

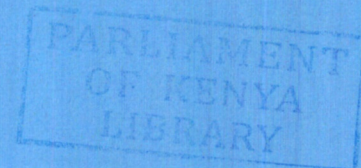
REPUBLIC OF KENYA



Enhancing Accountability

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CLERK AT THE TABLE	Innocent Mbayi

REPORT



OF

THE AUDITOR-GENERAL

ON

**BUNGOMA COUNTY ASSEMBLY
EMPLOYEE CAR LOAN AND
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**



**BUNGOMA COUNTY ASSEMBLY – EMPLOYEE CAR LOAN AND
MORTGAGE FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022**

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

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

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**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
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For the year ended June 30, 2022**

1. Key Entity Information and Management

a) Background information

Bungoma County Assembly Employees’ Car Loan and Mortgage Scheme Fund is established by and derives its authority and accountability from The Bungoma County Assembly (Employees’ Car Loan Scheme Fund) Regulations, 2017 on 16th January 2017 and The Public Finance Management (Bungoma County Assembly) (Employees’ Mortgage Scheme Fund) Regulations, 2018 on 19th April 2018. The Fund is wholly owned by the County Assembly of Bungoma and is domiciled in Kenya.

The fund’s objective is to;

- a) Provide a loan scheme for the purchase of vehicles and purchase, development, renovation or repair of residential houses to members of the scheme
- b) Raise funds for the implementation of the objectives contemplated in (a) above

b) Principal Activities

- Provide a loan scheme for the purchase of vehicles and purchase, development, renovation or repair of residential houses to members of the scheme
- Raise funds for the implementation of the objectives contemplated above.

c) Fund Administration Committee

Ref	Name	Position
1	Hon Ben Kipkut	Chairman
2	Leonard Juma Momos	Vice Chair
3	Charles Wanjala Wafula	Fund Administrator
4	Abraham Simiyu	Member
5	Ignatius Wangila	Member
6	Ann Nang’oni Wekesa	Member
7	Julia Naliaka Lunani	Member

d) Key Management

Ref	Name	Position
1	Charles Wanjala Wafula	Fund Administrator / Accounting Officer
2	Julia Naliaka Lunani	Senior Accounts Controller
3	Elias Taskin	Fund Accountant
4	Ann Nang’oni Wekesa	Senior Human Resource Manager

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

e) Registered Offices

P.O. Box 1886 - 50200
County Assembly of Bungoma Offices
Moi Street
Bungoma, KENYA

f) Fund Contacts

Telephone: (254) 726411821
E-mail: info@bungomaassembly.go.ke
Website: www.bungomaassembly.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Bungoma Branch
P.O. BOX 201-50200
Bungoma, KENYA

h) Independent Auditors





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

i) Principal Legal Adviser





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

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
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For the year ended June 30, 2022**

2. The Fund Committee




Name	Details of qualifications and experience
<p>1.</p> 	<p>Hon Ben Kipkut Joshua– Fund Chairman He was elected MCA Chesikaki Ward in August 2017. He was seconded to the County Assembly Service Board by the Minority party in December 2019 where he serves as a member.</p>
<p>2.</p> 	<p>Leonard Juma Momos – Vice Chair He appointed as Deputy Clerk to County Assembly of Bungoma Legislative service since December 2022. He holds a Master Degree in Business Administration (Stategic Management) from Kibabii University. He is a member of Kenya Institute of Management (KIM).</p>
<p>3.</p> 	<p>John Mosongo-Fund Administrator Mr Mosongo is the Clerk to the County Assembly of Bungoma. He was initially seconded by the transition Authority before being recruited by CASB on 12th January 2014. Mr Mosongo holds a Bachelor of Arts Degree from University of Nairobi. He has undertaken a Senior Management Course and Strategic Leadership Course offered by the Kenya School of Government. Mr Mosongo is a member of the Labour relations at the Society of Clerks at the Table (SOCATT). He previously served as Clerk of various local authorities in the defunct local authorities</p> <p>He retired on 8th February 2022</p>
<p>4.</p> 	<p>Charles Wanjala Wafula –Fund Administrator He was appointed to the position of Deputy Clerk on January 2022 and Acting Clerk of the County Assembly of Bungoma on February 2022.He previously worked in the Finance and Accounts department as Accountant I and seconded to the Fund in June 2018. He holds an undergraduate degree in Bachelor in Commerce (Accounting) from KCA University with a Diploma in Accounts and CPA Part II. He has also had training at Kenya School of Government Senior Management Course and Strategic Leadership and Development Program</p>

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
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<p>5.</p> 	<p>Abraham Simiyu – Member</p> <p>He is employed as a Principal Human Resource Officer at County Assembly of Bungoma. He holds Masters of project management from University of Nairobi, He is also a certified Human Resource Professional Officer .Has fifteen years of experience in public service .He was nominated to the staff car loan management committee in February 2022</p>
<p>6.</p> 	<p>Anne Nang'oni Wekesa – Member</p> <p>She is employed at the County Assembly of Bungoma as Senior Human Resource Officer, She holds a Bachelor in Business Management (HRM) from Moi University, Higher National Diploma in HRM and Senior Management Course at the Kenya School of Government, and She is a Certified Human Resource Professional Officer. She previously worked with the defunct Local Authorities. She is a member of the Institute of Human Resource Management.</p>
<p>7.</p> 	<p>Julia Naliaka Lunani – Member</p> <p>She is currently employed at the County Assembly as Senior Accounts Controller in 2014. She holds a Masters of Business Administration (Finance) from Kabarak University and a Certified Public Accountant Part I. She previously worked as Finance and Administration Officer at the Centre for Human Rights and Democracy.</p>
<p>8.</p> 	<p>Ignatius Wangila- Member</p> <p>He is currently employed by the County Assembly Service Board as the Principal Legal Counsel. He holds a Bachelor of Law from Kampala International University with a post graduate Diploma from the Kenya School of Law. He previously worked as prosecution counsel with the directorate of Public Prosecutions. He also worked with the following Law firms MS J.O. Makali & Co. Advocate – Litigation Counsel, MS Wanyama Wanyonyi Co. Advocate – Associate. He is a member of the Law Society of Kenya.</p>

