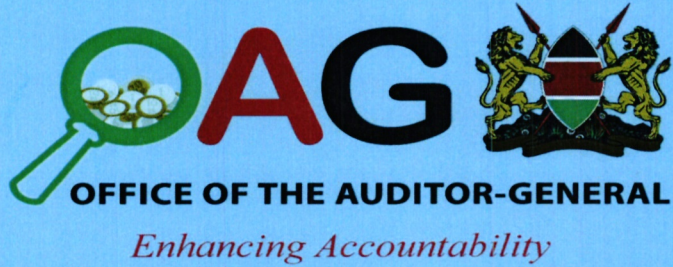


REPUBLIC OF KENYA

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**REPORT**

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OF KENYA  
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**OF**

**THE AUDITOR-GENERAL**

**ON**

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

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

Tabled by: Senate Minority Whip

Date: 4th Nov. 2021

Committee:

Clerk at the table: Kawata Mwangi



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**HOMA BAY COUNTY GOVERNMENT  
EXECUTIVE CAR AND MORTGAGE FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019**

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

**HOMA BAY COUNTY GOVERNMENT  
EXECUTIVE LOAN CAR AND MORTGAGE FUND  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

The Homa Bay county Executive 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 Executive adopted the PFM regulations 2014 to guide in the operationalization of the fund.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17<sup>th</sup> December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising there from, the Homa Bay County Executive approved and adopted the Staff Loans Policy Paper on December 2016.

The fund is wholly owned by the county government of Homa Bay Executive and is domiciled in Kenya.

**b) Principal Activities**

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

**Vision**

“To ensure better housing to Staffs and improved mobility at affordable cost”

**Mission**

“To provide affordable, accessible and sustainable car loans and Mortgage to Homa Bay County Executive staff.”

**Core Values**

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

HOMA BAY COUNTY GOVERNMENT  
**EXECUTIVE LOAN CAR AND MORTGAGE FUND**  
 Reports and Financial Statements  
 For the year ended June 30, 2019

**2. Fund Administration Committee**

Ref	Name	Position
1	Nicholas K' Oriko	CEC- Finance, Economic Planning and Service Delivery
2	Mr. Isaiah Ogwe	County Secretary
3	Mr. George Ouko Illah	County Attorney
4	Dr. David Okeyo	CEC-M Trade, Industry, Cooperatives and Enterprise Development
5	Mrs. Beatrice Ogolla	CEC-M Energy and Mining
6	Mr. Samson Okumu	Fund Administrator
7	Mr. Zeddekia Mwaga	Fund Accountant

**e) Key Management**

Ref	Name	Position
1	Mr. Noah Ochieng	Chief Office Finance, Economic Planning & Service delivery.
2	Mr. Samson Okumu	Fund Administrator
3	Mr. Daniel Owuor	Head of Treasury Accounting
4	Mr. Zeddekia Mwaga	Fund Accountant

**d) Registered Offices**

P.O. Box 469-40300  
 Council Building/House/Plaza  
 Homa Bay –Rongo Road/Highway  
 Homa Bay, KENYA

**e) Fund Contacts**

- f) Telephone: +254 20 38617565/55
- g) E-mail: executive@homabay.go.ke
- h) Website: www.homabaycounty@.go.ke

**i) Fund Bankers**

1. Central Bank of Kenya  
 Haile Selassie Avenue  
 P.O. Box 60000  
 City Square 00200  
 Nairobi, Kenya
  
2. Kenya Commercial Bank  
 Kencom Building, Moi Avenue  
 P.O. Box 19828 - 00100  
 Nairobi, Kenya

**HOMA BAY COUNTY GOVERNMENT  
EXECUTIVE LOAN CAR AND MORTGAGE FUND  
Reports and Financial Statements  
For the year ended June 30, 2019**

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3. Equity Bank  
Equity Centre, Upper Hill  
P.O. Box 1234 - 00100  
Nairobi, Kenya

**j) Independent Auditors**

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

**k) Principal Legal Adviser**

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

**FUNDADMINISTRATOR'S REPORT**

It is my pleasure to present, on behalf of the Fund Administration Committee, the County Executive car and Mortgage loan fund financial statements for the year ended 30<sup>th</sup> June 2019. The financial statements present the financial performance of the fund over the past year.

