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**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*



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CLERK AT THE TABLE	I. Mbaya

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KERICHO COUNTY ASSEMBLY MEMBERS  
CAR LOAN AND MORTGAGE SCHEME FUND**

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



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**KERICHO COUNTY ASSEMBLY MEMBERS CAR LOAN AND  
MORTGAGE SCHEME FUND**

**AMMENDED ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2021**

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

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Kericho County Assembly Members Car Loan & Mortgage Scheme Fund is established by and derives its authority and accountability from Article 230 of the constitution and section 13 of the Salaries and Remuneration Commission Act, 2011. County Assembly of Kericho has established appropriate regulations to guide the implementation for the benefits to its /members. The Public Finance Management (Kericho County Assembly Members Car Loan and Mortgage Scheme) Fund Regulations, 2014. The Fund is wholly owned by the County Assembly of Kericho and is domiciled in Kenya.

The Fund's principal activity is to facilitate Members of the County Assembly to purchase residential houses and motor vehicles

**b) Principal Activities**

The principal activity of the Fund is to facilitate members of the county assembly acquire and build their residential houses as well as purchase of motor vehicles to facilitate them discharge their mandate effectively.

**c) Board of Trustees**

Ref	Position	Name
1	Chairperson	Ho.HezronNg'etich
2	Vice Chair	Hon.NancyKimeto
3	Secretary	Mr.MartinEpus
4	Member	Hon.BenardMutai
5	Member	Hon.GilbertNg'etich
6	Member	Hon.HumpreyKirui
7	Member	Mrs.SharonMibey
8	Member	Mr.AggreyKirui
9	Secretariat	Mr.JosphatMibei
10	Fund Accountant	Mrs.RoseChelangat

**d) Key Management**

Ref	Position	Name
1	Clerk to the County Assembly of Kericho	Mr.MartinEpus
2	Deputy Clerk	Mrs.SharonMibey

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3	Principle Finance Officer	Mr.AggreyKirui
4	Accountant	Mr.JosphatMibei
5	Senior Accountant	Mrs.RoseChelangat

**e) Fiduciary Oversight Arrangements**

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1	Head of Internal Audit	Denis Koros
2	Senior Internal Auditor	Mercy Chepkemoi
3	Senior Internal Auditor	Rose Cheronon

**f) Registered Offices**

Kericho County Assembly Headquarters

P.O.BOX 1526-20180

Kericho,

KENYA.

**g) Fund Contacts**

Telephone:(254) 745169000

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

**h) FundBankers**

Family Bank Limited

P.O. Box 74145-00200,

Nairobi, Kenya

**i) Independent Auditors**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O.Box 30084

GPO 00100

Nairobi, Kenya

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
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**j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

**2. THE BOARD OF TRUSTEES**

	<b>Details of qualifications and experience</b>
	<p>Hon. Hezron Ng'etich is the Chairperson of the Board. He is the elected Member of County Assembly representing Chilchila Ward and the Majority Leader of the County Assembly. Hon. Hezron holds a Bachelors Degree in Project Management and a Diploma in Civil engineering.</p>
	<p>Hon. Nancy Langat is the Vice Chairperson of the Board. She is the elected Member of County Assembly representing Tebesonik Ward and the Vice Chairperson of Public Accounts and Investment Committee. She holds a Masters and Bachelors Degree in Finance and Accounting. She was the internal Auditor for KEWASCO before being elected.</p>
	<p>Hon. Benard Mutai is a Member of the Board and the elected Member of County Assembly representing Kipchimchim Ward and a member of the County Assembly Service Board. Hon. Mutai has a Diploma in Land Survey. He is an approved land surveyor.</p>
	<p>Hon. Gilbert Ng'etich is a Member of the Board and the elected Member of County Assembly representing Kisiara Ward. He is also the Chief Whip of the County Assembly. Hon. Gilbert holds a Diploma in Human resource and a CPA part I. He was the Chief Clerk for KTDA before being elected.</p>
	<p>Hon. Humphrey Kirui is a Member of the Board. He is the elected Member of County Assembly representing Kapsuser Ward and the Vice Chairperson of Youth, Culture and Social Services. Hon. Humphrey has Diploma in Accounting and CPA Part I. He was a Lab Technician at Abchy Malik (SBI) Company before he was elected.</p>

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	<p>Mr. Martin Epus is the Secretary of the Board and also the Clerk to the County Assembly. He was born in 1971. Mr. Epus holds a Master of Business Administration, Bachelors degree in Arts, Post Graduate Diploma in HRM, CPS final and a member of institute of Certified Public Secretaries of Kenya (ICPSK).</p>
	<p>Ms. Sharon Mibey is a Member of the Board and also the Deputy Clerk to the County Assembly. She was born on 23/05/1987. Sharon holds LLB (Bachelors Degree in Law) as wells as post graduate Diploma from the Kenya School of Law.</p>
	<p>Mr. Aggrey Kirui is a Member of the Board and also the Principal Finance Officer of the County Assembly. He was born on 10/04/1972. Aggrey holds a Master Degree of Commerce, Bachelors Degree in Commerce (Accounts and Auditing) and a Diploma in computer Applications.</p>
	<p>Mr. Josphat Mibei is a Member of the Board and an Accountant of the County Assembly. He was born on 01/10/1987. He is a holder of Bachelors degree in business administration, CPA Final and a member of institute of Certified Public Accountant of Kenya (ICPAK).</p>
	<p>Ms. Rose Chelangat is the Fund Accountant and also head of Accounts in the Assembly. She was born on 21/04/1980. She holds Bachelors degree of commerce (Accounting option), CPA Final and a member of Institute of Certified Public Accountant of Kenya (ICPAK).</p>

### **3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES**

#### **Introduction**

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

The key strategic objectives of the County Assembly are as follows:

1. To enhance Knowledge and Expertise of MEMBERS for effective representation, legislation, oversight, openness, and accountability;
2. To Improve County Assembly Legislative, Administrative and Infrastructural Support Services to enable Members to legislate and perform oversight function more effectively resulting in better utilization of public sector resources;
3. To build adequate Institutional capacity to provide quality, efficient and effective services to the stakeholders and respond adequately to emerging issues;
4. To strengthen County Assembly's Representative Capacity through External Linkages and Partnership with Various Stakeholders to Foster Sustainable Development;
5. To ensure adequate financial resources are available to meet the capital and operational expenditures of the Assembly.

**Progress on attainment of Strategic development objectives (Adopted from Kericho County assembly).**





Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Formation of the Car loan and mortgage board	To Improve County Assembly Legislative, Administrative and Infrastructural Support Services to enable Members to legislate and perform oversight function more effectively resulting in better	Improved oversight and administration of the Car loan and mortgage	Members appointed	<b>Functional Car Loan and Mortgage Scheme Fund Board</b>

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	utilization of public sector resources;			
Capacity Building for Car Loans and mortgage fund Board	To build adequate Institutional capacity to provide quality, efficient and effective services to the stakeholders and respond adequately to emerging issues;	Increased efficiency in administration of car loan and mortgage scheme	Number of trainings	Car loan and mortgage fund board members capacity enhanced
Consultative forums with like-minded industry players	To strengthen County Assembly's Representative Capacity through External Linkages and Partnership with Various Stakeholders to Foster Sustainable Development;	Increased awareness on fund administration challenges	Number of engagements with fund managers	Best practices from similar schemes/ industry replicated
Adherence to Controller of budget and national treasury requirements on requisitions	To ensure adequate financial resources are available to meet the capital and operational expenditures of the Assembly.	Continuous cash flows of the county assembly	Number of requisitions made	Funds availed to County Assembly Members

**4. MANAGEMENT TEAM**

	<b>Details of qualifications and experience</b>
	<p>Mr. Martin Epus is the Secretary of the Board and also the Clerk to the County Assembly. He was born in 1971. Mr. Epus holds a Master of Business Administration, Bachelors degree in Arts, Post Graduate Diploma in HRM, CPS final and a member of institute of Certified Public Secretaries of Kenya (ICPSK).</p>
	<p>Ms. Sharon Mibey is a Member of the Board and also the Deputy Clerk to the County Assembly. She was born on 23/05/1987. Sharon holds LLB (Bachelors Degree in Law) as well as post graduate Diploma from the Kenya School of Law.</p>
	<p>Mr. Aggrey Kirui is a Member of the Board and also the Principal Finance Officer of the County Assembly. He was born on 10/04/1972. Aggrey holds a Master Degree of Commerce, Bachelors Degree in Commerce (Accounts and Auditing) and a Diploma in computer Applications.</p>
	<p>Mr. Josphat Mibei is a Member of the Board and an Accountant of the County Assembly. He was born on 01/10/1987. He is a holder of Bachelors degree in business administration, CPA Final and a member of institute of Certified Public Accountant of Kenya (ICPAK).</p>
	<p>Ms. Rose Chelangat is the Fund Accountant and also head of Accounts in the Assembly. She was born on 21/04/1980. She holds Bachelors degree of commerce (Accounting option), CPA Final and a member of Institute of Certified Public Accountant of Kenya (ICPAK).</p>

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**5. BOARD/FUNDADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT**

The Kericho County Assembly Members Car Loan and Mortgage scheme Fund is established under the Kericho County Assembly Members Car loan and Mortgage Fund Scheme Regulations, 2014. The administration of the fund is done by Family Bank Limited.

