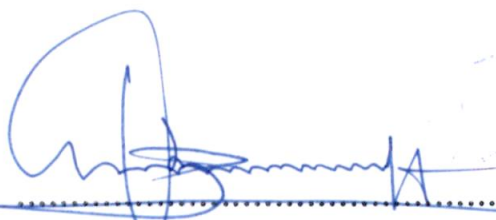
Car and Mortgage Loan Fund

Annual Report and Financial Statements for the period ended June 30, 2024

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2024

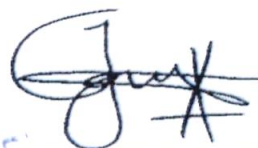
| Description                        | Note | FY 2023/2024     | FY 2022/2023     |
|------------------------------------|------|------------------|------------------|
|                                    |      | Kshs             | Kshs             |
| Revenue From Exchange Transactions |      |                  |                  |
| Interest Income                    | 1    | 7,646,316        | 5,166,844        |
|                                    |      |                  |                  |
| <b>Total Revenue</b>               |      | <b>7,646,316</b> | <b>5,166,884</b> |
| Expenses                           |      |                  |                  |
| Use of goods and services          | 2    | 5,907,508        | 1,256,631        |
|                                    |      |                  |                  |
| <b>Total Expenses</b>              |      | <b>5,907,508</b> | <b>1,256,631</b> |
|                                    |      |                  |                  |
| <b>Surplus for the Period</b>      |      | <b>1,738,808</b> | <b>3,910,253</b> |

(The notes set out on pages 6 to 27 form an integral part of these Financial Statements)



Name: Owino Hannington Day

Administrator of the Fund



Name: CPA Jacinter Ogwe

Fund Accountant

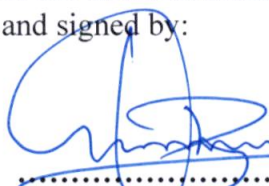
ICPAK Member Number: 13233

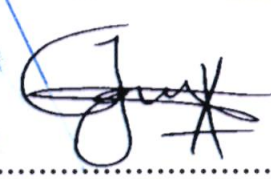
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**HOMABAY COUNTY ASSEMBLY****Car and Mortgage Loan Fund****Annual Report and Financial Statements for the period ended June 30, 2024****15. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2024**

| Description  | Note | FY 2023/2024       | FY 2022/2023       |
|--|------|--------------------|--------------------|
|  |      | Kshs               | Kshs               |
| <b>Assets</b>  |      |                    |                    |
| <b>Current Assets</b>  |      |                    |                    |
| Cash and Cash Equivalents  | 3    | 96,121,036         | 17,055,551         |
| Current Portion of Long- Term Receivables from Exchange Transactions | 4    | 66,635,622         | 85,681,732         |
| <b>Total current assets</b>  |      | <b>162,756,657</b> | <b>102,737,282</b> |
| <b>Non-Current Assets</b>  |      |                    |                    |
| Long Term Receivables from Non-Exchange Transactions                 | 4    | 191,474,372        | 191,081,172        |
| Long Term Loan Repayment due   | 4    | 381,464,972        | 404,370,739        |
| <b>Total non- current assets</b>                                     |      | <b>572,939,344</b> | <b>595,451,911</b> |
| <b>Total Assets</b>  |      | <b>735,696,001</b> | <b>698,189,193</b> |
| <b>Total Liabilities</b>   |      | -                  | -                  |
| <b>Net Assets</b>  |      |                    |                    |
| Revolving Fund   |      | 764,445,285        | 728,677,285        |
| Accumulated Surplus  | 6    | (28,749,284)       | (30,488,092)       |
| <b>Total Net Assets</b>  |      | <b>735,696,001</b> | <b>698,189,193</b> |
| <b>Total Net Assets and Liabilities</b>                              |      | <b>735,696,001</b> | <b>698,189,193</b> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9 2024 and signed by:

  
 Name: Owinno Hannington Day  
 Administrator of the Fund

  
 Name: CPA Jacinter Ogwe  
 Fund Accountant  
 ICPAK Member Number: 13233

**HOMABAY COUNTY ASSEMBLY****Car and Mortgage Loan Fund****Annual Report and Financial Statements for the period ended June 30, 2024****16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

| Description                       | Revolving Fund     | Accumulated surplus | Total              |
|-----------------------------------|--------------------|---------------------|--------------------|
|                                   |                    | Kshs                | Kshs               |
| <b>Balance As At 1 July 2022</b>  | 525,677,285        | (34,398,345)        | 491,278,940        |
| Surplus/(Deficit) For the Period  | -                  | 3,910,253           | 3,910,253          |
| Funds Received During the Year    | 203,000,000        |                     | 203,000,000        |
| Transfers                         | -                  | -                   | -                  |
| Revaluation Gain                  | -                  | -                   | -                  |
| <b>Balance As At 30 June 2023</b> | 728,677,285        | (30,488,092)        | 698,189,193        |
|                                   |                    |                     |                    |
| <b>Balance As At 1 July 2023</b>  | <b>728,677,285</b> | <b>(30,488,092)</b> | <b>698,189,193</b> |
| Surplus/(Deficit) For the Period  |                    | 1,738,808           | 1,738,808          |
| Funds Received During the Year    | 35,768,000         | -                   | 35,768,000         |
| Transfers                         | -                  | -                   | -                  |
| Revaluation Gain                  | -                  | -                   | -                  |
| <b>Balance As At 30 June 2024</b> | <b>764,445,285</b> | <b>(28,749,284)</b> | <b>735,696,001</b> |

**HOMABAY COUNTY ASSEMBLY****Car and Mortgage Loan Fund****Annual Report and Financial Statements for the period ended June 30, 2024****17. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2024**

| Description   | Note | 2023/2024           | 2022/2023            |
|---|------|---------------------|----------------------|
|   |      | Kshs                | Kshs                 |
| <b>Cash flows from operating activities</b>                   |      |                     |                      |
| <b>Receipts</b>   |      |                     |                      |
| Interest received   | 1    | 7,646,316           | 5,166,884            |
| <b>Total receipts</b>   |      | <b>7,646,316</b>    | <b>5,166,884</b>     |
| <b>Payments</b>   |      |                     |                      |
| Use of Goods  | 2    | 5,907,508           | 1,256,631            |
| <b>Total Payments</b>   |      | <b>5,907,508</b>    | <b>1,256,631</b>     |
| <b>Net cash flows from operating activities</b>               |      | <b>1,738,808</b>    | <b>3,910,253</b>     |
|   |      |                     |                      |
| <b>Cash flows from investing activities</b>                   |      |                     |                      |
| Proceeds from loan principal repayments                       |      | 81,101,878          | 74,802,869           |
| Loan disbursements paid out-Car                               |      | (4,000,000)         | (116,000,000)        |
| Loan disbursements paid out-Mortgage                          |      | (35,150,000)        | (165,003,600)        |
| <b>Net cash flows used in investing activities</b>            |      | <b>(41,951,878)</b> | <b>(206,200,731)</b> |
|   |      |                     |                      |
| <b>Cash flows from financing activities</b>                   |      |                     |                      |
| Proceeds from revolving fund receipts                         |      | 35,768,000          | 203,000,000          |
| Additional borrowings to HBCA operations                      |      | (393,200)           | (119,863)            |
| <b>Net cash flows used in financing activities</b>            |      | <b>35,374,800</b>   | <b>202,880,137</b>   |
|   |      |                     |                      |
| <b>Net increase/(decrease) in cash &amp; cash Equivalents</b> |      | <b>79,065,486</b>   | <b>589,659</b>       |
| Cash and cash equivalents at 1 July 2023                      |      | 17,055,551          | 16,465,892           |
|   |      |                     |                      |
| <b>Cash and cash equivalents at 30 June 2024</b>              |      | <b>96,121,037</b>   | <b>17,055,551</b>    |

