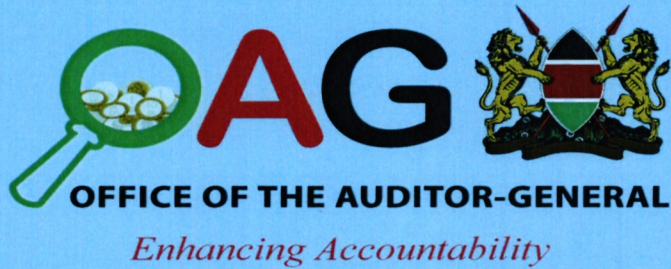


REPUBLIC OF KENYA

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

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

Tabled by: Senate Minority Whip

Date: 4<sup>th</sup> Nov. 2021

Committee:

Chair at the table: Hon. Mr. Mutajoko



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

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

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# HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND

## Reports and Financial Statements

For the year ended June 30, 2019

### 1. 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

#### Fund Administration Committee

Ref	Name	Position
1	Hon Philemon Okombo	Chairperson
2	Hon. Evelyn Otieno	Vice Chairperson

#### c) Key Management

Ref	Name	Position
1	Odhiambo Daniel Kaudo	Fund Administrator (Assembly Clerk)
2	Jacinter Adede	Fund Accountant

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

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**d) 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

**e) Independent Auditors**

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

**f) Principal Legal Adviser**

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

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

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**2. FUND ADMINISTRATOR'S REPORT**

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 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**

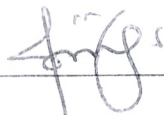
**Income**

The fund earned interest amounting to KShs. 6,101,000 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. 5,265,671 as at the beginning the year.

**Expenditures**

The total expenditures during the period amounted to KShs. 2,271,000.

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



**Odhiambo Daniel Kaudo**  
**Fund Administrator**



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

**3. Financial Performance**

**a) Revenue**

In the year ended 30<sup>th</sup> June 2019, the fund had projected interest income of KShs 6,101,000. Out of the projected revenue, the fund was able to realise actual interest income, representing 98.7% 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.	20,000,000	0.00	-
Interest income	6,101,000	6,101,000	100%
Fines, penalties and other levies	-	-	-
Other income	-	-	-
<b>Total income</b>	<b>26,101,000</b>	<b>6,101,000</b>	<b>23.4%</b>

**b) Loans**

During the financial year 2018/2019, the fund disbursed a total of Kshs.1,350,000 being a Mortgage balance to a member. The total loan beneficiaries to date is 118.

**Cash flows**

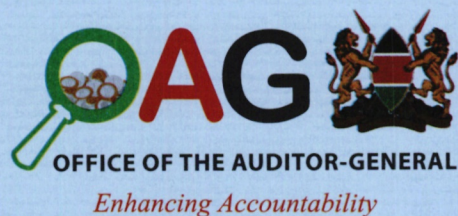
In the FY 2018/2019, we had a few liquidity disruptions. This was as a result of late disbursement from the national treasury hence affecting issuance of new loans, deductions and remission of the interest and principal. The cash and cash equivalents was Kshs. 87,902,229.15 as at 30<sup>th</sup> June 2019, being an increase from Kshs 5,265,671.15 as at 30<sup>th</sup> June 2018.

**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 Assembly car loan fund continue on a trajectory into prosperity. The loan repayment during the year was near 100% realized. We have identified gaps and areas to improve on in the subsequent years.

# REPUBLIC OF KENYA

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Homa Bay County Assembly Car and Mortgage Fund set out on pages 6 to 22, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows, 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.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of as at 30 June, 2019, 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 comply with the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Long Term Portion of Borrowings**

The statement of financial position reflects Kshs.190,326,458 on long-term portion of borrowings as at 30 June, 2019 which relates to borrowing by the beneficiaries repayable through monthly instalments. However, the Management has not presented separately, the expected repayment in the year under review as current portion of long-term borrowings, contrary to the International Public Sector Accounting Standards (IPSAS) 1 on presentation of financial statements, which requires the debtors' portion due within the next one year be classified as current assets.

In the circumstances, the accuracy and completeness of the long-term portion of borrowings balance of Kshs.190,326,458 could be confirmed.

##### **2. Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.87,902,229 as at 30 June, 2019 held in two bank accounts. However, the certificate of balances for one bank account was not provided for audit. Further, the cash books reflects a balance of Kshs.82,638,268 resulting to an unexplained variance of Kshs.5,263,961.15.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.87,902,229 could not be confirmed.

### **3. Unaccounted for Cash Withdrawals.**

Documents provided for audit revealed that the Management made cash withdrawals amounting to Kshs.31,156,371 from a Fund bank account. However, the cash withdrawals were not supported with relevant expenditure documents contrary to Regulation 83(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Management to ensure efficient and effective banking and cash management practices.

Consequently, the regularity and validity of the cash withdrawals amounting to Kshs.31,156,371 could not be ascertained. In addition, Management breached the law.

### **4. Unsupported Interest Income**

The statement of financial performance reflects interest income of Kshs.6,101,000. However, the amount was not supported with relevant documents.