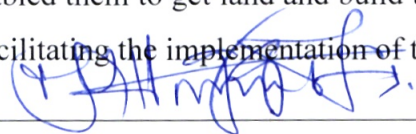
The Fund Board comprises of a team of Members of the County Assembly and the Secretariat as board members playing different roles and in the sub committees of the board to help in administering the fund. The chairperson of the board is the Leader of Majority of the County Assembly.

The Kericho County Assembly Members Car loan and mortgage scheme Fund has over the years benefitted the members in the acquisition of cars to improve mobility and in the housing for decent living. In turn this has translated to better performance in their core mandates. The total beneficiaries of the car loan and mortgage are 47 members of the county assembly, The Speaker and two members of the County Assembly Service Board.

The fund is expected to grow significantly and benefit the members immeasurably. The members will benefit greatly on the car loans and mortgages schemes since the interest is low and can discourage members of the scheme from borrowing loans from other financial institutions whose interest rates are exorbitant.

The Kericho County assembly members Car loans and Mortgage Scheme Fund Board commits to management the fund for the benefit of its members and for overall achievement and realization of the objectives of the County Assembly.

The fund is well managed by the bank and all repayments are put in a fixed deposit so as to earn interest. In this case, the fund is earning the 3% interest as well as interest on fixed deposits thus giving value for money. The members who have benefited from it are happy to have enabled them to get land and build their own houses as well as acquiring motor vehicles hence facilitating the implementation of their mandate.

Signed: 

*HON. HEZRON KIPNGENO NGETICH*

**6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR**

The Kericho County Assembly Car Loan and Mortgage scheme Fund is established under the department of Finance and Economic Planning. The administration of the fund is done by Family bank which was sourced competitively.

However, there is a management board which comprises of a team of Members of the County Assembly and the Secretariat as board members playing different roles and in the sub committees of the board. The chairperson of the board remains the Leader of Majority of the County Assembly and the Secretary of the Fund is the clerk of the County Assembly.

The Kericho County Assembly Members Car loan and mortgage scheme fund has over the years benefitted the members in the acquisition of cars to improve mobility and in the housing for decent living. In turn this is expected to translate to performance in their core mandates. The total beneficiaries of the car loan and mortgage are 47 members of the county Assembly, The Speaker and two members of the County Assembly Service Board.

The fund is expected to grow significantly and benefit the members immeasurably since the interest is low and can discourage members of the scheme from borrowing loans from other financial institutions.

The Kericho County assembly Members Car loans and Mortgage scheme Fund Board commits to administering the fund for the benefit of its members and for overall achievement and realization of the objectives of the County Assembly.

There has been no reported case of corruption or conflict of interest as the fund is managed in the most transparent manner.

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

*MARTIN EPUS PATRICK*



**7. CORPORATE GOVERNANCE STATEMENT**

Kericho County Assembly Mortgage Board held meetings to deliberate on issues concerning the fund. The number of meetings should not exceed twelve in a year. The required quorum must be at least two-third at the beginning of each meeting.

Members of the board should be trained on Public Finance Management Act and also regulations that guide issuance of the fund to potential beneficiaries.

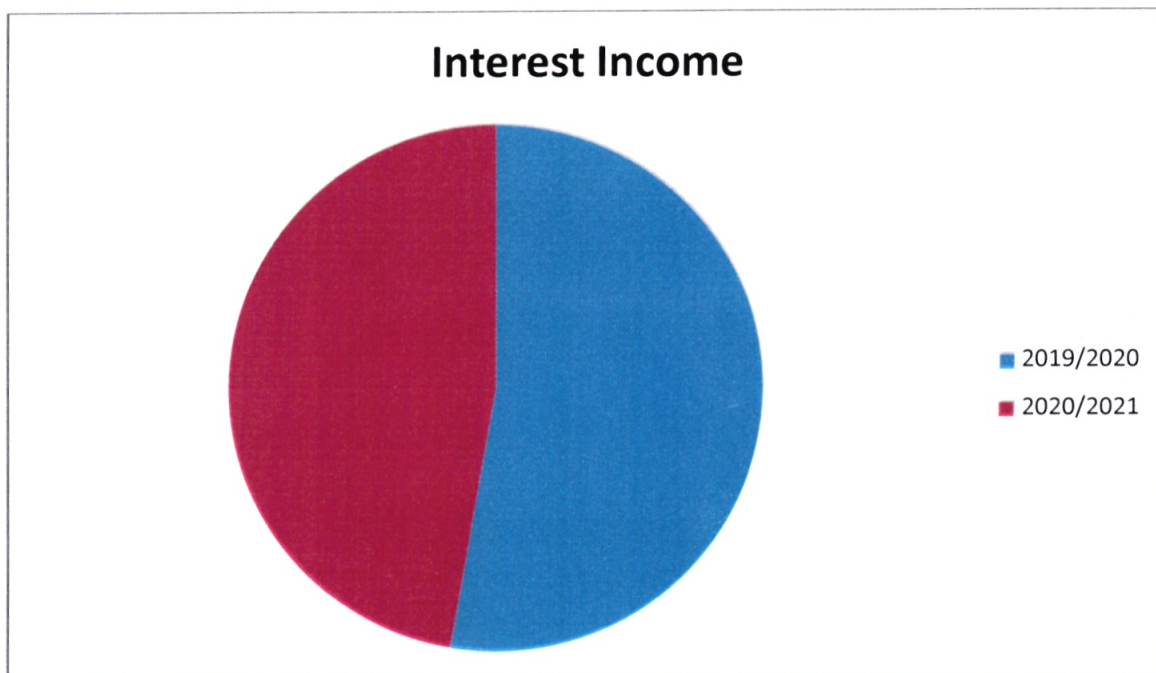
Incase there is conflict of interest on a member of the board, such a member should declare his interest and will be exempted to attend that meeting where his contribution will create conflict of interest. Failure to declare such interest is a criminal offence.

**8. MANAGEMENT DISCUSSION AND ANALYSIS**

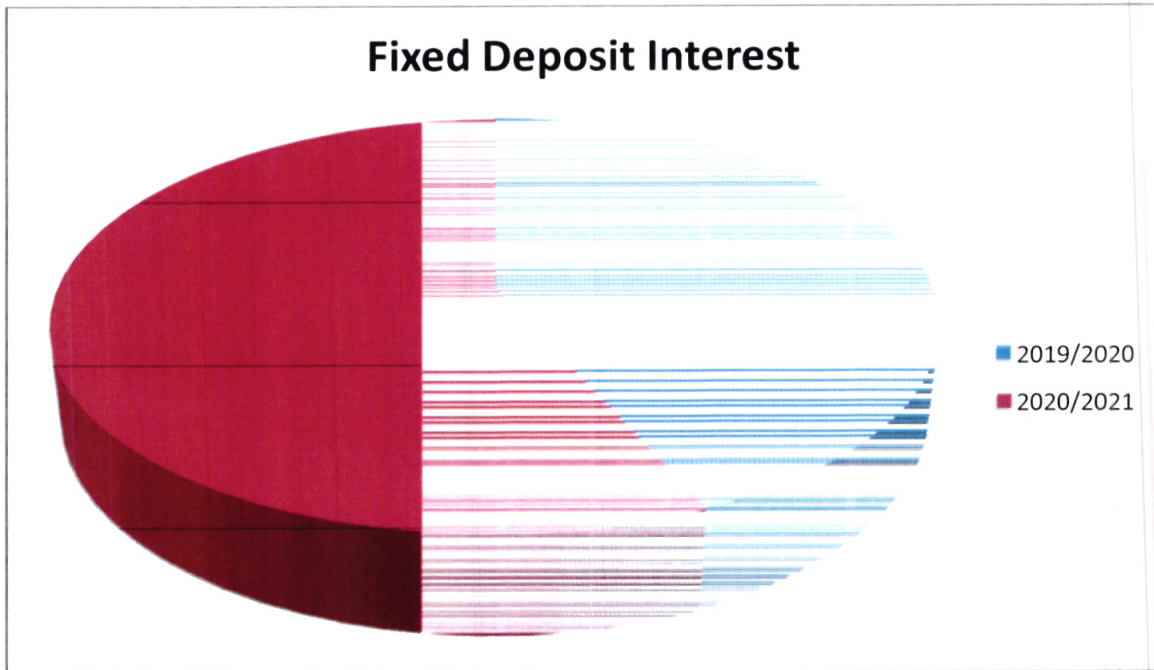
This is the Financial Statement for Kericho County Assembly Car Loan and Mortgage Scheme Fund for the financial period ended 30th June, 2021. This report was prepared and presented as required by Section 168 of the *Public Financial Management (PFM) Act 2012*. The report expounds on the expenditure incurred by the Kericho County Assembly Members car loan and Mortgage Scheme Fund provision.