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

**18. Statement of Comparison of Budget And Actual Amounts For The Period Ended 30<sup>TH</sup> JUNE 2024**

| Description                 | Original budget    | Adjustments       | Final budget       | Actual on comparable basis | Performance difference | % Utilization |
|-----------------------------|--------------------|-------------------|--------------------|----------------------------|------------------------|---------------|
|                             | Kshs               | Kshs              | Kshs               | Kshs                       | Kshs                   |               |
|                             | a                  | b                 | C=(a+b)            | d                          | e=(c-d)                | f=d/c*100     |
| <b>Revenue</b>              |                    |                   |                    |                            |                        |               |
| Interest Income             | 7,646,316          | -                 | 7,646,316          | 7,646,316                  | -                      | 100           |
| <b>Total Income</b>         | <b>7,646,316</b>   | <b>-</b>          | <b>7,646,316</b>   | <b>7,646,316</b>           | <b>-</b>               | <b>100</b>    |
| <b>Expenses</b>             |                    |                   |                    |                            |                        |               |
| Use of Goods and services   | 5,907,508          | -                 | 5,907,508          | 5,907,508                  | -                      | 100           |
| <b>Total Expenditure</b>    | <b>5,907,508</b>   | <b>-</b>          | <b>5,907,508</b>   | <b>5,4907,508</b>          | <b>-</b>               | <b>100</b>    |
| <b>Surplus For the Year</b> | <b>1,738,808</b>   | <b>-</b>          | <b>1,738,808</b>   | <b>1,738,808</b>           | <b>-</b>               | <b>100</b>    |
|                             |                    |                   |                    |                            |                        |               |
|                             |                    |                   |                    |                            |                        |               |
|                             |                    |                   |                    |                            |                        |               |
| <b>Capital Expenditure</b>  | <b>230,000,000</b> | <b>12,780,461</b> | <b>242,780,461</b> | <b>39,780,461</b>          | <b>39,780,461</b>      | <b>84</b>     |

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

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**19. Notes to the Financial Statements**

**1. General Information**

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

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

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising therefrom, the Homa Bay County Assembly passed a Car Loan and Mortgage Regulations in 2014.

The fund is wholly owned by the County Assembly of Homa Bay and is domiciled in Kenya

**2. Statement of compliance and basis of preparation**

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**3. Adoption of new and revised standards**

- 1. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

| <b>Standard</b>       | <b>Effective date and impact</b>   |
|-----------------------|--|
| <b>IPSAS 41:</b>      |  |
| Financial Instruments | <b>Applicable: 1<sup>st</sup> January 2023</b><br>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.<br>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: |

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

| Standard   | Effective date and impact  |
|--|--|
| IPSAS 42: Social Benefits  | <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</li> </ul> |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>   |
| Other improvements to IPSAS  | <p><b>Applicable 1<sup>st</sup> January 2023</b></p>   |

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

| <b>Standard</b>  | <b>Effective date and impact</b>  |
|--|---|
|  | <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i><br/>Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i><br/>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b><br/>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> |
| 2. <i>New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.</i> |   |

| <b>Standard</b>  | <b>Effective date and impact:</b>   |
|--|---|
| IPSAS 43   | <p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations | <p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>   |

**3. Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year.

**HOMABAY COUNTY ASSEMBLY  
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**4. Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

**ii. Revenue from exchange transactions**

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for FY 2023/2024 was approved by the County Assembly on 30<sup>th</sup> June 2023. 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. Accordingly, the Fund recorded no additional appropriations on the FY 2023/2024 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.

**HOMABAY COUNTY ASSEMBLY**

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**Annual Report and Financial Statements for the period ended June 30, 2024**

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*Summary of Significant Accounting Policies (Continued)*

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 under section 18 of these financial statements.

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Intangible Assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**e) 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 an 5-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* 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.