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

3. Management Team

Name	Details of qualifications and experience
<p>1. </p>	<p>John Mosongo-Fund Administrator Mr Mosongo is the Clerk to the County Assembly of Bungoma. He was initially seconded by the transition Authority before being recruited by CASB on 12th January 2014. Mr Mosongo holds a Bachelor of Arts Degree from University of Nairobi. He has undertaken a Senior Management Course and Strategic Leadership Course offered by the Kenya School of Government. Mr Mosongo is a member of the Labour relations and Society of Clerks at the Table (SOCATT). He previously served as a Clerk of various local authorities in the defunct local authorities He retired on 8th February 2022</p>
<p>2. </p>	<p>Charles Wanjala Wafula –Fund Administrator He was appointed to the position of Deputy Clerk on January 2022 and Acting Clerk of the County Assembly of Bungoma on February 2022. He previously worked in the Finance and Accounts department as Accountant I and seconded to the Fund in June 2018. He holds an undergraduate degree in Bachelor in Commerce (Accounting) from KCA University with a Diploma in Accounts and CPA Part II. He has also had training at Kenya School of Government Senior Management Course and Strategic Leadership and Development Program.</p>
<p>3. </p>	<p>Julia Naliaka Lunani – Member She is currently employed at the County Assembly as Senior Account Controller in 2014. She holds a Masters of Business Administration (Finance) from Kabarak University and a Certified Public Accountant Part I. She previously worked as Finance and Administration Officer at the Centre for Human Rights and Democracy.</p>

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
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4. 	<p>Anne Nang'oni Wekesa – Member</p> <p>She is employed at the County Assembly of Bungoma as Senior Human Resource Officer, She holds a Bachelor in Business Management (HRM) from Moi University, Higher National Diploma in HRM and Senior Management Course at the Kenya School of Government, and She is a Certified Human Resource Professional Officer. She previously worked with the defunct Local Authorities. She is a member of the Institute of Human Resource Management.</p>
5. 	<p>Elias Taskin- Fund Accountant</p> <p>He was employed on 4th April 2022 and works in the Finance and Accounts department as Accountant II and seconded to the Fund in May 2022. He holds a bachelor in Commerce (Finance) from Kenyatta University and CPA Part II.</p>

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

4. Fund Chairperson’s Report

It is my pleasure to present the County Assembly of Bungoma Employee Car Loan and Mortgage fund financial statements for the period ended 30th June 2022. The financial statements present the financial performance of the fund over the past year. During the year, the previous fund administrator retired and the current acting clerk took over the administration of the fund.

Sustainability

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

Review of performance

Income

The income from interest income amounted to Kshs.3,785,994 .

Expenditure

The total expenditures during the period amounted to Kshs.1,514,368 meant to undertake fund administration expenses with regard to transfer of logbooks to be conjoined (between the County Assembly and the members of the scheme), hospitality related activities and bank charges.

Conclusion

I take this opportunity to express my sincere gratitude and appreciation to the county government, development partners, stakeholders, management, staff and fellow members for their continued support which made us achieve these results.

I look forward to your continued support.

Signed: _____



**Leonard Juma Momos
Fund Administration Vice Chairman**

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

5. Report of the Fund Administrator

It is my pleasure to present the County Assembly of Bungoma Employee car loan and mortgage financial statements for the period ended 30th June 2022.

The fund was established on February 2017 and started with an initial amount of Kshs 80M in the financial year 2017/2018. Under the period under review the total amount of loans disbursed amounted to Kshs.35,848,690.

Financial Performance

a) Revenue

Interest earned from Loan repayment amounted to Kshs.3, 785,994 for the period under review which was a downfall from the prior period 2020/2021 whereby the fund earned an interest of Kshs. 3,928,068.

Revenue classification	Actual (Kshs)
Interest from Car Loan	271,164
Interest from Mortgage	3,514,830
Total Interest income	3,785,994

Table 1: Revenue Stream

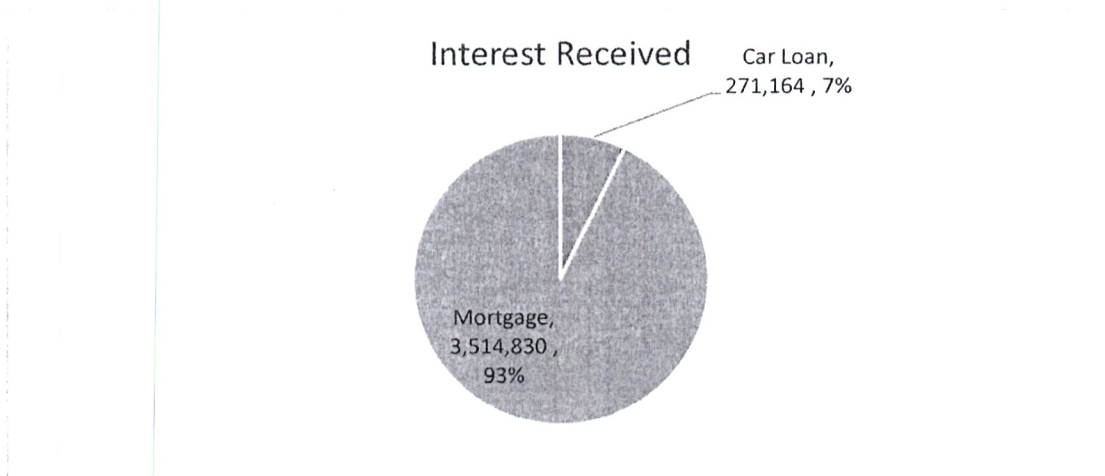


Figure 1: Revenue streams

b) Loans

During the period as at 30th June 2022, the funds disbursed to Mortgage amounted to Kshs.35, 848,690. The total loan repayments received during the period composed of loan offsets and payroll deductions amounted to Kshs.15, 451,454 as analysed in the table below:

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
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	Interest	Principal	PMI	Total
Car Loan	271,164	8,059,084	194,423	8,524,671
Mortgage	3,514,830	3,514,830	247,602	10,970,632
Total	3,785,994	15,451,454	442,024	19,679,472