The guiding regulations are the Kericho County Assembly Members Car Loan and Mortgage Scheme Fund regulations of 2014 in line with the Salary and Remunerations Commission. The Fund Administrator is Family Bank Limited and its primary purpose is to advance loans to Member of County Assembly for purchase of motor vehicles and mortgage.

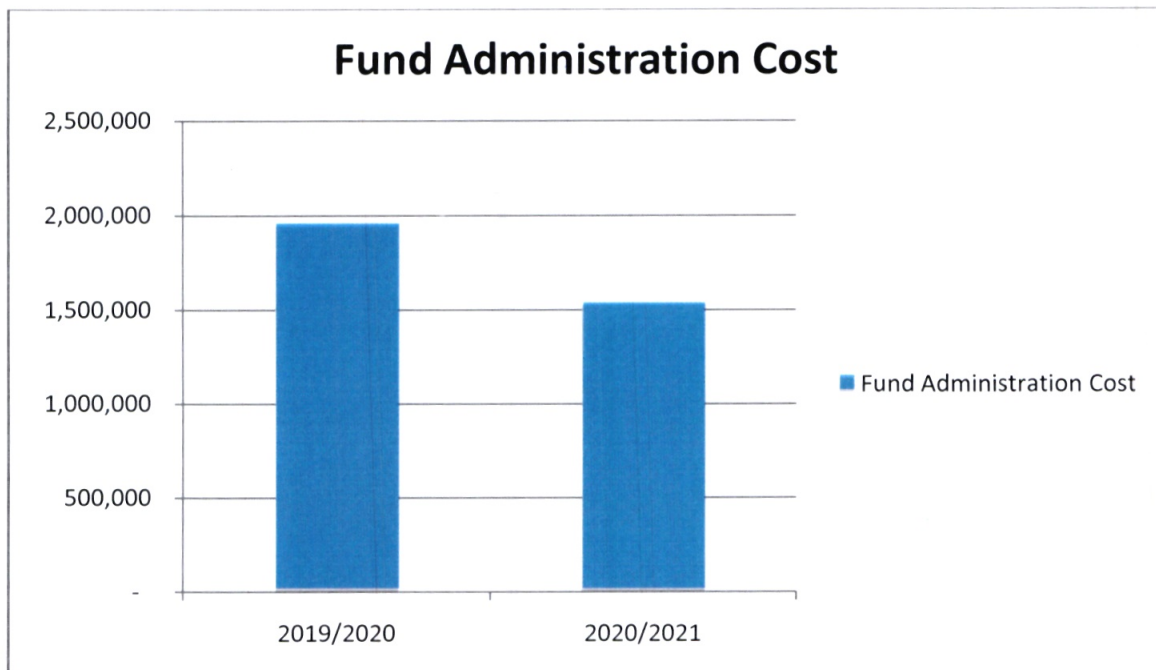
During this financial year 2020/2021 the interest income is Kshs.6,594,106 which was less than that of the financial 2019/2020 which was Kshs. 7,368,239, the reduction is due to the fact that most of the beneficiaries are almost clearing their loans. Furthermore there was an increase of fixed deposit interest from Kshs.2,788,013toKshs 4,321,126, because more funds were fixed in the financial year 2020/2021as illustrated by the pie chats as below;



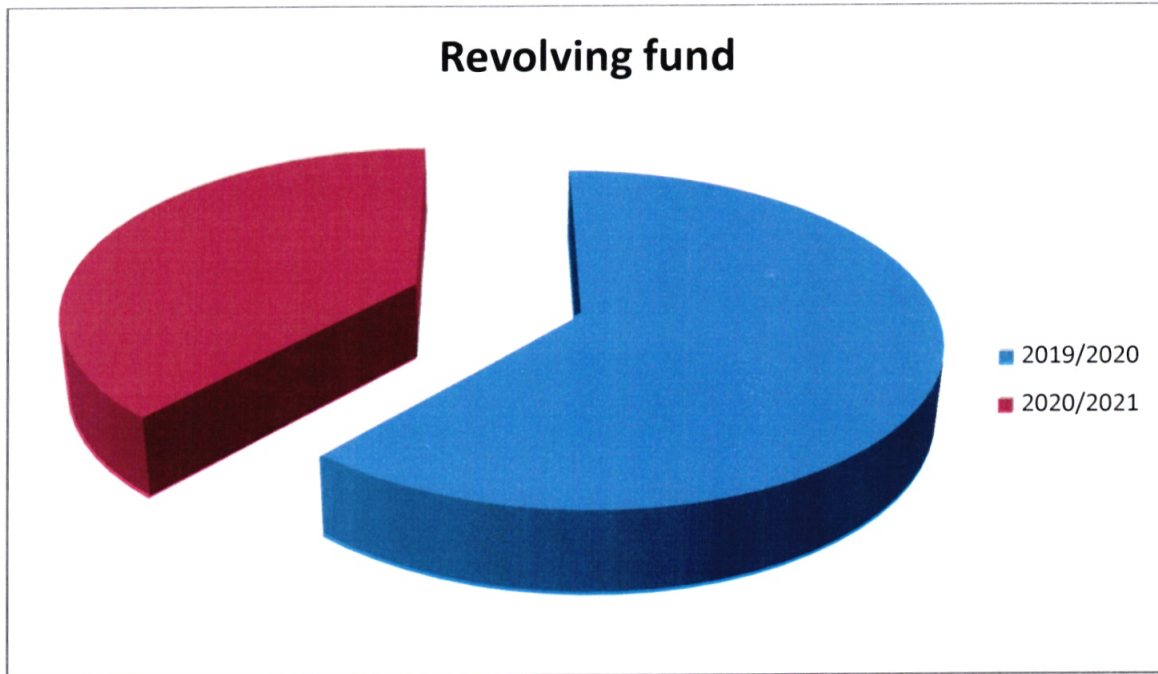
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There was a reduction in fund administration cost, in the financial year 2019/2020 the administration cost was Kshs.1,944,943 and 2020/2021 is Kshs.1,525,829 due to the fact that most loans are maturing hence reduction of administration cost and is illustrated by the graph below;



There is a significant reduction of the revolving fund from Kshs.244,372,792 of the year 2019/2020 to kshs.151,801,069, the effect is from the withdrawal of car grants of Ksh.98,000,000 to the members of Kericho county assembly during the financial year as illustrated by the pie chart below;



Signed: \_\_\_\_\_  
Martin Epus



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**9. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Fund affairs.

There has been no changes in the management committee during the year.

**Principal activities**

The principal activities of the Fund are to facilitate members of the County Assembly to purchase residential houses and to have cars.

**Results**

The results of the Fund for the year ended June 30, 2021 are set out on page 19-22

**Trustees**

The members of the Board of Trustees who served during the year are shown on page 5.