**HOMABAY COUNTY ASSEMBLY**  
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*Summary of Significant Accounting Policies (Continued)*

**f) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**HOMABAY COUNTY ASSEMBLY**  
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***Summary of Significant Accounting Policies (Continued)***

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

**HOMABAY COUNTY ASSEMBLY**  
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*Summary of Significant Accounting Policies (Continued)*

**Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**g) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**h) 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.

**i) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**HOMABAY COUNTY ASSEMBLY**  
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*Summary of Significant Accounting Policies (Continued)*

**j) 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 creates 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.

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

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*Summary of Significant Accounting Policies (Continued)*

**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) 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.

**r) Comparative figures**

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

*Summary of Significant Accounting Policies (Continued)*

**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.

**a) 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.

**b) 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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available.

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.

**HOMABAY COUNTY ASSEMBLY**  
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**6. Notes to the Financial Statements**

**1. Interest income**

| Description                                 | 2023/2024        | 2022/2023        |
|---|------------------|------------------|
|   | Kshs             | Kshs             |
| Interest Income from Car and Mortgage Loans | 7,646,316        | 5,166,884        |
| <b>Total Interest Income</b>                | <b>7,646,316</b> | <b>5,166,884</b> |

**2. Use of Goods and Services**

| Description             | 2023/2024        | 2022/2023        |
|-------------------------|------------------|------------------|
|                         | Kshs.            | Kshs.            |
| General Office Expenses | 0                | 36,151           |
| Committee Allowances    | 5,898,800        | 1,080,000        |
| Bank Charges            | 8,708            | 140,480          |
| Loan Insurance          | -                | -                |
| <b>Total</b>            | <b>5,907,508</b> | <b>1,256,631</b> |

**3. Cash and cash equivalents**

| Description                            | 2023/2024         | 2022/2023         |
|--|-------------------|-------------------|
|  | Ksh               | Ksh               |
| Car and Mortgage Loan Account          | 96,121,036        | 17,055,550        |
| <b>Total Cash And Cash Equivalents</b> | <b>96,121,036</b> | <b>17,055,550</b> |

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

| Financial Institution     | Account number | FY 2023/2024      | FY 2022/2023      |
|---------------------------|----------------|-------------------|-------------------|
|                           |                | Kshs              | Kshs              |
| <b>e) Current Account</b> |                |                   |                   |
| Equity Bank               | 0980162413604  | 96,121,036        | 17,055,550        |
|                           |                | -                 | -                 |
| <b>Sub- Total</b>         |                | <b>96,121,036</b> | <b>17,055,550</b> |
| <b>Grand Total</b>        |                | <b>96,121,036</b> | <b>17,055,550</b> |

**4. Receivables from exchange transactions**

| Description | 2023/2024 | 2022/2023 |
|-------------|-----------|-----------|
|             | Kshs      | Kshs      |

**HOMABAY COUNTY ASSEMBLY**  
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|   |                    |                    |
|---|--------------------|--------------------|
| <b>Current Receivables</b>                          |                    |                    |
| Current Loan Repayments Due                         | 66,635,622         | 85,681,732         |
| <b>Total Current Receivables</b>                    | <b>66,635,622</b>  | <b>85,681,732</b>  |
| <b>Non-Current Receivables</b>                      |                    |                    |
| Long Term Loan Repayments Due                       | 381,464,972        | 404,778,743        |
| Long Term receivables from Main Operations accounts | 191,474,372        | 191,081,172        |
| <b>Total Non- Current Receivables</b>               | <b>572,939,344</b> | <b>595,859,915</b> |
| <b>Total Receivables From Exchange Transactions</b> | <b>639,574,965</b> | <b>681,541,647</b> |

**4 Current Loan Repayment Due**

| Description                         | 2023/2024         | 2022/2023         |
|-------------------------------------|-------------------|-------------------|
|                                     | Kshs              | Kshs              |
| Loan Repayments Due                 | 18,870,184        | 18,870,184        |
| Current loan During the Year        | 47,765,438        | 66,811,548        |
| <b>Balance At End of The Period</b> | <b>66,635,622</b> | <b>85,681,732</b> |