Table 2: Tabulation of Loans disbursed

Although interest earned from Car loan fund represented 7% of total interest earned for the period, more principal amount was received from the fund (Car Loan) as illustrated in the chart below:

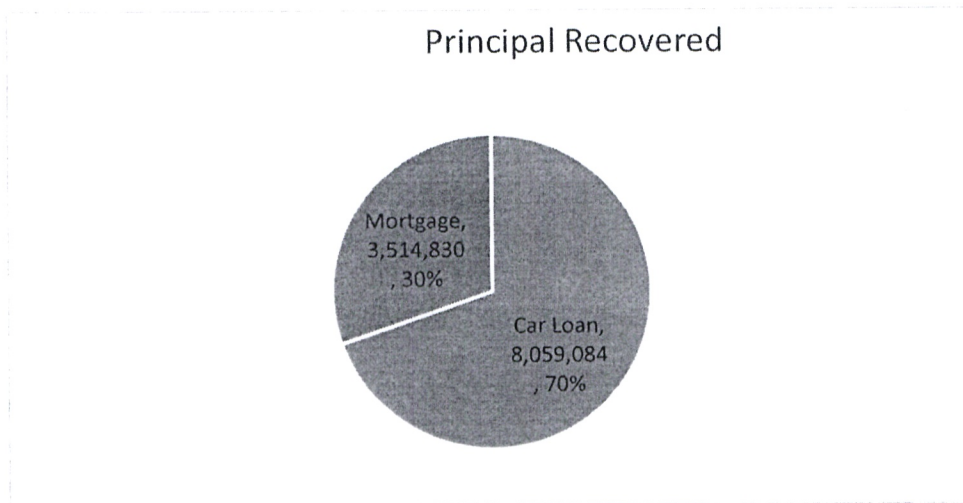



Figure 2: Principal Recovered from Beneficiaries

e) Cash flows

In the financial period, we have not had many liquidity disruptions. The cash and cash equivalents was Kshs.92,386 as at 30th June 2022.

Conclusion

It has been a good period in general. I take this opportunity to thank the fund administration committee for their support. I would also want to thank all staff who we have worked hand in hand to ensure that County Assembly of Bungoma Employee Car Loan and Mortgage achieves its mission.

Signed: 

**CHARLES WANJALA WAFULA
FUND ADMINISTRATOR**

Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022

6. Corporate Governance Statement

THE FUND

The county assembly of Bungoma Employee Car Loan and Mortgage scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/ADM/CIR/1/13 Vol. III (128) of 17th December, 2014 and Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide car loans and mortgage to members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the fund administration committee at its apex. The roles and functionality of the fund are drawn from the Bungoma County Assembly (Employees' Car Loan Scheme Fund) regulations, 2017 made on 16th January, 2017 and The Public Finance Management (Bungoma County Assembly) (Employees' Mortgage Scheme Fund) Regulations, 2018 on 19th April 2018.

AUDIT AND RISK COMMITTEE

In ensuring that corporate governance and integrity is enhanced in between the governance of the fund, the Fund Administration Committee engages an audit and risk committee established by County Assembly Service Board. The members of this committee during the year under review were:

S/No.	Name	Position in committee
1	Dr. Destaings N. Nyongesa	Chairman Audit committee
2	Mr. Fred Wasike	Member Audit committee
3	Mr. Murambi Njibwakale	Member Audit committee
4	Mrs. Diana Khaemba	Member Audit committee
5	Mr. Alfred Makokha	Secretary Audit committee

Table 3: Audit Committee Members

STATEMENT OF COMPLIANCE

The Fund Administration Committee confirms that the fund has throughout the period complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

The fringe benefit tax is expected to be paid by the employer (County Assembly Service Board).

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The Fund Administration Committee is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an on-going basis. No significant failings or weaknesses were identified during the period.

Management Team

The management team headed by the Fund Administrator implements the Loans Management Committee decisions and policies through committee meetings. The team meets regularly to ensure that the Committee's objectives are achieved effectively and efficiently. During the period, the committee held 3 meetings.

Auditor

The fund is audited by the Auditor-General.

Bungoma County Assembly – Employee Car Loan And Mortgage Fund
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For the year ended June 30, 2022

7. Management Discussion and Analysis

The fund has continued to grow and the management has put measures in place to safeguard against risks. The fund's activities expose it to a variety of financial risks including credit and liquidity risks. 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 members with an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and seeks to make sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

BUSINESS PERFORMANCE

Revenue

Interest Income received amounted to Ksh.3,785,994 for the period under review compared to Kshs.3,928,068 earned in the previous financial year 2020/2021.

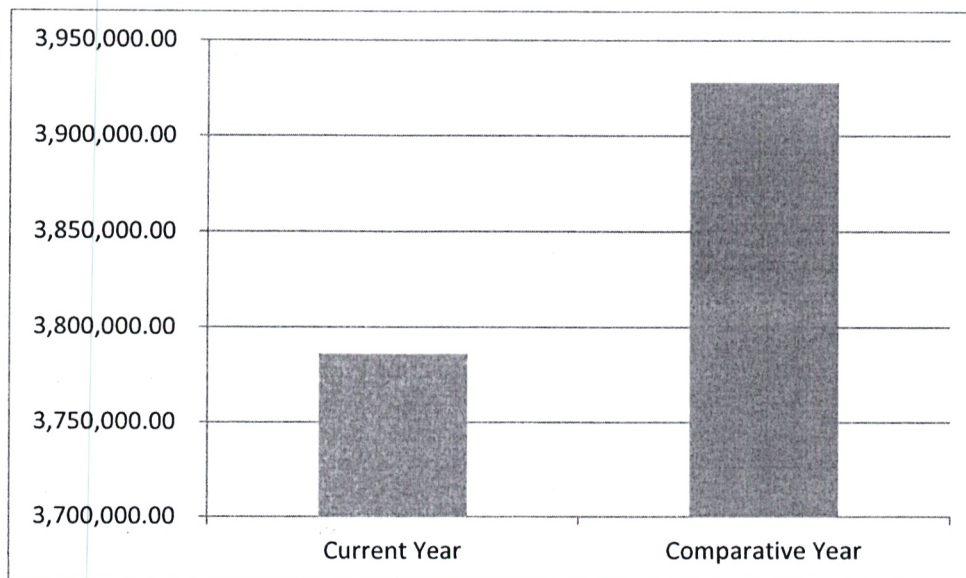


Table 4: Revenue Comparison

Cash flows

We have not had many liquidity disruptions for the period. The cash and cash equivalents was KShs. 92,386 as at 30th June 2022 which is a reduction from the prior year's cash flow of Kshs 3,262,609 due to increased cash outflow.