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. Certified Public Accountants were nominated by the Auditor General to carry out the audit of the Kericho county Assembly Members Car Loan and Mortgage Scheme Fund for the year ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Member of the Board

Date: 30/08/2022

## **10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Kericho County Assembly Members Car Loan and Mortgage Scheme Fund regulations of 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June, 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kericho County Assembly Members Car Loan and Mortgage Scheme Fund regulations of 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June, 30, 2021 and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use

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of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on \_\_\_\_\_ 2022 and signed on its behalf by:

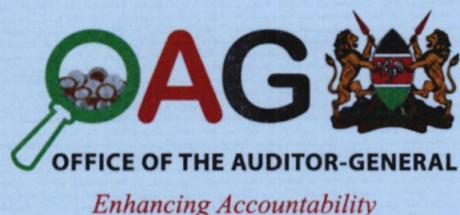


\_\_\_\_\_  
Administrator of the County Public Fund



# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY ASSEMBLY MEMBERS CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kericho County Assembly Members Car Loan and Mortgage Scheme Fund set out on pages 21 to 49, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and

the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Kericho County Assembly Members Car Loan and Mortgage Scheme Fund as at 30 June, 2021, 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 and the Public Finance Management (Kericho County Assembly Members Car Loan and Mortgage Scheme) Fund Regulations, 2014.

### **Basis for Qualified Opinion**

#### **Misstatement of Cash and Cash Equivalents**

The statement of financial position and as disclosed in Note 3 to the financial statements reflects a cash and cash equivalents balance of Kshs.100,944,636. However, the June, 2021 bank reconciliation statement for the main car and mortgage loan bank account reflected a reconciled bank balance of Kshs.6,031,426 which differed with the balance of Kshs.6,302,515 reflected in the certificate of bank balance by an unreconciled variance of Kshs.271,089. Similarly, the reconciled bank balance of Kshs.5,456,756 for the fixed deposit interest bank account reflected in the bank reconciliation statement for the same month differed with the balance of Kshs.5,185,667 reflected in the certificate of bank balance by an unreconciled variance of Kshs.271,089.

In the circumstances, the accuracy and completeness of the main car and mortgage loan account and fixed deposit interest account bank balances totalling to Kshs.11,488,182 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kericho County Assembly Members Car Loan and Mortgage Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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**

#### **Lack of Budget Approval**

The statement of comparison of budget and actual amounts reflects budgeted total income of Kshs.6,954,106 and total final budgeted expenditure Kshs.1,525,829 of which the revenue was fully realized and the expenditure fully incurred. However, evidence that the budget was approved as required under Section 149(2)(h) and (i) of the Public Management Act, 2012 that requires the accounting officer to prepare estimates of the expenditure of the entity with strategic plan and submit the estimates of an entity which is not a County Corporation to the Executive Committee Member for Finance.

In the circumstances, Management was in breach of 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.

### **Basis for Conclusion**

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

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

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2019.

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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

and submit the audit report in compliance with Article 229(7) of the Constitution. The nature timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to 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 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 controls that are identified during the audit.

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

  
CPA Nancy Gathungu CBS  
AUDITOR-GENERAL

Nairobi

03 October, 2022

12.FINANCIAL STATEMENTS

12.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021.

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
<b>Revenue from exchange transactions</b>			
Interest income from Car & Mortgage loans	1	2,632,980	4,580,226
Interest income on bank Fixed deposits	1	4,321,126	2,788,013
Other incomes		-	-
<b>Total revenue</b>		<b>6,954,106</b>	<b>7,368,239</b>
<b>Expenses</b>			
Fund administration fees	2	877,660	1,526,741
Withholding Taxes on fixed deposit interests	2	648,169	418,202
<b>Total expenses</b>		<b>(1,525,829)</b>	<b>(1,944,943)</b>
<b>Surplus (Interest) for the period</b>		<b>5,428,277</b>	<b>5,423,296</b>

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**12.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	100,944,636	122,712,188
Current portion of long- term receivables from exchange transactions	4	50,270,381	5,460,383
Receivables from Non- exchange transactions		-	-
Prepayments-Fund administration cost	5	40	-
Interest receivables-Fixed deposits interest	4	689,425	239,702
<b>Total Current assets</b>		<b>151,904,482</b>	<b>128,412,273</b>
<b>Non-current assets</b>			
Long term receivables from exchange transactions		-	116,040,419
<b>Total Non-current assets</b>			<b>116,040,419</b>
<b>Total assets</b>		<b>151,904,482</b>	<b>244,452,692</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6	103,414	79,901
Provisions		-	-
<b>Total Current liabilities</b>		<b>103,414</b>	<b>79,901</b>
<b>Non-current liabilities</b>			
<b>Total liabilities</b>		<b>103,414</b>	<b>79,901</b>
<b>Net assets</b>		<b>151,801,068</b>	<b>244,372,791</b>
Revolving Fund		244,372,792	238,949,496
Drawings(Car Grants)	7	(98,000,000)	-
Surplus (Interest)		5,428,277	5,423,296
<b>Total net assets and liabilities</b>		<b>151,801,069</b>	<b>244,372,792</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 \_\_\_\_\_ 2022 and signed by:



**Administrator of the Fund  
Name: Martin Epus**



**Fund Accountant  
Name: Rose Chelangat  
ICPAK Member Number:  
21194**



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**12.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021**

	<b>Revolving Fund</b>	<b>Revaluat ion Reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
		<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Balance as at 1 July 2019</b>	<b>238,949,496</b>	-	-	<b>238,949,496</b>
Surplus/(deficit) for the period			5,423,296	5,423,296
Funds received during the year				
Revaluation gain				
<b>Balance as at 30 June 2020</b>	<b>238,949,496</b>		5,423,296	<b>244,372,792</b>
<b>Balance as at 1 July 2020</b>	<b>238,949,496</b>		5,423,296	<b>244,372,792</b>
Surplus for the period	-	-	5,428,277	5,428,277
Drawings (Car Grants)	(98,000,000)	-		(98,000,000)
Revaluation gain	-	-		
<b>Balances as at 30<sup>th</sup> June 2021</b>	<b>140,949,496</b>		10,851,573	<b>151,801,069</b>

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

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Cashflows from operating activities</b>			
<b>Receipts</b>			
Interest received-2019/2020		239,702	-
Interest received-2020/2021		2,632,980	-
<b>Total Receipts</b>		<b>2,872,682</b>	
<b>Payments</b>			
Fund administration expenses-2019/2020		79,901	-
Fund administration expenses-2020/2021		877,700	(1,573,544)
Withholding taxes		544,755	-
Car grants		98,000,000	-
<b>Total Payments</b>		<b>(99,502,356)</b>	<b>(1,573,544)</b>
<b>Net cashflows from operating activities</b>		<b>(96,629,674)</b>	<b>(1,573,544)</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cashflows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cashflows from financing activities</b>			
Mortgage and Car loan advanced to member of county assembly		-	(200,000)
Interest received from fixed deposits accounts		3,631,701	2,369,811
Principal Loan Repayment of Car loan & mortgages		71,230,422	68,381,833
<b>Net cashflows used in financing activities</b>		<b>74,862,123</b>	<b>70,551,644</b>
<b>Net increase/(decrease)incash and cash equivalents</b>		<b>(21,767,551)</b>	<b>68,978,100</b>
Cash and cash equivalents at 1 JULY	3	<b>122,712,188</b>	<b>53,734,088</b>
<b>Cashandcashequivalentsat30 JUNE</b>	<b>3</b>	<b>100,944,636</b>	<b>122,712,188</b>

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**12.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED  
30<sup>th</sup> JUNE 2021.**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>% utilization</b>
	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
<b>Revenue</b>					
Public contributions and donations					
Transfers from County Govt.	0	0	0	0	0
Interest income	2,632,980	0	2,632,980	2,632,980	100%
Other income-Fixed deposit interest	4,321,126	0	4,321,126	4,321,126	100%
<b>Total income</b>	<b>6,954,106</b>	<b>0</b>	<b>6,954,106</b>	<b>6,954,106</b>	<b>100%</b>
<b>Expenses</b>					
Fund administration expenses	877,660	0	877,660	877,660	100%
Withholding taxes on fixed deposits interest	648,169		648,169	648,169	100%
<b>Total expenditure</b>	<b>(1,525,829)</b>		<b>(1,525,829)</b>	<b>(1,525,829)</b>	<b>100%</b>
<b>Surplus for the period</b>	<b>5,428,277</b>		<b>5,428,277</b>	<b>5,428,277</b>	<b>100%</b>

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**12.6 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.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021**

Standard/ Amendments : Applicable: 1 <sup>st</sup> January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	<i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i>

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021**

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Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p>

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Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2022:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.

**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 original budget for FY 2020/2021 was approved by the County Assembly on 18<sup>th</sup> June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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 fairvalue.

**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.

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**7. Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classifieds 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.

**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 Entity assesses at each reporting date whether there is objective evidence that a financial asset or entityof financial assets is impaired. A financial asset or 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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or 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)

***b) 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.

**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.

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

**Contingent liabilities**

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

**Contingent assets**

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

**10. Nature and purpose of reserves**

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

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

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

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

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets today 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.