**Sustainability**

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

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

**Review of performance**

**Income**

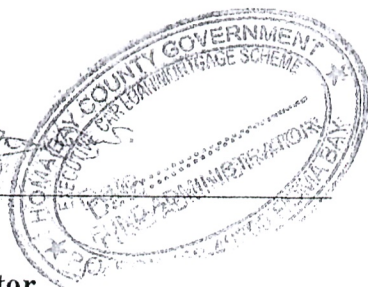
The fund earned interest amounting to KShs. 2,726,765.09 for the period. Projects implementation during the period was carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to an opening cash balance of Kshs. 3,900,811.40 at the beginning the year.

**Expenditures**

The total expenditures during the period amounted to KShs. 407,171.39 out of which the administration expenses amounted to KShs 405,971.39 and finance cost Kshs. 1,200

Signed: \_\_\_\_\_

**Samson Okumu  
Fund Administrator**



**HOMA BAY COUNTY GOVERNMENT  
EXECUTIVE LOAN CAR AND MORTGAGE FUND  
Reports and Financial Statements  
For the year ended June 30, 2019**

**Financial Performance**

**a) Revenue**

In the year ended 30<sup>th</sup> June 2019, the fund had projected interest income of KShs. 2,726,765.09. Out of the projected revenue, the fund was able to realise KShs. 2,726,765.09 in 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</b>	<b>Actual</b>	<b>Realisation (%)</b>
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	
Transfers from County Govt.	0	0	0
Interest income	2,726,765.09	2,726,765.09	100
Other Incomes	576,000	576,000	0
<b>Total income</b>	<b>3,302,765.09</b>	<b>3,302,765.09</b>	<b>100</b>

**b) Loans**

During the financial year 2018/2019, the fund disbursed 4 new loans bringing the total loan beneficiaries to date to 47. This was a 6.78% increase from the previous financial year.

**Cash flows**

In the FY 2018/2019, we had a few liquidity disruptions. This was as a result of late disbursement from the national treasury hence affecting deductions and remission of the interest and principal. The cash and cash equivalents increased from KShs. 199, 449.65 as at 30<sup>th</sup> June 2017 to KShs. 3, 900,811.40 as at 30<sup>th</sup> June 2018 and Kshs 2,913,345.70 as at 30<sup>th</sup> June 2019.

**c) Conclusion**

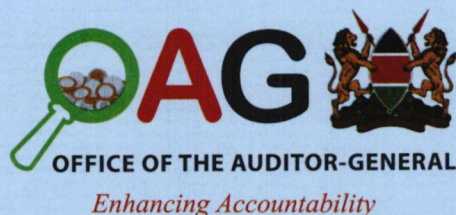
FY 2018/2019 was a good year in general. Good progress was made and the momentum has been created to enable Homa Bay County Executive car loan fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

### **3. CORPORATE GOVERNANCE STATEMENT**

The Homa Bay County Executive 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 provides for the regulation and administration of the Car and Mortgage Loan Fund. Its mandate is to provide car and Mortgage loans to members of Executive staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. The operations of the fund are governed by a fund administrator and the fund Management committee.

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON HOMA BAY COUNTY EXECUTIVE CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Homa Bay County Executive Car Loan and Mortgage Fund set out on pages 7 to 27, which comprise of the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion**

##### **1. Unsupported Balance-‘Unremitted’**

The statement of financial position as at 30 June, 2019 reflects a balance of Kshs.5,162,176.71 in respect of an item referred to as “unremitted” in the financial statements. However, the Management did not provide relevant documents to support the balance including detailed schedules indicating the nature and particular period of the balance, and the item beneficiaries from which the amounts were recovered.

Consequently, the validity, accuracy and completeness of the balance described as unremitted of Kshs.5,162,177 could not be confirmed.