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
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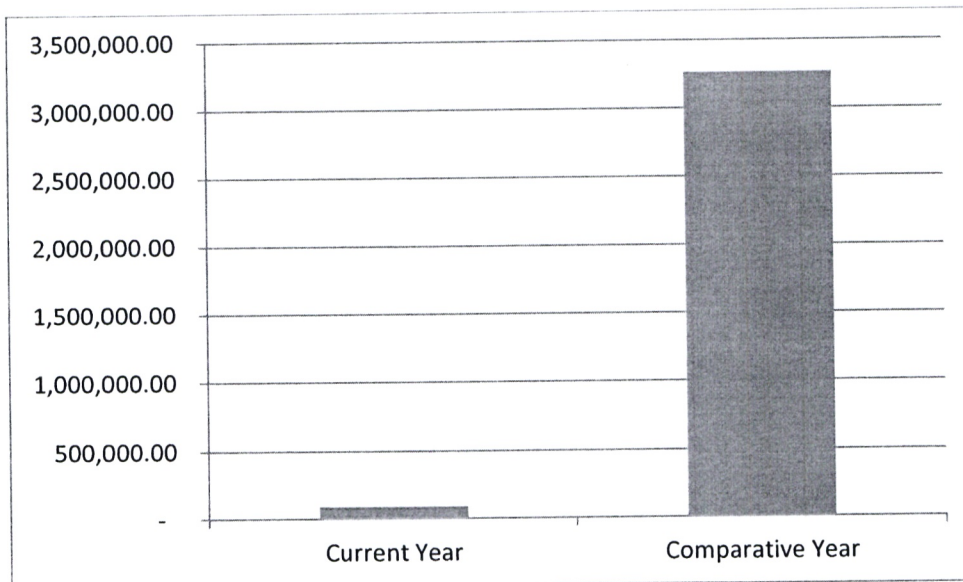


Table 5: Fund Cashflows

Loans Disbursements

During the period, the management disbursed loans Kshs.35,848,690 compared to the prior period where a total of Kshs.58,771,958 Mortgage was disbursed to beneficiaries.

The fringe benefit tax is expected to be paid by the employer (County Assembly Service Board).

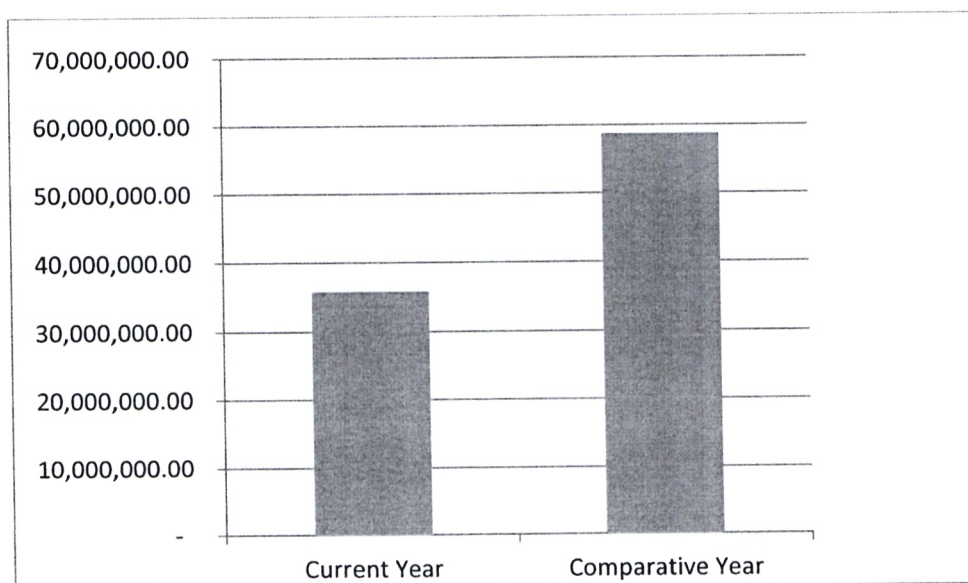


Table 6: Loan Disbursements

OPERATIONAL PERFORMANCE

The fund’s core operating activity has been the offering car loans and mortgage to members of staff. The county government has supported the fund and has made provisions to increase the allocation of the fund.

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

8. Report of the Fund Committee

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are;

- a) Provide a loan scheme for the purchase of vehicles and purchase, development, renovation or repair of residential houses to members of the scheme
- b) Raise funds for the implementation of the objectives contemplated in (a) above

Results

The results of the Fund for the year ended June 30, 2022 are set out from page 1.

Fund Committee

The members of the fund administration committee who served during the year are shown on page v to vii

Auditors

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

By Order of the Board

Ignatius Wangila

Member of the Board

Date: 30th September, 2022

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

9. 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 Bungoma County Assembly (Employees’ Car Loan Scheme Fund) regulations, 2017 made on 16th January, 2017 and The Public Finance Management (Bungoma County Assembly) (Employees’ Mortgage Scheme Fund) Regulations, 2018 on 19th April 2018 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 County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. 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 County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Bungoma County Assembly (Employees’ Car Loan Scheme Fund) regulations, 2017 made on 16th January, 2017 and The Public Finance Management (Bungoma County Assembly) (Employees’ Mortgage Scheme Fund) Regulations, 2018 on 19th April 2018. 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, 2022, 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 County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

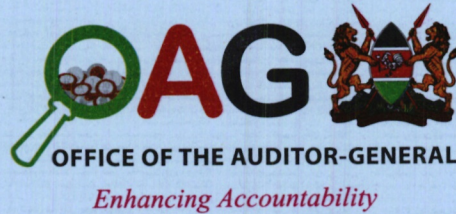
The Fund’s financial statements were approved by the Board on 30th September 2022 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 BUNGOMA COUNTY ASSEMBLY EMPLOYEE CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Bungoma County Assembly Employee Car Loan and Mortgage Scheme Fund set out on pages 1 to 29, which