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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

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Reports and Financial Statements  
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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. 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 entity is a County Public Fund established by Article 230 of the constitution and section 13 of the Salaries and Remuneration Commission Act, 2011. Its ultimate parent is the County Government of Kericho .

**20.Currency**

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

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

State all judgements, estimates and assumptions made: e.g

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) 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.

**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.

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

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2021</b>		-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>				
	-	-	-	-
<b>At 30 June 2020</b>		-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>				
	-			

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

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

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

	<b>Less than 1 month</b>	<b>Between 1- 3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2021</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2020</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
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**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 ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

**d) Foreign currency risk**

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

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

		Other currencies	Total
	KShs	KShs	KShs
<b>At 30 June 2021</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
<b>Liabilities</b>	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
<b>2021</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2020</b>		-	-
Euro	10%	-	-
USD	10%	-	-

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

**f) 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:

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
<b>Total funds</b>	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	-	-

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
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**13 .NOTES TO THE FINANCIAL STATEMENTS**

**1. Interest income**

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from car &Mortgage loans	2,632,980	4,580,226
Interest income from car loans		
Interest income from investments		
Interest income on bank fixed deposits	4,321,126	2,788,013
<b>Total interest income</b>	<b>6,954,106</b>	<b>7,368,239</b>

**2. Fund administration expenses**

Description	2020/2021	2019/2020
	KShs	KShs
Withholding taxes	648,169	418,202
Fund Administration fees	877,660	1,526,741
<b>Total</b>	<b>1,525,829</b>	<b>1,944,943</b>

**3. Cash and cash equivalents**

Description	2020/2021	2019/2020
	KShs	KShs
Main Car&mortgage loan account	6,031,426	58,001,004
Car &mort. Interest account	11,456,453	9,541,373
Fixed deposits account	78,000,000	52,800,000
Fixed Deposit interest account	5,456,756	2,369,811
Current account		
Others		
<b>Total cash and cash equivalents</b>	<b>100,944,636</b>	<b>122,712,188</b>

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

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
<b>a) Fixed deposits account</b>			
Family Bank	022000032733	16,000,000	
Family Bank	022000034071	62,000,000	
Family bank	022000030469		5,300,000
Family bank	022000030868		5,300,000
Family bank	022000031695		5,400,000
Family bank	022000031458		5,200,000

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

		<b>2020/2021</b>	<b>2019/2020</b>
<b>Financial institution</b>	<b>Account number</b>	<b>KShs</b>	<b>KShs</b>
Family bank	022000031577		5,400,000
Family bank	022000031166		5,200,000
Family bank	022000031055		5,200,000
Family bank	022000030737		10,300,000
Family bank	022000031252		5,500,000
<b>Sub- totals</b>		<b>78,000,000</b>	<b>52,800,000</b>
<b>b) On - call deposits</b>			
Kenya Commercial bank			
<b>Sub- total</b>			
<b>c) Current account</b>			
Family bank-Main	022000011142	6,031,426	58,001,004
Family bank-Interest	022000027965	11,456,453	9,541,373
Family bank-Fixed deposit interest	022000030241	5,456,756	2,369,813
<b>Sub- total</b>		<b>22,944,635</b>	<b>69,912,188</b>
<b>d) Others(specify)</b>			
Cash in transit			
<b>Sub- total</b>			
<b>Grand total</b>		<b>100,944,635</b>	<b>122,712,188</b>

**4. Receivables from exchange transactions**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current Receivables</b>		
Interest receivable		
Current loan repayments due(Car loan& Mortgage)	50,270,381	5,460,383
Other exchange debtors	-	
Less: impairment allowance		
<b>Total Current receivables</b>		
<b>Non-Current receivables</b>		
Long term loan repayments due	-	116,040,419
<b>Total Non- current receivables</b>		
<b>Total receivables from exchange transactions</b>	<b>50,270,381</b>	<b>121,500,802</b>

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
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**Additional disclosure on interest receivable**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
<b>Interest receivable</b>		
Interest receivable from current portion of long-term loans of previous years		
Accrued interest receivable from of long-term loans of previous years		
Interest receivable from current portion of long-term loans issued in the current year	689,425	239,702
<b>Total receivables from exchange transactions</b>	<b>689,425</b>	<b>239,702</b>
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years		
Accrued principal from long-terms loans from previous periods		
Current portion of long-term loans issued in the current year		

**5. Prepayments**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Prepaid Fund admin cost	40	-
<b>Total</b>	<b>40</b>	<b>-</b>

**6. Trade and other payables from exchange transactions**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Trade payables	-	-
Withholding tax	103,414	-
Accrued expenses-Adm cost	-	79,901
<b>Total trade and other payables</b>	<b>103,414</b>	<b>79,901</b>

**7. Withdrawals**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Drawings(Car grants)	98,000,000	

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
-	-	-	All issues resolved	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

**Kericho County Assembly Members Car Loan And Mortgage Scheme Fund  
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**15. APPENDIX I: INTER-ENTITY TRANSFERS**

ENTITY NAME:				
Break down of Transfers from the County Executive of Kericho County Government				
FY 2020/2021				
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Car Grants	10/02/2021	98,000,000	
			-	
			-	
		<b>Total</b>	<b>98,000,000</b>	2020/2021
b.	Development Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	-
		<b>Total</b>	-	-
c.	Direct Payments	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		<b>Total</b>	-	-

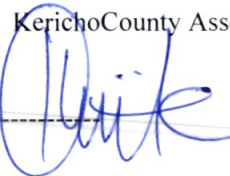
The above amounts have been communicated to and reconciled with the parent Ministry.

Fund Administrator  
Car loan & Mortgage Scheme Fund

Sign 



Deputy Director of Finance  
Kericho County Assembly

Sign 





PAPERS LAID	
DATE	10/11/2022.
TABLED BY	Sen. Majority Whip
COMMITTEE	_____
CLERK AT THE TABLE	S. Nyata.

**OFFICE OF THE AUDITOR-GENERAL**

**SPECIAL AUDIT REPORT OF THE AUDITOR-GENERAL**

**ON**

**PROJECTS IMPLEMENTED**

**IN**

**MUKAA WARD OF MAKUENI COUNTY GOVERNMENT**

**DURING 2018/2019 FINANCIAL YEAR**

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## List of Abbreviations

The following abbreviations are used in this report.

Abbreviation	Full Description
CG	County Government
BQ	Bills of quantity
OAG	Office of the Auditor General
PFMA	Public Finance Management Act
PFMR	Public Finance Management Regulations
PMC	Project Management Committee
PPADA	Public Procurement and Asset Disposal Act
PP&ADR	Public Procurement and Asset Disposal Regulations
PIS	Project Implementation Status
TOR	Terms of Reference
OPD	Out Patient Department

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## 1. EXECUTIVE SUMMARY

The Auditor-General received a request for a special audit on projects identified, funded and implemented by Makueni County Government in Mukaa Ward. The scope of the audit was for all the projects budgeted for and implemented in the Ward during the financial year 2018/2019.

The audit objective was to determine whether the funded projects were those prioritized by the community and whether they were included in the budget for the financial year. The audit also sought to confirm whether the projects were included in the procurement and work plans for the financial year 2018/2019.

The procurement and implementation documents for the projects were reviewed to establish whether the processes were procedural and regular. The audit team reviewed the budget, procurement documents, committees meetings' minutes, the professional certificates, receipts and payments documents and other related records for the projects' identified and implemented. The audit also carried out field visits to confirm projects' status and accruing benefits to the Ward residents. The audit then analyzed the information obtained from documents review and field visits. The final conclusion on the findings was made for communication to the identified users of the report.

The audit revealed that the Projects were procured in accordance with the Public Procurement and Assets Disposal Act, 2015 as detailed in the report and implemented, albeit with the few gaps identified here in the report.

The projects for disaster management were, however, disregarded and funds reallocated to other projects which were identified and implemented, in the ensuing financial years.

In conclusion, the projects were implemented to a great extent contrary to the assertions of the community leaders who made the audit request. The budget implementation was also carried out to a large extent and the community is already benefiting from the implemented projects like dispensaries, roads and water projects.