##### **2. Unsupported Borrowings**

The statement of financial position also reflects a balance of Kshs.16,350,000 in respect of borrowings as at 30 June, 2019. However, the Management did not provide adequate documents to support the balance including confirmation of the beneficiaries, the terms of the loan, the interest receivable and when the recovery is due.

Consequently, the validity, accuracy and completeness of the borrowings of Kshs.16,350,000 could not be confirmed.

### **3. Outstanding Loan Balances**

As disclosed in Note 8 to the financial statements, the statement of financial position reflects outstanding loan balances of Kshs.84,967,487.98. The balance includes loan balances amounting to Kshs.19,579,911 in relation to nine ex-employees whose contracts were terminated in March, 2019 and who had not paid back their loans.

In the circumstances, the accuracy, validity and recoverability in full of the outstanding loans of Kshs.84,967,487.98 could not be confirmed.

### **4. Unsupported Reserve Fund**

The statement of financial position reflects reserve fund balance of Kshs.41,002,583.40 as at 30 June, 2019. However, supporting documentary evidence for the balance was not provided. Further, the balance has been presented in the statement under current assets instead of classifying under liabilities of the Fund.

Consequently, the validity, accuracy and completeness of the reserve fund balance of Kshs.41,002,583 could not be confirmed.

### **5. Unreconciled Revolving Fund Balance**

The statement of financial position as at 30 June, 2019 reflects revolving fund balance of Kshs.147,500,000, which, however, varies from a balance of Kshs.151,500,000 shown in Note 9 to the financial statements. The resultant difference of Kshs.4,000,000 has not been explained or reconciled.

Consequently, the validity, accuracy and completeness of the revolving fund balance of Kshs.147,500,000 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

### **6. Loan Advance to Members**

The statement of financial position reflects outstanding loan balances of Kshs.84,967,488 as at 30 June, 2019. However, the Fund administrator did not have in their custody the title deeds and logbooks which were used as collateral to secure loans advanced to twenty-six members. Further, other documents such as motor vehicle insurance certificates, purchase invoices, sale agreements and amortization schedules were not provided for audit review.

Consequently, the completeness and validity of the outstanding loan advanced to members as at 30 June, 2019 could not be confirmed.

## **7. Presentation of the Financial Statements**

The Public Sector Accounting Standards Board (PSASB) financial reporting format stipulates that the reporting entity's annual report should include a list of Board of Trustees and Management team, passport-size photo, name and a concise description of each member's date of birth, key academic and professional qualifications and work experience among other details. However, this information was not provided in the Fund's annual report accompanying the financial statements.

Further, the financial statements do not have a Board/Fund Chairperson's report, Corporate Governance Statement, Management Discussion and Analysis, Corporate Social Responsibility Statement/Sustainability Reporting, Report of Trustees, and Progress on Follow-up of Auditor's Recommendations.

In the circumstances, the Fund's financial statements were not prepared in accordance with the PSASB requirements.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

#### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **Responsibilities of Management and Fund Administration Committee**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

The Fund Administration Committee is responsible for overseeing the 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 International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for

Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Homa Bay County Executive Car Loan and Mortgage Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**15 October, 2021**

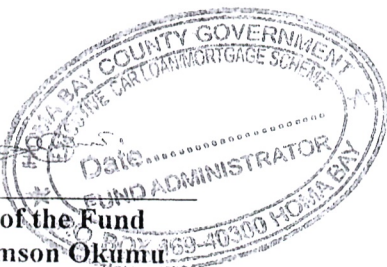
HOMA BAY COUNTY GOVERNMENT  
 EXECUTIVE LOAN CAR AND MORTGAGE FUND  
 Reports and Financial Statements  
 For the year ended June 30, 2019

4. FINANCIAL STATEMENTS

5.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2018

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Revenue from non-exchange transactions			
Revenue from exchange transactions			
Interest income	2	2,726,765.09	3,333,406.44
Other income	2	57,6000	0
<b>Total revenue</b>		<b>3,302,765.09</b>	<b>3,333,406.44</b>
<b>Expenses</b>			
Fund administration expenses and Staff Costs	4	405,171.39	151,563
Finance costs	4	1,200	550
<b>Total expenses</b>		<b>407,171.39</b>	<b>152,113</b>
Other gains/(losses)		0	0
Gain/(loss) on disposal of assets		0	0
<b>Surplus/( deficit)for the period</b>		<b>2,895,593</b>	<b>3,181,293</b>

Administrator of the Fund  
 Name: Mr. Samson Okumu



Head of Treasury Accounting  
 Name: Mr. Daniel Owuor

Handwritten signature of Mr. Daniel Owuor.