Report of the Auditor-General on Bungoma County Assembly Employee Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2022

comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bungoma County Assembly Employee Car Loan and Mortgage Scheme Fund as at 30 June, 2022, 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, the Bungoma County Assembly (Employees Mortgage Scheme Fund) Regulations, 2018, and Bungoma County Assembly (Employee Car Loan Scheme Fund) Regulations, 2017.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter 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

Irregular Advance of Loan to the County Assembly Service Board

The statement of financial position reflects a balance of Kshs.25,544,870 in respect of current portion of long term receivables from exchange transactions which, as shown in

Report of the Auditor-General on Bungoma County Assembly Employee Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2022

Note 4A to the financial statements, represents amount lent by the Fund to the County Assembly Public Service Board. This is contrary to Regulation 4 of the Bungoma County Assembly (Employees Car Loan Scheme Fund) Regulations, 2017 as well as Regulation 4 of the Bungoma County Assembly (Employees Mortgage Scheme Fund) Regulations, 2018, which provide that the object and purpose of the Fund is to provide a loan scheme for the purchase of vehicles by staff of the Scheme and for the purchase, development, renovation or repair of residential property by staff of the Scheme, respectively.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing as applicable, matters related to

sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease its operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that

Report of the Auditor-General on Bungoma County Assembly Employee Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2022

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to 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 control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 March, 2023

11. Statement of Financial Performance for the Year Ended 30th June 2022

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
Revenue from exchange transactions			
Interest income	1	3,785,994	3,928,068
Total revenue		3,785,994	3,928,068
Expenses			
Use of goods and services	2	1,514,368	2,696,665
Total expenses		1,514,368	2,696,665
Surplus/(Deficit) for the period		2,271,626	1,231,403

(The notes set out on pages 16 to 29 form an integral part of these Financial Statements)

.....
 Name: Charles Wanjala Wafula
 Administrator of the Fund


.....
 Name: Elias Taskin
 Fund Accountant

Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022

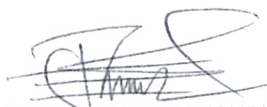
12. Statement of Financial Position as at 30 June 2022

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	3	92,386	3,262,609
Current portion of long term receivables from exchange transactions	4A	25,544,870	9,862,225
Non-current assets			
Long term receivables from exchange transactions	4B	158,614,261	140,619,304
Total assets		184,251,518	153,744,138
Current liabilities			
Trade and other payables from exchange transactions	5	23,108,746	25,069,000
Net assets		161,142,772	128,675,138
Revolving Fund		156,071,946	125,875,938
Accumulated surplus		5,070,826	2,799,200
Total net assets and liabilities		161,142,772	128,675,138

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 30th September 2022 and signed by:



.....
Name: Charles Wanjala Wafula
Administrator of the Fund

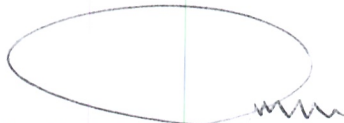


.....
Name: Elias Taskin
Fund Accountant

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

13. Statement of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 July 2020	125,875,938	1,567,797	127,443,735
Surplus/(deficit) for the period	-	1,231,403	1,231,403
Funds received during the year	-	-	-
Balance as at 30 June 2021	125,875,938	2,799,200	128,675,138
Balance as at 1 July 2021	125,875,938	2,799,200	128,675,138
Surplus/(deficit) for the period	-	2,271,626	2,271,626
Funds received during the year	30,196,008	-	30,196,008
Balance as at 30 June 2022	156,071,946	5,070,826	161,142,772



.....
Name: Charles Wanjala Wafula
Administrator of the Fund



.....
Name: Elias Taskin
Fund Accountant


Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022

14. Statement Of Cash Flows For The Year Ended 30 June 2022

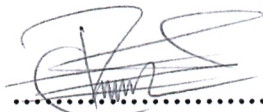
	Note	FY2021/2022	FY2020/2021
		KShs	KShs
Cash flows from operating activities			
Receipts			
Interest received	1	3,785,994	3,928,068
Total Receipts		3,785,994	3,928,068
Payments			
Use of goods and services	2	1,514,368	2,696,665
		-	
Total Payments		1,514,368	2,696,665
Cash flows from operating activities		2,271,626	1,231,403
Adjustments;			
Debtors Borrowings	4A	(58,008,977)	-
Debtors Repayments	4A	42,326,332	2,703,500
		(15,682,645)	2,703,500
Net Cash flows from operating activities		(13,411,019)	3,934,903
Cash flows from investing activities			
Insurance Premium Recovered	4C	442,024	444,635
Proceeds from loan principal repayments	4B	15,451,454	20,557,470
Loan Offset paid out		-	(4,863,943)
Loan disbursements paid out	4B	(35,848,690)	(58,771,958)
Net cash flows used in investing activities		(19,955,212)	(42,633,796)
Cash flows from financing activities			
Proceeds from revolving fund receipts		30,196,008	-
Borrowing from MCA'S Car Loan & Mortgage	5	-	30,000,000
Repayments during the year	5	-	(4,931,000)
Bal c/f			25,069,000
Net cash flows used in financing activities		30,196,008	25,069,000
Net increase/(decrease) in cash and cash equivalents		(3,170,223)	(13,629,892)
Cash and cash equivalents at 1st July 2020	3	3,262,609	16,892,501
Cash and cash equivalents at 30th June 2021	3	92,386	3,262,609

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation.)



.....
Name:
Administrator of the Fund



.....
Name:
Fund Accountant

Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022

15. Statement of Comparison of Budget and Actual Amounts for the Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022	2022	2022	2022	2022	2022
Revenue	KShs	KShs	KShs	KShs	KShs	
Interest income	4,415,000	-	4,415,000	3,785,994	629,006	86%
Total income	4,415,000	-	4,415,000	3,785,994	629,006	86%
Expenses						
General expenses	4,164,108	-	4,164,108	1,514,368	2,649,740	36%
Total expenditure	4,164,108	-	4,164,108	1,514,368	2,649,740	36%
Surplus for the period	250,892	-	250,892	2,271,626	2,020,734	-

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

16. Notes to the Financial Statements

1. General Information

Bungoma County Assembly Employees' Car Loan & Mortgage Scheme Fund is established by and derives its authority and accountability from The Bungoma County Assembly (Employees' Car Loan Scheme Fund) Regulations, 2017 on 16th January 2017 and The Public Finance Management (Bungoma County Assembly) (Employees' Mortgage Scheme Fund) Regulations, 2018 on 19th April 2018. The Fund is wholly owned by the County Assembly of Bungoma and is domiciled in Kenya.