Consequently, the completeness and accuracy of Kshs.6,101,000 on the interest income could not be confirmed.

### **5. Repayment of Borrowings**

The statement of cash flows for the year ended 30 June, 2019 reflects Kshs.94,381,161 in respect of repayment of borrowings. However, the amount was not supported with relevant documents.

Consequently, the completeness and accuracy of the repayment of borrowings balance of Kshs.94,381,161 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 Fund 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 qualified opinion.

### **Key Audit Matters**

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that,

nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Failure to Deduct Fringe Benefit Tax on Loans**

Documents provided for audit revealed that the Fund Management did not deduct and remit any Fringe Benefit Tax (FBT) to the Kenya Revenue Authority (KRA) contrary to Section 12B(1) of the Income Tax Act, Cap 470

In the circumstances, the Management breached the law

#### **2. Failure to Register Charge on Securities**

Documents provided for audit revealed that 56 beneficiaries comprising 19 members of staff and 37 Members of the County Assembly (MCA) were advanced loans amounting to Kshs.1,350,000 during the year. However, the Fund had not jointly registered the log- books or registered a charge on the properties financed through the loans contrary to Regulation 9(2) of the Public Finance Management Homa Bay County Assembly (Car Loans Scheme Fund) Regulations, 2015 and Regulation 15(1) of the Public Finance Management Homa Bay County Assembly (Mortgage Scheme Fund) Regulations, 2015.

In the circumstances, the Management breached the law.

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

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

#### **Conclusion**

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

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

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

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

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

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

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

- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**18 October, 2021**

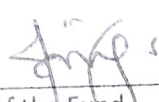
**HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

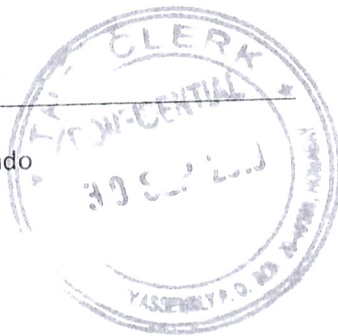
**4. FINANCIAL STATEMENTS**

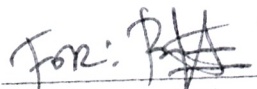
**4.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2019**

	Note	FY2018/2019 KShs	FY2017/2018 KShs
<b>Revenue from non-exchange transactions</b>			
Interest income	1	6,101,000.00	4,576,000.00
<b>Total revenue</b>		<b>6,101,000.00</b>	<b>4,576,000.00</b>
<b>Expenses</b>			
General expenses	2	2,271,000.00	15,608,400.00
<b>Total expenses</b>		<b>2,271,000.00</b>	<b>15,608,400.00</b>
<b>Surplus for the period</b>		<b>3,830,000.00</b>	<b>(11,032,400.00)</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 :Odhiambo Daniel Kaudo



  
 Fund Accountant  
 Name: CPA Jacinter Adede  
 ICPAK Number: 13233

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

Reports and Financial Statements

For the year ended June 30, 2019

**4.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	FY2018/2019 KShs	FY2017/2018 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	87,902,229.15	5,265,671.15
Current portion of long term receivables from exchange transactions		-	-
<b>Total assets</b>		<b>87,902,229.15</b>	<b>5,265,671.15</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term portion of borrowings	4	(190,326,458.00)	(269,133,016.00)
<b>Total liabilities</b>		<b>(190,326,458.00)</b>	<b>(269,133,016.00)</b>
<b>Net assets</b>			
Revolving Fund	5	305,347,524.15	305,347,524.15
Accumulated surplus	6	(27,118,837.00)	(30,948,837.00)
<b>Total net assets and liabilities</b>		<b>87,902,229.15</b>	<b>5,265,671.15</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: Odhiambo Daniel Kaudo




2019 and signed by:  
Fund Accountant  
Name: Jacinter Adede  
ICPAK Number: 13233


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

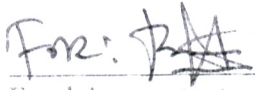
**4.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	-	-	-	-
Surplus/(deficit) for the period	305,347,524.15	-	(11,032,400.00)	294,315,124.00
Funds received during the year	0.00	-	-	0.00
Balance as at 30 June 2018	305,347,524.15	-	(11,032,400.00)	294,315,124.00
Balance as at 1 July 2019	305,347,524.15	-	(30,948,837.00)	274,398,687.15
Surplus/(deficit) for the period	0.00	-	3,830,000.00	3,830,000
Balance as at 30 June 2019	305,347,524.15	-	(27,118,837.00)	278,228,687.15