**5. Receivables from Non-exchange Transactions**

| Description                                       | 2023/2024          | 2022/2023          |
|---|--------------------|--------------------|
|   | Kshs               | Kshs               |
| Long Term receivables from Main operation account | 191,474,372        | 191,081,172        |
| <b>Total</b>                                      | <b>191,474,372</b> | <b>191,081,172</b> |

**6. Accumulated Surplus**

| Description                           | 2023/2024           | 2022/2023           |
|---------------------------------------|---------------------|---------------------|
|                                       | Kshs                | Kshs                |
| Surplus/ (Deficit) From Previous Year | (30,488,092)        | (34,398,345)        |
| Surplus/Deficit for the year          | 1,738,808           | 3,910,253           |
| <b>Total</b>                          | <b>(28,749,284)</b> | <b>(30,488,092)</b> |

**HOMABAY COUNTY ASSEMBLY**  
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*Notes To The Financial Statements (Continued)*

**7. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

**b) Related party transactions**

| <b>Description</b>              | <b>2023/2024</b> | <b>2022/2023</b> |
|---------------------------------|------------------|------------------|
|                                 | <b>Kshs</b>      | <b>Kshs</b>      |
| Transfers From Related Parties' | 35,768,000       | 203,000,000      |
| Transfers To Related Parties    | -                | -                |

**c) Due from related parties**

| <b>Description</b>                           | <b>2023/2024</b>   | <b>2022/2023</b>   |
|--|--------------------|--------------------|
|  | <b>Kshs</b>        | <b>Kshs</b>        |
| Due From Parent HBCA Main Operations Account | 191,474,372        | 191,081,172        |
| <b>Total</b>                                 | <b>191,474,372</b> | <b>191,081,172</b> |

**HOMABAY COUNTY ASSEMBLY**  
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*Notes To The Financial Statements (Continued)*

**8. Financial risk management**

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

The Fund's financial risk management objectives and policies are detailed below:

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

| <b>Description</b>                         | <b>Total amount<br/>Kshs</b> | <b>Fully performing<br/>Kshs</b> | <b>Past due<br/>Kshs</b> | <b>Impaired<br/>Kshs</b> |
|--|------------------------------|----------------------------------|--------------------------|--------------------------|
| <b>At 30 June 2023</b>                     |                              |                                  |                          |                          |
| Receivables From Exchange Transactions     | 490,460,475                  | 404,778,743                      | 85,681,732               |                          |
| Receivables From Non-Exchange Transactions | 191,081,172                  | 119,863                          | 190,961,309              |                          |
| Bank Balances                              | 17,055,550                   |                                  |                          |                          |
| <b>Total</b>                               | <b>698,597,197</b>           | <b>404,898,606</b>               | <b>276,643,041</b>       |                          |
| <b>At 30 June 2024</b>                     |                              |                                  |                          |                          |
| Receivables From Exchange Transactions     | 490,460,475                  | 404,778,743                      | 85,681,732               |                          |
| Receivables From Non-Exchange Transactions | 190,961,309                  | 393,200                          | 191,474,372              |                          |
| Bank Balances                              | 96,121,036                   |                                  |                          |                          |
| <b>Total</b>                               | <b>777,542,820</b>           | <b>405,171,943</b>               | <b>277,156,104</b>       |                          |

**HOMABAY COUNTY ASSEMBLY**  
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*Notes To The Financial Statements (Continued)*

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

The entity has significant concentration of credit risk on amounts due from loan beneficiaries

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**HOMABAY COUNTY ASSEMBLY**  
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*Notes To The Financial Statements (Continued)*

**c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**i. Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

**HOMABAY COUNTY ASSEMBLY**  
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**Annual Report and Financial Statements for the period ended June 30, 2024**

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*Notes To The Financial Statements (Continued)*