The fund's objective is to;

- a) Provide a loan scheme for the purchase of vehicles and purchase, development, renovation or repair of residential houses to members of the scheme
- b) Raise funds for the implementation of the objectives contemplated in (a) above.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</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"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</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>

Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022

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>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. 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>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022

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

(iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on 19th August 2021. 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 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.

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

Summary of Significant Accounting Policies (Continued)

c) Property, plant and equipment

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

d) Intangible Assets

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

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

a) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Bungoma County Assembly – Employee Car Loan And Mortgage Fund
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Summary of Significant Accounting Policies (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

Summary of Significant Accounting Policies (Continued)

Contingent liabilities

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

Contingent assets

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

b) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

c) 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.

d) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

Bungoma County Assembly – Employee Car Loan And Mortgage Fund
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Summary of Significant Accounting Policies (Continued)

e) 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.

f) Related parties

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

g) Cash and cash equivalents

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

h) Comparative figures

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

i) Events after the reporting period

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

j) Ultimate and Holding Entity

The entity is a County Public Fund established The Bungoma County Assembly (Employees' Car Loan Scheme Fund) Regulations, 2017 on 16th January 2017 and The Public Finance Management (Bungoma County Assembly) (Employees' Mortgage Scheme Fund) Regulations, 2018 on 19th April 2018. Its ultimate parent is the County Assembly of Bungoma.

k) Currency

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

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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:

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

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

6. Notes to the Financial Statements

1. Interest income

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Interest income from Car Loans	271,164	3,928,068
Interest Income From Mortgage Loans	3,514,830	
	3,785,994	3,928,068

2. Use of Goods and Services

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Committee Allowances	1,022,000	2,056,837
Professional services costs	475,750	619,628
Bank Charges	16,618	20,200
Total	1,514,368	2,696,665

3. Cash and cash equivalents

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Current account	92,386	3,262,609
Total cash and cash equivalents	92,386	3,262,609

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

Financial institution	Account number	FY2020/2021	FY2019/2020
		KShs	KShs
Current account			
Kenya Commercial bank	1206004991	17,748	159
Kenya Commercial bank	1206090308	74,638	3,262,449
Grand total		92,386	3,262,609

Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022

4. Receivables from exchange transactions

Description	FY2021/2022	FY2020/2021
	KShs	KShs
4A Current loan repayments due-CASB Borrowings		
Balance b/f	9,862,225	12,565,725
Borrowings During the Year	58,008,977	-
Less-Repayments During the Year	42,326,332	2,703,500
Total Current receivables	25,544,870	9,862,225
Non Current Receivables		
4B Long term loan repayments due		
Balance b/f	134,468,866	91,390,435
Loan disbursements paid out	35,848,690	58,771,958
Loan offset Paid out	-	4,863,943
Less-Proceeds from loan principal repayments	15,451,454	20,557,470
Less-Reconciliation with MCA's mortgage Account	1,960,254	
Sub-Total	152,905,847	134,468,866
4C Insurance Receivable		
Balance b/f	6,150,438	6,595,073
Insurance Premium Recovered	442,024	444,635
Sub-Total	5,708,414	6,150,438
Total Non current receivables	158,614,261	140,619,304
Grand Total receivables from exchange transactions	184,159,131	150,481,529

5. Trade and other payables from exchange transactions

Description	FY2021/2022	FY2020/2021
	KShs	KShs
MCA'S Car Loan & Mortgage		
Balance b/f	25,069,000	-
Borrowings During the Year	-	30,000,000
Less-Repayments During the Year	-	(4,931,000)
Less-Reconciliation with MCA mortgage account	(1,960,254)	
Total trade and other payables	23,108,746	25,069,000.00

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

Notes to the Financial Statements (Continued)

Other Disclosures

6. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Fund administration committee; etc.

b) Due from related parties

Due from Related Parties		
	2021/2022	2020/2021
	Kshs	Kshs
Due from County Assembly Service Board	25,544,870	9,862,225
Due from Long term Loan	152,905,847	134,468,866
Due from Insurance Premiums Recoverable	5,708,414	6,150,438
Total	184,159,131	150,481,529

c) Due to related parties

	2021/2022	2020/2021
	Kshs	Kshs
Due to MCAs' Car Loan & Mortgage	23,108,746.00	25,069,000.00
Total	23,108,746.00	25,069,000.00

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

Bank Reconciliation Statements Fo-30

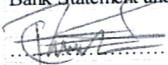
REPUBLIC OF KENYA
COUNTY GOVERNMENT OF BUNGOMA
COUNTY ASSEMBLY OF BUNGOMA

FO 30

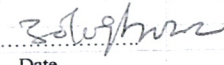
COUNTY ASSEMBLY OF BUNGOMA CAR LOAN SCHEME
ACCOUNT NO:1206004991
BANK RECONCILIATION STATEMENT
AS AT 30TH JUNE 2022

	AMOUNT	COLUMN I Date	Details	Cheque No.	Amount
Balance as per Bank Certificate	17,748.31				-
LESS:					
COLUMN I:		COLUMN II			
Payment in the Cash Book not yet presented for payment		Date	Details	Cheque No.	Amount
COLUMN II:					
Receipt in the Bank Statement not yet recorded in the Cash Book		COLUMN III			
ADD:		Date	Details	Cheque No.	Amount
COLUMN III:					
Payment in the Bank Statement not yet recorded in the Cash Book	-	COLUMN IV			
COLUMN IV:		Date	Details	Cheque No.	Amount
Receipt in the Cash Book not yet recorded in the Bank Statement	-				
Balance as per The Cash Book	17,748.31				-
Cash book Balance	17,748.31				
Difference	-				

I Certify that I have verified the Bank Balance in the cash Book with the Bank Statement and that the above reconciliation is correct.