**HOMA BAY COUNTY EXECUTIVE CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**5.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	FY2018/2019 KShs	FY2017/2018 KShs
<b>Assets</b>			
<b>Current assets</b>			
Unremitted	3	5,162,176.71	17,475,755.00
Borrowings	3	16,350,000	6,776,563.00
Cash and cash equivalents	5	2,913,345.70	3,900,011.40
Outstanding Loan Balances	8	84,967,487.98	122,099,988.60
Reserve fund		41,002,583.40	
<b>Total</b>		<b>150,395,593.70</b>	<b>150,252,318</b>
<b>Non-current assets</b>		<b>0</b>	<b>0</b>
<b>Total assets</b>		<b>150,395,593.70</b>	<b>150,252,318</b>
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>0</b>	<b>0</b>
<b>Non-current liabilities</b>		<b>0</b>	<b>0</b>
<b>Total liabilities</b>		<b>0</b>	<b>0</b>
<b>Net assets</b>		<b>150,395,593.70</b>	<b>150,252,318</b>
<b>Represented By</b>			
Revolving Fund	9	147,500,000	147,500,000
Accumulated surplus		2,895,593.70	3,181,293
<b>Total equity</b>		<b>150,395,593.70</b>	<b>150,681,293</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 \_\_\_\_\_ 2019 and signed by:

\_\_\_\_\_  
 Administrator of the Fund  
 Name: Samson Okumu


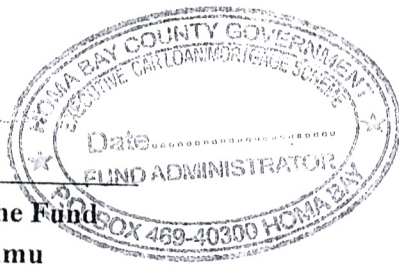


\_\_\_\_\_  
 Head of Treasury Accounting  
 Name: Daniel Owuor

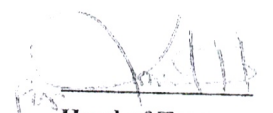
**HOMA BAY COUNTY EXECUTIVE CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**5.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2018**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	147,500,000	0	-1,761,519	145,738,481
Surplus/(deficit) for the period	3,181,293	0	0	-3,763,706.56
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
<b>Balance as at 30 June 2018</b>	<b>3,900,011</b>	<b>0</b>	<b>0</b>	<b>3,900,011</b>
Balance as at 1 July 2018	147,500,000	0	0	0
Surplus/(deficit) for the period	2,895,593.70	0	0	2,895,593.70
Funds received during the year	0	0	0	0
Revaluation gain	0		0	0
<b>Balance as at 30 June 2019</b>	<b>150,395,593.70</b>	<b>0</b>	<b>0</b>	<b>150,395,593.70</b>

  
  
 Date.....  
**FUND ADMINISTRATOR**

Administration of the Fund  
 Name: Samson Okumu

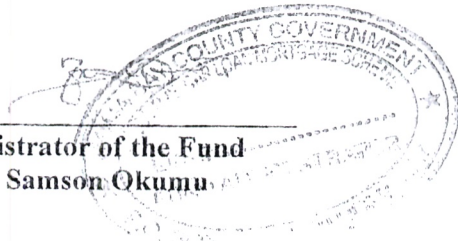
  
**Head of Treasury Accounting**  
**Name: Daniel Owuor**

**HOMA BAY COUNTY GOVERNMENT  
EXECUTIVE LOAN CAR AND MORTGAGE FUND  
Reports and Financial Statements  
For the year ended June 30, 2019**