**ii. Interest rate risk**

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

*Management of interest rate risk*

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

*Sensitivity analysis*

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**HOMABAY COUNTY ASSEMBLY**  
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*Notes To The Financial Statements (Continued)*

**d) Capital risk management.**

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

| Description                                  | FY 2023/2024       | FY 2022/2023       |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Revaluation reserve                          |                    |                    |
| Revolving fund                               | 728,677,285        | 525,677,285        |
| Accumulated surplus                          | (30,488,092)       | (34,398,345)       |
| <b>Total funds</b>                           | <b>698,189,193</b> | <b>491,278,940</b> |
| Total borrowings                             | 191,474,392        | 190,961,309        |
| Less: cash and bank balances                 | (96,121,036)       | (16,465,892)       |
| Net debt/ (excess cash and cash equivalents) | 95,353,356         | 174,495,417        |
| <b>Gearing</b>                               | <b>14%</b>         | <b>35%</b>         |

**9. Events after the reporting period**

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

**10. Ultimate and Holding Entity**

The entity is a County Public Fund established by Homa Bay County Assembly (Mortgage Scheme) Regulations, 2016 Act and Homa Bay County Assembly (Car Loan Scheme) Regulations, 2016) under the Ministry of Devolution. Its ultimate parent is the County Government of Homa Bay.

**11. Currency**

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

**HOMABAY COUNTY ASSEMBLY**  
**Car and Mortgage Loan Fund**  
**Annual Report and Financial Statements for the period ended June 30, 2024**

**20. Annexes**

**Annex I: Progress on Follow Up of Prior Year Auditor’s Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| <b>Reference No. on the external audit Report</b> | <b>Issue / Observations from Auditor</b>                 | <b>Management comments</b>   | <b>Status: (Resolved / Not Resolved)</b> | <b>Timeframe: (Put a date when you expect the issue to be resolved)</b> |
|---|--|--|--|---|
| 1.0.  | Unsupported Prior Year Adjustments                       | The management is in consultation with the auditor to support the adjustments            | Resolved                                 | Cleared   |
| 2.0.  | Unexplained Variance in Use of Goods and Services Amount | The management is in consultation with the auditor                                       | Resolved                                 | Cleared   |
| 3.0.  | Receivables from HBCA Operations                         | The management has made a payment plan to clear all the receivables from min account     | Not Resolved                             | June 2025   |
| 4.0.  | Long Term Repayments Due                                 | The management has put measures in place to ensure full repayment of the loans disbursed | Not Resolved                             | June 2025   |
| 4.1.  | Unexplained Variance in Long Term Loan Repayments Due    | The management has put measures in place to ensure full repayment of the loans disbursed | Resolved                                 | Cleared   |

**HOMABAY COUNTY ASSEMBLY**

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| <b>Reference No. on the external audit Report</b>                        | <b>Issue / Observations from Auditor</b>                 | <b>Management comments</b>   | <b>Status: (Resolved / Not Resolved)</b> | <b>Timeframe: (Put a date when you expect the issue to be resolved)</b> |
|--|--|--|--|---|
| 4.2.   | Non-Performing Loans                                     | The management has put measure in place to ensure recovery                           | Not resolved                             | 30 <sup>th</sup> Dec. 2024  |
| <b>Other Matter</b>  |  |  |  |   |
| <b>Report on Lawfulness and Effectiveness in Use of Public Resources</b> |  |  |  |   |
| 1.0.   | Unlawful and Ineffective Management of Loans             | The management has committed to adhere to the regulations governing the fund         | Resolved                                 | Cleared   |
| 2.0.   | Failure to Recover Funds Borrowed by the County Assembly | The management has made a payment plan to clear all the receivables from min account | Not Resolved                             | June 2025   |
| 3.0.   | Improperly Constituted Fund Committee                    | The management has now followed the due procedures of appointment                    | Resolved                                 | Cleared   |

Fund Administrator

Owino Hannington Day

ASSEMBLY CLERK  
18 SEP 2024

Date.....

**HOMABAY COUNTY ASSEMBLY**  
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