There are, however, some projects which were not implemented comprehensively and the residents are yet to enjoy the envisioned benefits. These include the Mutuluni dispensary and Mukaa road. For the incomplete projects and value for money has not been obtained. In addition, recoveries totalling Kshs.276,000 should be instituted against the contractors for incomplete work as follows:

- i) Kwa-Muvai-Kiongwani-Mwani Road Kshs.198,000
- ii) Rehabilitation of Mwanyani- Upete-Kyandue- Mukaa Road Kshs.78,000

## **2. INTRODUCTION**

2.1.1 Article 229(6) of the Constitution of Kenya 2010 requires the Auditor-General to confirm and report to the public whether public funds were used in a lawful and effective manner. In addition, Section 38 of the Public Audit Act, 2015 requires the Auditor-General to conduct procurement audit in public institutions to establish whether or not the process as are done in a lawful manner.

The residents of Mukaa Ward in Makueni County submitted various documents to the Auditor-General in year 2021 and the beginning of year 2022, requesting for a special audit of various projects valued at Kshs.33 million planned for and included in the budget for 2018/2019. The residents, through their community-based organization's leaders, alleged, as indicated in Table 1 below that the County Government had failed

to follow the Public Procurement and Asset Disposal Act, 2015 in awarding and implementation of the projects. Further, the residents indicated that the projects were not implemented as per the budget and funds had been misappropriated. The residents felt that the implementation of the projects was riddled with corruption as indicated in their submission.

### Mukaa Ward Projects Budgeted for in 2018/2019

Table 1

N0	Department	Ward	Project Name	Budgeted Amount Kshs.	Matter/Claim to be Addressed
1(i)	Health	Mukaa	Upgrading of Upete Health Center	5,000,000	<ul style="list-style-type: none"> <li>Only Kshs. 500,000 was used to paint roof and Kshs.4.5 million was misappropriated</li> </ul>
1(ii)	Health	Mukaa	Ambulance	N/A	<ul style="list-style-type: none"> <li>Ambulance un-procedurally transferred to Sultan Hamud Level 4 Hospital</li> </ul>
2	Health	Mukaa	Upgrading of Mutiluni Dispensary	1,500,000	<ul style="list-style-type: none"> <li>The project was not implemented.</li> </ul>
3	Roads and Transport	Mukaa	Heavy grading of Mwaani-Kenze- Uvete Rd	5,000,000	<ul style="list-style-type: none"> <li>Project was implemented by the county government equipment and not by a contractor.</li> </ul>
4	Trade, Transport Water	Mukaa	Disaster Response program	10,000,000	<ul style="list-style-type: none"> <li>How the Kshs.10 million allocated for disaster response programmes was spent</li> </ul>
5	Roads and	Mukaa	Mwanyani-	8,000,000	<ul style="list-style-type: none"> <li>Whether Public</li> </ul>

	Transport		Upete-Kyandue-Mukaa Rd		procurement law was breached <ul style="list-style-type: none"> <li>How Kshs.8 million was spent since residents alleged that Road was rehabilitated using County Government Tractors and Kshs.7.2 Million was misappropriated</li> </ul>
6	Health	Mukaa	Upgrading of Enzai Dispensary	3,500,000	Project not implemented as per the budget and some funds misappropriated
	<b>Total</b>			<b>33,000,000</b>	

2.1.2 The special audit addressed the areas of concern as requested including the following;

- i. Budgeting process;
- ii. Procurement process
- iii. Implementation of the projects in Mukaa Ward during 2018/2019

### 3. OBJECTIVES OF THE SPECIAL AUDIT

- i. To establish whether public funds allocated in the financial year 2018/2019 for projects implementation as appropriated by the County Government of Makueni County were utilized in a lawful and effective manner.
- ii. To confirm whether awarding of tenders complied with the Public Procurement and Asset Disposal Act, 2015.
- iii. Establish whether the projects were implemented as per the contract and the status.
- iv. To establish whether the residents have benefited from the funded projects.

#### **4. TERMS OF REFERENCES**

4.1.1 In order to achieve the above objectives, the special audit team developed the following TORs to guide the audit.

- Project identification and planning, including public participation
- Project budget and financing
- Project procurement process
- Expenditures incurred for the projects
- The current status of projects
- Identification of irregularities, weaknesses and apportionment of responsibilities.

#### **5. SAMPLING PROCEDURES AND SCOPE OF WORK**

5.1.1 The special audit focused on all the projects which were subject of the concerns raised by the residents.

5.1.2 For each project, the special audit reviewed project identification and planning, project budgeting and financing, project procurement process and established whether the projects were in existence and operational.

#### **6. SOURCE OF INFORMATION AND AUDIT PROCEDURES**

The audit team obtained information through the following audit procedures:

##### **a. Document Review**

The special audit team reviewed various documents including, public participation documents, budget estimates, contract agreements, tender documents, certificates of

work done, payment vouchers and related supporting documents, project management committee reports, projects implementation status reports and certificates of completion.

#### **b. Analytical Review**

The special audit team undertook computations, comparisons and analysis of data and information to obtain required evidence.

#### **c. Physical Verification/Inspection of Works**

Field visits were conducted for the projects to confirm their status and compliance with the contracts.

#### **d. Compliance Tests**

Tests of controls were undertaken to establish regularity of the expenditures incurred and identify internal control weaknesses and respective managerial responsibility.

#### **e. Interviews**

The team held discussion with key members of staff from Operations, Finance, and Technical Departments to obtain more information and understanding of the projects. In addition, issues of concern were raised for explanation during the wrap up meeting and responses were considered in compiling final report.

### **7. CHALLENGES AND LIMITATIONS**

7.1.1 The majority of the projects were implemented in 2018/2019 and confirmation of the actual work carried out during projects implementation was difficult as the County Government had subsequently carried out additional work, especially on the roads to make them passable. Thus, confirming the work and the quality of work done by the contractors in 2018/2019 was not possible.

## **8. DETAILED FINDINGS**

### **8.1 PROJECT IDENTIFICATION AND PLANNING**

8.1.1. Section 125(2) of the Public Finance Management Act, 2012 requires public participation to be held for identification of projects to be implemented.

Documents provided by the Director of Budget indicated that public participation was held in Mukaa Ward on 6 February, 2018.

8.1.2 Review of the public participation documents including attendance list and minutes, revealed that various projects were identified for implementation by the participants.

### **8.2 BUDGETING AND FINANCING**

8.2.1 Review of the original budget for 2018/2019 indicated that an amount of Kshs.33 million was appropriated for implementation of various projects in Mukaa Ward as indicated in the Table 2 below:

Table 2

Mukaa Ward Original Budget 2018/2019					
N0	Department	Priority	Expenditure Item	Budget Amount 2018/2019 Kshs.	Year Implemented
1	Road and Transport	Normal work	Rehabilitation of Mwanyani-Upete-Kyandue-Mukaa Rd	8,000,000	2018/2019
2	Road and Transport	Normal work	Heavy grading of Mwaani-Kenze-Uvete Road	5,000,000	2018/2019
3	Health	Normal work	Upgrading of Upete Health Center	5,000,000	2018/2019
4	Health	Normal work	Upgrading of Mutiluni Dispensary	1,500,000	2018/2019
		Normal work	Upgrading of Enzai Dispensary	3,500,000	2019/2020
	<b>Sub total</b>	<b>Normal work</b>		<b>23,000,000</b>	
5	Trade	Disaster Response Programme	Construction of Uvete Market Shed	2,500,000	2019-2020
6	Transport	Disaster Response Programme	Kwa-Muvai-Kiongwani-Mwaani Rd	2,500,000	2018-2019
7	Transport	Disaster	Purchase of	3,600,000	2018/2019

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		Response Programme	Grader		and 2019/2020
8	Transport	Disaster Response Programme	Fuel-Road Improvement programme	400,000	2018/2019 and 2019/2020
9	Water	Disaster Response Programme	Silanga Kwa Kakui Water Project	1,000,000	2020/2021
	<b>Sub-Total</b>	<b>Disaster Response programme</b>		<b>10,000,000</b>	
	<b>Grand Total</b>			<b>33,000,000</b>	

8.2.2 The final supplementary budget and procurement plan for 2018/2019 indicated that the County Government of Makueni had retained an allocation of Kshs.33 million for implementation of various projects in Mukaa Ward.

8.2.3 There was however reallocation of some projects' budgets and enhancement of other projects' budgets as detailed in Table 3 below.