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: Odhiambo Daniel Kaudo



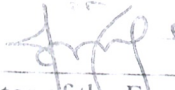
  
 Fund Accountant  
 Name: Jacinter Adede  
 ICPAK\_Number:13233

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

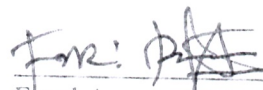
**4.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	FY 2018/2019 KShs	FY 2017/2018 KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received	1	6,101,000.00	4,576,000.00
<b>Total Receipts</b>		<b>6,101,000.00</b>	<b>4,576,000.00</b>
<b>Payments</b>			
General expenses	2	2,271,000.00	15,608,400.00
<b>Total Payments</b>		<b>2,271,000.00</b>	<b>15,608,400.00</b>
<b>Net cash flows from operating activities</b>		<b>3,830,000.00</b>	<b>(11,032,400.00)</b>
<b>Cash flows from investing activities</b>			
Loan disbursements paid out		(1,350,000.00)	(320,000,000.00)
<b>Net cash flows used in investing activities</b>		<b>(1,350,000.00)</b>	<b>(320,000,000.00)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(94,381,161.20)	(93,156,741.85)
<b>Net cash flows used in financing activities</b>		<b>(94,381,161.20)</b>	<b>(93,156,741.85)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(91,901,161.20)</b>	<b>(424,189,141.85)</b>
Cash and cash equivalents at 1 JULY		5,265,671.15	429,454,813.00
<b>Cash and cash equivalents at 30 JUNE</b>		<b>87,902,229.15</b>	<b>5,265,671.15</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: Odhiambo Daniel Kaudo



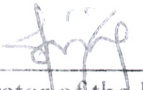
  
 Fund Accountant  
 Name: Jacinter Adede

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

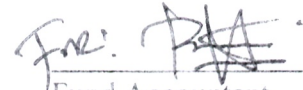
**5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Transfers from County Govt.	60,000,000	40,000,000	20,000,000	0	20,000,000	0%
Interest income	6,101,000	-	6,101,000	6,101,000	-	100%
<b>Total income</b>	<b>66,101,000</b>	<b>40,000,000</b>	<b>26,101,000</b>	<b>6,101,000</b>	<b>20,000,000</b>	<b>100%</b>
<b>Expenses</b>						
Fund administration expenses	2,271,000	-	2,271,000	2,271,000	-	100%
General expenses	0	0		0	0	0%
<b>Total expenditure</b>	<b>2,271,000</b>	<b>0</b>	<b>2,271,000</b>	<b>2,271,000</b>	<b>0</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: Odhiambo Daniel Kaudo



  
 Fund Accountant  
 Name: Jacinter Adede

# HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE FUND

## Reports and Financial Statements

For the year ended June 30, 2019

### 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 2018

Standard	Effective date and impact:
<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

Standard	Effective date and impact:
<b>IPSAS 40:</b> Public Sector Combinations	<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 2019.

**HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE FUND**  
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**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 entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or 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 derecognized as well as through the effective interest method amortization process.

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

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

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**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 Entity.

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

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

***Contingent liabilities***

The 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 Assembly 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**

The fund 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.

**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.

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

### **Reports and Financial Statements**

**For the year ended June 30, 2019**

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#### **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 Car 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 Assembly 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 were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

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.

## HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE FUND

### Reports and Financial Statements

For the year ended June 30, 2019

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## 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 and MCA, 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. 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.

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

**HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE FUND**  
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**7. NOTES TO THE FINANCIAL STATEMENTS**

**1 Interest income**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest income from loans(mortgage or car loans)	6,101,000.00	4,576,000.00
<b>Total interest income</b>	<b>6,101,000.00</b>	<b>4,576,000.00</b>

**2 General expenses**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Insurance Expenses	0.00	6,300,000.00
Management Expenses	2,253,600.00	9,308,400.00
Bank Charges	17,400.00	0
<b>Total</b>	<b>2,271,000.00</b>	<b>15,608,400.00</b>

**3. Cash and cash equivalent**

Financial institution	Account number	FY2018/2019	FY2017/2018
		KShs	KShs
<b>a) Current account</b>			
Equity Bank	0980162413604	87,902,229.15	5,263,961.15
Equity Bank	0980260411231	0.00	1,710
<b>Sub- total</b>		<b>87,902,229.15</b>	<b>5,265,671.15</b>
<b>Grand total</b>		<b>87,902,229.15</b>	<b>5,265,671.15</b>

**HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE FUND**  
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**4 Receivables from exchange transactions**

Description	FY2018/2019	FY2015/2016
	KShs	KShs
<b>Current Receivables</b>		
County Assembly	190,326,458.00	269,133,016.00
County Assembly MCAs	-	-
<b>Total Current receivables</b>	<b>190,326,458.00</b>	<b>269,133,016.00</b>
<b>Non-Current receivables</b>		
<b>Total receivables from exchange transactions</b>	<b>190,326,458.00</b>	<b>269,133,016.00</b>

**5. Revolving fund**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Revolving Fund	305,347,524.15	305,347,524.15
<b>Total</b>	<b>305,347,524.15</b>	<b>305,347,524.15</b>

**6. Accumulated surplus**

Description	FY2018/2019	FY2018/2019
	KShs	KShs
Surplus from Previous year	(30,948,837)	(19,916,437)
Surplus for the year	3,830,000	(11,032,400)
<b>Total</b>	<b>(27,118,837)</b>	<b>(30,948,837)</b>