 Signature
 Designation
 Date

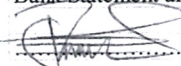
Accountant II
 Designation
 Date


 Signature
 Designation
 Date

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
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For the year ended June 30, 2022**

REPUBLIC OF KENYA COUNTY GOVERNMENT OF BUNGOMA COUNTY ASSEMBLY OF BUNGOMA					
COUNTY ASSEMBLY OF BUNGOMA CAR LOAN DEPOSIT					FO 30
ACCOUNT NO: 1206090308					
BANK RECONCILIATION STATEMENT					
AS AT 30TH JUNE 2022					
	AMOUNT	COLUMN I			
Balance as per Bank Certificate	74,637.50	Date	Details	Cheque No.	Amount
LESS:					-
COLUMN I:		COLUMN II			
Payment in the Cash Book not yet presented for payment	0.00	Date	Details	Cheque No.	Amount
COLUMN II:					-
Receipt in the Bank Statement not yet recorded in the Cash Book		COLUMN III			
ADD:		Date	Details	Cheque No.	Amount
COLUMN III:					-
Payment in the Bank Statement not yet recorded in the Cash Book	-	COLUMN IV			
COLUMN IV:		Date	Details	Cheque No.	Amount
Receipt in the Cash Book not yet recorded in the Bank Statement	-				-
					-
Balance as per The Cash Book	74,637.50				-
Cash book Balance	74,637.50				
Difference	-				

I Certify that I have verified the Bank Balance in the cash Book with the Bank Statement and that the above reconciliation is correct.

	<i>Accountant II</i>	<i>30/06/2022</i>
Signature	Designation	Date
.....
Signature	Designation	Date
.....
Signature	Designation	Date

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

1. Financial risk management

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

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

a) Credit risk

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

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

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

b) Liquidity risk management

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

c) Market risk

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

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

Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022

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) 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.

e) 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:

	2021/2022	2020/2021
	KShs	KShs
Revolving Fund	156,071,946.00	125,875,938.00
Accumulated Surplus	5,070,826.00	2,799,200.00
TOTAL FUNDS	161,142,772.00	128,675,138.00
Total borrowings	23,108,746.00	30,000,000.00
Less.; cash and bank balances	92,386.00	3,262,609.00
Net debt/excess cash and cash equivalent	23,016,360.00	26,737,391.00
Gearing in percentage	14%	21%

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

17. 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)																
1. Cash and Cash Equivalents	Note 4 to the financial statements reflects a bank balance of Kshs.869,186 as at 30 June, 2019. However, review of the bank reconciliation statements revealed that the management used the bank certificate balance instead of the reconciled cash book balances of Kshs.2,742,872, resulting into un-reconciled variance of Kshs.1,873,686 as tabulated below	The management agrees with findings of audit and has since amended the current Financial Statement for the period ended June 2020 to reflect balances as per reconciled figures.	Charles Wafula -Fund Accountant	Resolved																	
	<table border="1"> <thead> <tr> <th>Bank Name</th> <th>Account No.</th> <th>Bank Certificate balance Kshs.</th> <th>Reconciled Balance Kshs.</th> </tr> </thead> <tbody> <tr> <td>Kenya Commercial bank</td> <td>1206004991</td> <td>838398</td> <td>817,398</td> </tr> <tr> <td>Kenya Commercial Bank</td> <td>1206090308</td> <td>30,787</td> <td>1,925,474</td> </tr> <tr> <td>Total</td> <td></td> <td>869,186</td> <td>2,742,872</td> </tr> </tbody> </table>					Bank Name	Account No.	Bank Certificate balance Kshs.	Reconciled Balance Kshs.	Kenya Commercial bank	1206004991	838398	817,398	Kenya Commercial Bank	1206090308	30,787	1,925,474	Total		869,186	2,742,872
	Bank Name					Account No.	Bank Certificate balance Kshs.	Reconciled Balance Kshs.													
	Kenya Commercial bank					1206004991	838398	817,398													
	Kenya Commercial Bank					1206090308	30,787	1,925,474													
Total		869,186	2,742,872																		
In the circumstances, it was not possible to confirm that cash and cash equivalent balance of Kshs.869,186 as at 30 June, 2019 is fairly stated.																					

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	<p>The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Bungoma County Assembly – Employee Car Loan and Mortgage Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.</p>				
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES					
<p>1. Car and Mortgage Scheme</p> <p>1.1 Lack of Security on Mortgage and Car Loans Disbursed to Staff</p>	<p>The total non-current receivables balance of Kshs.79,517,350 detailed under note 5B to the financial statements, includes Kshs.72,482,372 in respect of outstanding mortgage and car loan balance as at 30 June, 2019. However, it was noted that the acquired properties are not charged with the Ministry of Land to take care of the interest of the County Assembly in line with Regulation 16(1) of the Bungoma County Assembly (Employees’ Mortgage Scheme Fund) Regulations, 2018 which stipulates that the Committee shall have a charge registered on the property financed through a loan granted and shall be entitled to have its name entered in all documents of title for such property.</p> <p>Further, there was no evidence that the borrowers had taken out an insurance cover on the mortgage protection policy and a fire policy with a</p>	<p>The management agrees with findings of audit. However, the process of charging has been initiated by the Registrar of Lands Ministry Bungoma</p>	<p>Aggrey Makokha- Legal Clerk</p> <p>John Mosongo- Administrator</p>	<p>Unresolved</p>	