**Table 3**

<b>Mukaa Ward Final Supplementary Budget 2018/2019</b>			
<b>N0</b>	<b>Department</b>	<b>Expenditure Item</b>	<b>Budget Amount 2018/2019 Kshs.</b>
1	Health	Upgrading of Mutiluni Dispensary	1,500,000
2	Health	Upgrading of Enzai Dispensary	3,500,000
3	Health	Upgrading of Upete Health Center	5,000,000
4	Roads and Transport	Heavy grading of of Mwaani-Kenze- Uvete Rd	5,000,000
5	Roads and Transport	Mwanyani-Upete-Kyandue-Mukaa Rd	8,000,000
6	Roads and Transport	Grading Kwa Muvai-Kiongwani-Mwaani Rd	5,000,000
7	Water & Environment	Silanga Kwa Kakui Water project-sand dam (disaster response programme)	1,000,000
8.	Roads and Transport	Road works improvement programme	400,000
9	Finance and Roads and Transport	Disaster Response programme (Purchase of graders)	3,600,000
	<b>Total</b>		<b>33,000,000</b>

### **8.3 PROCUREMENT PROCESS**

8.3.1 The projects were procured through floating of quotations to prequalified suppliers and invitation of tenders.

8.3.2 The evaluation of quotations and tenders were carried out and contracts awarded competitively.

### **8.4 PROJECT IMPLEMENTATION**

#### **8.4.1 Procurement of Four (4) Graders**

The approved budget for procurement of four (4) graders was Kshs.108,000,000. The amount was reallocated from ward disaster response programmes and each of the thirty (30) wards contributed Kshs. 3.6 million.

The County procured the graders using framework contracting procurement method, framework contract number SB/157/2017 as per section 141 of Public Procurement and Asset Disposal Act, 2015.

The four (4) motor graders were procured from M/s Achelis Material Handling Limited at a contract price of Kshs.104,750,000 as per contract agreement No. GMC/TR/D/30/2018/2019/(01) of 11 January, 2019. The graders were delivered and paid for as per various documents. However, the following anomalies were noted:

#### **Lack of Ownership Documents for the Graders**

Section 153(1)(a) and (b) of Public Financial Management Act, 2015, stipulates that the Accounting Officer—

- (a) is responsible for the management of the entity's assets and liabilities; and
- (b) shall manage those assets in such a way as to ensure that the county government entity achieves value for money in acquiring, using or disposing of those assets.

The County did not provide registration certificates of three graders worth Kshs.78,250,000 with registration numbers 17CG097, 17CG098 and 17CG317 for audit verification. Only registration documents for one grader 17CG319A were provided for audit verification.

There is risk of the graders may be misappropriated or their ownership changed irregularly if they are not properly registered.

#### **8.4.2 Upgrading of Upete Dispensary**

The approved budget for Upete Dispensary project was Kshs 5 million for the financial year 2018/2019. The tender No. 704046/2018-2019 was advertised in Makueni County Government website ([www.makueni.go.ke](http://www.makueni.go.ke)) on 16 January, 2019. The opening and evaluation of the tender were done on 30 January, 2019 and 21 February, 2019 respectively.

Upgrading of Upete Dispensary was awarded to Kanini Kaseo Wholesalers Co. Ltd at a contract price of Kshs.4,144,942 as per contract dated 15 March, 2019. However, the Bills of Quantity indicate that the scope of work included renovation of OPD block and construction of a two bedroomed staff house.

#### **8.4.3 Extension of Uthini Borehole Distribution to Upete Dispensary**

The tender No. 794922/2019-2020 for extension of Uthini borehole distribution to Upete Dispensary was advertised on the website ([www.Tender.go.ke](http://www.Tender.go.ke)) on 5 April, 2020. The opening and evaluation of the tender were done on 20 April, 2020 and 10 May, 2020 respectively as per the committees' reports provided.

The contract was awarded to Kadan Building and Civil Engineering Contractors at contract price of Kshs.789,070 as per contract agreement of 27 May, 2020.

The proper procurement process was followed but construction of Health Departments were provided as a one-line item in the procurement plan for the financial year 2019/2020.

Physical verification carried out on 22 March, 2022 confirmed that the project was complete and in use.

#### **8.4.4 Rehabilitation of Mwanyani-Upete-Kyandue-Mukaa Road**

##### **Culverts and Drainage Work**

Section 135 (6) of Public Procurement and Assets Disposal Act, 2015, provides that the tender documents shall be the basis of all procurement contracts and shall, constitute at a minimum; contract agreement form, tender form, price schedule or bills of quantities submitted by the tenderer, schedule of requirements, technical specifications, general conditions of contract, special conditions of contract and notification of award.

Cabinet Paper approved by Governor on 19 December, 2018 indicates works on the road included: site clearance, expansion of road from 4 meters to 8 meters, installation of culverts, gabions, construction of drift slabs and construction of scour checks.

Review of project files revealed that two contracts were awarded through competitive process for:

##### **i. Upgrading and Graveling**

Contract Number GMC/TR/T/65/2018/2019 for rehabilitation of Mwanyani-Upete-Kyandue-Mukaa road (heavy upgrading and graveling) was awarded to M/s Bonum

Kenya Ltd at contract price of Kshs. 4,097,295 through an open tender number 703743/2018/2019 and a contract agreement signed on 12 March, 2019.

## **ii. Drainage Works**

Contract number 721518/2018/2019 for rehabilitation of Mwanyani-Upete-Kya5ndue-Mukaa road (culverts and drainage work) was awarded to M/s Watema General Supplies Ltd at a contract price of Kshs. 3,536,584 through request for quotation number 721518/2018/2019 and a contract agreement was signed on 30 April, 2019.

Bill of Quantities, items 8.05 and 8.06 for the culverts and drainage works provided that culverts and drainage works were to be installed at total cost of Kshs. 1,056,800. The contractor was to install 7meters (900mm diameter) and 28 meters (600mm diameter) concrete pipes for cross culverts at total costs of Kshs.63,000 and Kshs.182,000 respectively.

The field visit for physical verification conducted on 22 March, 2022 revealed that the contractor installed approximately one (1) 900 mm diameter concrete pipe culvert for approximately 8 meters, and two (2) pipe culverts of 600mm diameter for approximately 16 meters in total.

Thus, 12 meters of 600mm diameter concrete pipe culvert valued at Kshs.78,000 was not constructed and money was therefore, irregularly paid to the contractor. The work was therefore not completed to scope provided in the Bills of Quantities.

The contractor should refund the amount Kshs.78,000 for the work not done or complete the work as per the contract agreement.

#### **8.4.5 Kwa Muvai-Kiongwani-Mwaani Road**

##### **i. Work on Culverts and Drainage**

Section 135 (6) of the Public Procurement and Asset Disposal Act, 2015, provides that the tender documents shall be the basis of all procurement contracts and shall include contract agreement form, tender form, price schedule or bills of quantities submitted by the tenderer, schedule of requirements, technical specifications, general conditions of contract, special conditions of contract and notification of award.

Cabinet Paper approved by the Governor on 10 February, 2020 indicates scope of works included widening (opening) of road to 10 meters, heavy grading for 7Km road, spot gravelling and compaction, installation of culverts (600mm and 900 mm) and installation of 30 gabions.

The contract for rehabilitation of Kwa Muvai-Kiongwani-Mwaani road was awarded to M/s Kelon Investments Ltd at a contract price of Kshs. 4,065,788 through an open tender number 784899/2019. The contract agreement was signed on 1 April, 2020.

The Bill of Quantities, item 8, sub-item 8.05 and 8.06 on culverts and drainage works at total cost of Kshs1,008,200, required the contractor to install 28 meters (900mm diameter) and 40 meters (600mm diameter) concrete cross pipe culverts at total costs of Kshs.168,000 and Kshs.200,000 respectively.

The field visit for physical verification conducted on 22 March, 2022 revealed that the contractor had installed two (2) pipe culverts (900 mm diameter) of approximately 20 meters and one (1) pipe culvert (600mm diameter) of approximately 10 meters.

Thus 8 meters (900mm diameter) and 30 meters (600mm diameter) concrete pipe culverts valued at approximately Kshs. 48,000 and Kshs.150,000 respectively were not constructed and a total of Kshs.198,000 was paid irregularly.

The contractor should refund the amount of Kshs.198,000 for the work not done or complete the work as per the scope.

## **ii. Section of Road Not Upgraded**

The last 2 kilometres of the road connecting Kwa Muvai to Mombasa Main Road were not included in the contract.

The Principal Roads Engineer explained that the section was omitted because of the flooding that occurs on the section of road. He noted that civil works required for the section would divert water to the neighbouring parcels of land and the land owners had resisted any construction that would affect their land.

The road is therefore not fully accessible during rainy season due to flooding and the residents have not obtained the full benefits envisioned from the project.