**5.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	FY2018/2019 KShs	FY2017/2018 KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Borrowings	3	(16,350,000)	0
Administrative Expenses	4	(405,971.39)	(151,563)
Finance Costs	4	(1,200)	(550)
Interest received		2,726,765.09	3,333,406
<b>Net Cash Flow From Operating Activities</b>		<b>(14,030,406.30)</b>	<b>3,181,293</b>
<b>Cash flows from financing activities</b>			
Transfer from County Treasury	1	0	90,000,000
Loans Disbursed	10	(10,000,000)	(99,000,000)
Principal Loan Repayments	6	23,042,941	16,797,674.75
<b>Net cash flows used in financing activities</b>		<b>13,042,941.00</b>	<b>0</b>
<b>Net increase/(decrease)in cash and cash equivalents</b>		<b>(987,465.30)</b>	<b>0</b>
Cash and cash equivalents at 1 JULY	5	3,900,811.40	199,449.65
<b>Cash and cash equivalents at 30 JUNE</b>	5	<b>2,913,345.70</b>	<b>3,900,811.40</b>


Administrator of the Fund  
Name: Samson Okumu

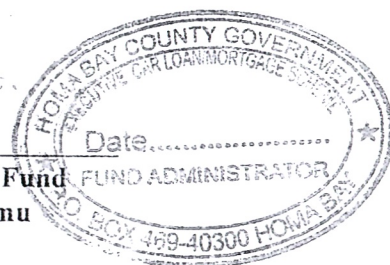


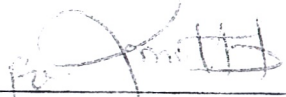
Head of Treasury Accounting  
Name: Daniel Owuor

5.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019

	Original budget	Adjustment s	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Interest income	2,726,765.09	0	2,726,765.09	2,726,765.09	0	100
Other income	576,000	0	576,000	576,000	0	100
<b>Total income</b>	<b>3,302,765.09</b>		<b>3,302,765.09</b>	<b>3,302,765.09</b>	<b>0</b>	<b>100</b>
<b>Expenses</b>						
Fund administration expenses	405,971.39	0	405,971.39	405,971.39	0	100
Finance cost	1,200.00	0	1,200.00	1,200.00	0	100
<b>Total expenditure</b>	<b>407,171.39</b>	<b>0</b>	<b>407,171.39</b>	<b>407,171.39</b>	<b>0</b>	<b>100</b>
<b>Surplus for the period</b>	<b>2,895,593.70</b>	<b>0</b>	<b>2,895,593.70</b>	<b>2,895,593.70</b>	<b>0</b>	<b>100</b>

  
 Administrator of the Fund  
 Name: Samson Okumu



  
 Head of Treasury Accounting  
 Name: Daniel Owuor

**5.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

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

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

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 40: Public Sector Combinations</b>	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

**c) Early adoption of standards**

The fund did not early – adopt any new or amended standards in year 2018.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

**Interest income**

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

**4. Budget information**

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in page 12 of these financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. Property, plant and equipment**

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

**6. Intangible assets**

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

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

**7. Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

*Impairment of financial assets*

The fund assesses at each reporting date whether there is objective evidence that a financial asset or a fund's of financial assets is impaired. A financial asset or fund's of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

*Loans and borrowing*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are recognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**8. Inventories**

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

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

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

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

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

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

**9. Provisions**

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

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

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

***Contingent liabilities***

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Contingent assets*

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

**10. Nature and purpose of reserves**

The fund creates and maintains reserves in terms of specific requirements.

**11. Changes in accounting policies and estimates**

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

**12. Employee benefits– Retirement benefit plans**

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

**13. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**14. Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**15. Related parties**

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

**16. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**17. Comparative figures**

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

**18. Events after the reporting period**

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

**19. Ultimate and Holding Entity**

The Homa Bay County Carr and Mortgage is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the Homa Bay County Executive.