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	<p>reputable underwriter as per Regulation (17) of Bungoma County Assembly (Employees’ Mortgage Scheme Fund) Regulations, 2018.</p> <p>Further, it was noted that the logbooks are not registered on joint ownership with the County Assembly in line with Regulation 8(2) of the Bungoma County Assembly (Employees’ Car Loans Scheme Fund) Regulations, 2017 states that the log-book of a vehicle subject to a loan from the Fund shall be issued jointly between the County Assembly and the member of the Scheme and shall be kept in the custody of the officer administering the Fund until the loan is repaid in full by the member of the Scheme. In addition, there was no evidence that the vehicles purchased through the Scheme were comprehensively insured as per Section 12(1) of the Regulations.</p>	<p>As for the logbooks the securities have been issued jointly between County Assembly and the member of the scheme. Evidence has been submitted for audit verification</p>			
<p>1.2 Irregular Advances of Mortgage Loans</p>	<p>It was noted that the applications for the advanced mortgages totalling Kshs.19,700,000 out of the disbursed amount of Kshs.21,100,000 as reflected under note 5B were not supported with the following documents as prescribed by Regulation 10(1) of the Bungoma County Assembly (Employees’ Mortgage Scheme Fund) Regulations, 2018;</p> <ul style="list-style-type: none"> • Copies of the designs of the proposed residential property duly approved by relevant Government agency; • Bills of quantities in respect of the proposed development, 	<p>The management agrees with findings of audit and seeks to comply as per recommendations of audit.</p>	<p>John Mosongo – Fund Administrator</p>	<p>Unresolved</p>	

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	<p>renovation or repair.</p> <ul style="list-style-type: none"> • An official search of the title to the property intended to be purchased; • A certified copy of the sale agreement relating to the property. <p>In the circumstances, it was not possible to ascertain security of the long term receivables balance of Kshs.79,517,350 as at 30 June, 2019.</p>	However an official search was presented to audit for verification.			
2. Lack of an Approved Budget	Review of the Fund's loan management committee minutes and financial statements for the year under review revealed that operation of the Fund were not guided by an approved budget. Therefore, administration of the Fund was not conducted in compliance with Section 149(2h) of the Public Finance Management Act 2012, which requires the accounting officer to prepare estimates of expenditure of the entity in conformity with the strategic plan. In addition, the Fund was exposed to risk of over and underutilization and misapplication of the funds.	The management agrees with the findings of audit and has since maintained an approved budget.	John Mosongo – Fund Administrator	Resolved	
3. Outstanding Borrowings by County Assembly Service Board	Included under total current receivables of Kshs.17,402,830 under Note 5A to the financial statements is total current receivables of Kshs.17,190,318 in respect of un-refunded borrowings by the County Assembly Service Board in contravention of Regulation 4 of both the Public Finance Management (County Assembly Employee Car Loan Scheme Fund) Regulations, 2017 and the Public Finance Management (County Assembly Employee Mortgage Fund) Regulations, 2018 which states that the object and purpose of the fund is to provide a loan scheme for the purchase of vehicles by staff of the scheme and for the purchase,	The management agrees with the findings of audit. However, the County Assembly service board	John Mosongo – Fund Administrator	Resolved	

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
Reports and Financial Statements
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)								
	development, renovation or repair of residential property by staff of the scheme, respectively. Further, the management did not provide records on the applications for borrowings, loans management committee approval minutes and executed loans agreement relevant to the borrowings.	has refunded the borrowed funds as per the attached vouchers											
4. Failure to Remit Fringe Benefit Tax	<p>It was noted that the Fund did not remit to Kenya Revenue Authority (KRA) fringe benefit tax accrued from the low interest loans extended to its members during the year amounting to Kshs.720,076 as tabulated below:</p> <table border="1" data-bbox="371 858 1234 1074"> <thead> <tr> <th>Interest Received @ 3% p.a – Kshs.</th> <th>KRA Prescribed Rate @ 7% P.A – Kshs.</th> <th>Taxable Fringe Benefit – Kshs.</th> <th>FBT @ 30% Kshs.</th> </tr> </thead> <tbody> <tr> <td>1,800,194</td> <td>4,200,446</td> <td>2,400,252</td> <td>720,076</td> </tr> </tbody> </table> <p>The management of the Fund did not comply with the Section 12(B1) of the Income Tax Act, 2010 that requires an employer to pay fringe benefit tax in respect of a loan provided to an employee or director at an interest rate lower than the market interest rate. Further, the administrator was in contravention of section 12(3) of the Act which requires that fringe benefit tax to be charged on the total taxable value of a fringe benefit provided by an employer in a month and remitted on or before the tenth</p>	Interest Received @ 3% p.a – Kshs.	KRA Prescribed Rate @ 7% P.A – Kshs.	Taxable Fringe Benefit – Kshs.	FBT @ 30% Kshs.	1,800,194	4,200,446	2,400,252	720,076	The management agrees with findings of audit. However, through audit by Kenya Revenue Authority a demand letter was issued and the funds were remitted by the County Assembly of Bungoma Service Board	John Mosongo – Fund Administrator	Resolved	
Interest Received @ 3% p.a – Kshs.	KRA Prescribed Rate @ 7% P.A – Kshs.	Taxable Fringe Benefit – Kshs.	FBT @ 30% Kshs.										
1,800,194	4,200,446	2,400,252	720,076										

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund
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For the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	day of the following month to KRA. Consequently, the Fund is exposed to penalties and interest due to non-compliance with provisions the Income Tax Act.				
5. Outstanding Borrowings by County Assembly Service Board	As previously reported, Note 5A to the financial statements reflects a current loan repayments due balance of Kshs.9,862,225 in respect of un-refunded borrowings by the County Assembly Service Board in contravention of Regulation 4 of the Public Finance Management (County Assembly Employee Car Loan Scheme Fund) Regulations, 2017, and, Regulation 4 of the Public Finance Management (County Assembly Employee Mortgage Fund) Regulations, 2018, which state that the object and purpose of the Fund is to provide a loan scheme for the purchase of vehicles by staff of the Scheme and for the purchase, development, renovation or repair of residential property by staff of the Scheme, respectively. In the circumstances, the Fund Management was in breach of the law.	The borrowings having been paid back to the Fund	Fund Administrator	Unresolved	
6. Late Submission of the Financial Statements	The financial statements for the Fund were submitted for audit on 7 October, 2021, contrary to the provisions of Section 116(7)(b) of the Public Finance Management Act, 2012, and Section 47(1) of the Public Audit Act, 2015, which require financial statements to be submitted to the Auditor-General for audit within three months after the end of the financial year to which they relate, in this case 30 September, 2021. In the circumstances, the Fund Management was in breach of the law.	In subsequent years, financial statements have been submitted promptly	Fund Administrator	unresolved	