## **8.4.6 Construction of Upete Market Shed**

### **Introduction**

The project was among those included in the disaster management response programme budget for Kshs. Kshs 10 Million.

The scope of work was for construction of a new market shed as per the contract and Bills of Quantity.

### **Observation**

- The approved budget for the project was Kshs.2,500,000 in the financial year 2018/2019.
- The amount was allocated under the Ward Disaster Response Programmes for the Department of Devolution.
- The project was not implemented in the financial year 2018/2019 and the budget of Kshs.2,500,000 was reallocated to grading of Kwa Muvai-Kiongwani-Mwaani road.

- The project was re-budgeted for in the financial year 2020/2021 with an amount of Kshs.2,000,000 under the Department of Trade.
- The project was procured through quotations from prequalified suppliers as stipulated by the Public Procurement and Asset Disposal Act, 2015 and implemented in 2020/2021.
- The contract was awarded to M/S Mbooni Merchants at a contract price of Kshs.1,988,702.
- The project was completed in May 2021 as per the preliminary project completion report dated 13 May, 2021.
- The field visit on 22 March, 2022 revealed that the market shed was complete but was not in use as the equipping of the shed had not been done.

### **Conclusion**

There was no value for money realized, since the project had not been put to use as at the time of the audit.

### **8.4.7 Upgrading of Mutiluni Dispensary**

#### **Introduction**

The project was included in the Disaster Management Response Programme budget of Kshs.10 Million for the financial year 2018/2019.

- The scope of work was renovation and alteration of maternity block, completion of laboratory and pharmacy block, as per the Bills of Quantity provided for audit review.

#### **Observation**

The project had an approved budget of Kshs.1,500,000 in the financial year 2018/2019 and was included in the procurement plan.

Review of the project file revealed that:

- The project was procured through floating of quotations from the approved list of pre-qualified suppliers under tender number 729487-2018/2019
- The opening and evaluation of the tender was done on 13 May, 2019 as per the opening and evaluation reports provided.
- The contract was awarded to M/S Kanini Kaseo Wholesalers Co. Ltd at a contract price of Kshs.1,684,131.
- The contract was signed on 15 May, 2019.
- The structures were completed on 20 August, 2019 as per the certificate of practical completion signed by the Sub-County Works Officer.
- Physical verification of the project by the Audit Team on 22 March, 2022 revealed that the structures were complete but not in use as the equipping of the structures had not been done.

## **Conclusion**

There was no value for money realized since the project was not in use.

### **8.4.8. Rehabilitation of Mwaani-Kenze-Uvete Road**

#### **Introduction**

The Scope of work included opening, heavy grading and culvert works, as per the Bills of Quantity provided for audit review.

#### **Observation**

The project had an approved budget of Kshs. 5 million in the financial year 2018/2019 and was included in the approved procurement plan. The project was later split into two and awarded to two contractors: M/S Prime Qualifiers under tender number 723232-

2/2018/2019 and M/S Kimasha Building and Construction Company Limited under tender number 735611/2018/2019.

### **Opening and Heavy Grading**

Review of project file for the tender No. 723232-2018/2019, opening and heavy grading project revealed the following position:

- The procurement was through quotations from the approved list of pre-qualified suppliers.
- The opening and evaluation of the tender was done on 9 May, 2019 and 16 May, 2019 respectively as per the opening and evaluation reports provided.
- The contract was awarded to Prime Qualifiers at a contract price of Kshs.3,735,495.
- The contract was signed on 17 May, 2019.
- The project was completed on 26 June, 2019 as per the certificate of completion signed by the contractor, principal roads engineer and chief officer-roads and transport.

### **Installation of Culverts**

Review of project file for the tender No. 735611/2018/2019, installation of culverts revealed that:

- The project was procured through floating of quotations from the approved list of pre-qualified suppliers.
- The opening and evaluation of the tender was done on 22 May, 2019 as per the opening and evaluation reports provided.
- The contract was awarded to M/S Kimasha Building and Construction Company Limited at a contract price of Kshs. 1,000,100.

- The contract was signed on 10 June, 2019.
- The certificate of completion provided shows that the project was completed on 21 July, 2019.

Physical verification of the project by the audit team on 22 March, 2022 confirmed that the project was completed and is in use. There are however, sections of the road that were impassable since excavation of the heavy protruding rocks had not been done.

### **Conclusion**

- The project was implemented but was not serving the residents to their satisfaction due to the section of the road that is impassable and the lack of excavation of the heavy protruding rocks.

### **8.4.9. Purchase of Fuel for Upgrading of Roads**

The project was among those included in the Disaster Management Response Programme budget for Kshs10 Million in the budget for 2018/2019 financial year.

### **Observations**

The County Government of Makueni through the Department of Roads, Transport, Energy and Public works initiated a road improvement programme to grade all roads and make them motorable and accessible in all-weather conditions following damage caused by rain.

Mukaa Ward had an approved budget of Kshs. 400,000 for disaster response program for fueling of graders and vehicles. The budget was later increased to Kshs. 1 million as per Cabinet Paper dated 28 January, 2019 on the road improvement programme.

The fuel was supplied by Ocal Petrol Station through the contract for the supply of petroleum products for the financial year 2018/2019.

The County issued LPO No. 2970231 on 7 February, 2019 for fuel worth Kshs. 1 million and the graders, motor vehicles and hired machinery drew the fuel through the detailed orders.

Review of detailed orders, fuel register, sample work tickets and progress reports for grading works revealed that fuel drawn was as authorized and was used for grading roads in Mukaa Ward.

#### **Conclusion**

Fuel drawn was utilized for the intended purpose.

#### **8.4.10. Upgrading of Enzai Dispensary**

##### **Introduction**

The Scope of work included construction of a two-bedroom staff house, incinerator, ash and glass pit, placenta pit, septic tank and soak pit, water tank and base.

##### **Observations**

The project had an approved budget of Kshs. 3,500,000 in the financial year 2018/2019.

Review of the project file revealed the following position:

The project was first budgeted for in 2018/2019 but was not implemented in that financial year. It was however, re-budgeted for and implemented in the financial year 2019/2020. The project was also included in the procurement plan for 2019/2020.

The project, tender No. 767093/2019-2020 was publicly advertised in the Makueni County Government website ([www.makueni.go.ke](http://www.makueni.go.ke)). The opening and evaluation of the tender was done on 4 February, 2020 as per the opening and evaluation reports and minutes provided while the work was competitively tendered for eight (8) firms tendered with Elima Winners Company being the lowest evaluated bidder.

The contract price was Kshs.3,082,902 as per contract dated 19 February, 2020 and the contract duration was 3 months starting 24 February, 2019 to 20 May, 2019. However, the project management committee minutes dated 6 May, 2020 and 17 May, 2020 confirmed that the project was implemented as per the bills of quantity.

Inspection and acceptance reports dated 12 May, 2020 and 23 June, 2020 indicated that the works were acceptable and recommended for payment. In addition, the certificate of practical completion dated 17 June, 2020 indicated that the project was complete and ready for hand over to the client. The physical verification of this project by the audit team on 22 March, 2022 confirmed that the scope of works done were in line with the Bills of Quantities and that it was complete and in use.

### **Conclusion**

The project was implemented in accordance with the Bills of Quantity, complete and is in use.

### **8.5. CONCLUSION AND RECOMMENDATION**


Some of the projects were not completed to enable the residents enjoy the envisioned benefits. These projects include: Mutiluni dispensary, Mwaani-Kenze-Uvete Road, Upete Market Shed, Kwa Muvai-Kiongwani-Mwaani Road and Mwanyani-Upete-Kyandue-Mukaa Road.

There were also projects categorized as Disaster Response Programme Projects to be implemented during 2018/2019 whose milestone were not achieved in 2018/2019. The projects included grading of Kwa Muvai-Kiongwani -Mwaani road which was started in 2018/2019 but was completed in 2019/2020 and Silanga Kwa Kakui Water Project (Sand Dam) which was not started by close of 2018/2019.

The County Government purchased graders for upgrading of roads and they should actually be utilized instead of contracting the road upgrading contractors. Therefore, leaving the acquired graders idling. The ownership documents, registration certificates of three graders worth Kshs.78,250,000 were not provided for audit verification and the same may be misused and or change hands to private ownership.

The projects were majorly implemented though there were gaps as identified in the report.

Consequently, the County Government should endeavour to implement the projects included in the budget so that the residents benefit from the services identified as priority during public participation. An amount totalling to Kshs. 276,000 should be recovered from the contractors, while incomplete works need to be prioritized and completed.

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

**19 August, 2022**