**20. Currency**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**21. Significant judgments and sources of estimation uncertainty**

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

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

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**Provisions**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**22. Financial risk management**

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

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

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

The Fund Management assesses the credit quality of each Staff, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
<b>At 30 June 2019</b>				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances	2,913,345.70	2,913,345.70		
<b>Total</b>				
<b>At 30 June 2018</b>				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	-	-	-	-
Bank balances	3,900,811.40	3,900,011.40	-	-
<b>Total</b>	<b>3,900,811.40</b>	<b>3,900,011.40</b>	-	-

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The entity has significant concentration of credit risk on amounts due from customers.

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

**b) Liquidity risk management**

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

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2019</b>				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 30 June 2018</b>				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Market risk**

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**d) Capital risk management**

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

	2019	2018
	KShs	KShs
Revaluation reserve		0
Revolving fund	147,500,000	147,500,000
Accumulated surplus	2,895,593.70	3,181,293
<b>Total funds</b>	<b>150,395,593.39</b>	<b>150,681,293</b>
Total borrowings	16,350,000	6,945,000
Less: cash and bank balances	2,913,345.70	3,900,100
Net debt/(excess cash and cash equivalents)	17,436,654.30	3,044,989
<b>Gearing</b>	<b>132,958,939.09</b>	<b>147,636,304</b>

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5.7 NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from County Govt.	0	90,000,000
Payments by County on behalf of the entity	0	0
<b>Total</b>	<b>0</b>	<b>90,000,000</b>

2. Interest income

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest income from loans(mortgage /car loans)	2,726,765.09	3,333,406.44
Other Income /Remittance Commission	576,000	0
<b>Total interest income</b>	<b>3,302,765.09</b>	<b>3,333,406.44</b>

3. Other Receivables

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Loan Repayments	23,042,941	16,797,674.75
Unremitted	5,162,176.71	17,475,755.00
Borrowings	16,350,000	6,776,563.00
<b>Total</b>	<b>44,555,117.71</b>	<b>41,049,992.75</b>

4. Expenses and Other Staff Costs

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Administrative expenses	405,971.39	151,563
Finance costs	1,200	550
<b>Total</b>	<b>407,171.39</b>	<b>152,113</b>

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5. Cash and cash equivalents

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Current account	2,913,345.70	3,900,011
<b>Total cash and cash equivalents</b>	<b>2,913,345.70</b>	<b>3,900,011</b>

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

Financial institution	Account number	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Current account</b>			
Equity Bank	0980265695510	2,913,345.70	3,900,011
<b>Total</b>			<b>3,900,011</b>

6. Receivables from exchange transactions

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	2,726,765.09	3,333,406
Current loan repayments due	5,162,176.71	30,940,023
Other exchange debtors	0	0
Less: impairment allowance	0	0
<b>Total Current receivables</b>	<b>7,888,941.71</b>	<b>34,273,430</b>
<b>Non-Current receivables</b>		
Long term loan repayments due		0
<b>Total Non-current receivables</b>		<b>0</b>
<b>Total receivables from exchange transactions</b>	<b>7,888,941.71</b>	<b>34,273,430</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**7. Cash generated from operations**

	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>Surplus for the year before tax</b>	2,895,593.70	3,181,293
<b>Adjusted for:</b>		
Depreciation	0	0
Gains/losses on disposal of assets	0	0
Interest income	2,726,765.09	3,333,406
Finance cost	1,200	550
<b>Working Capital adjustments</b>		
Decrease in inventory	0	0
(Increase )/Decrease in receivables	0	0
Increase in payables	0	0
<b>Net cash flow from operating activities</b>	<b>5,622,358.70</b>	<b>3,332,856</b>

**8. Outstanding Loan**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Outstanding Loan	84,967,487.98	122,099,988
<b>Total</b>	<b>84,967,487.98</b>	<b>122,099,988</b>

**9. Revolving Fund**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Revolving fund	151,500,000	147,500,000
<b>Total</b>	<b>151,500,000</b>	<b>147,500,000</b>

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**10. Loan Disbursed**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Loan Disbursed	10,000,000	6,000,000
<b>Total</b>	<b>10,000,000</b>	<b>6,000,000</b>

**11. Refund Of Fund Borrowed**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
11.10.2019	10,850,000	
11.10.2019	9,500,000	0
<b>Total</b>	<b>20,350,000</b>	<b>0</b>