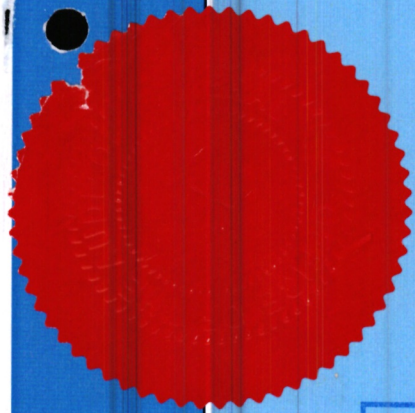
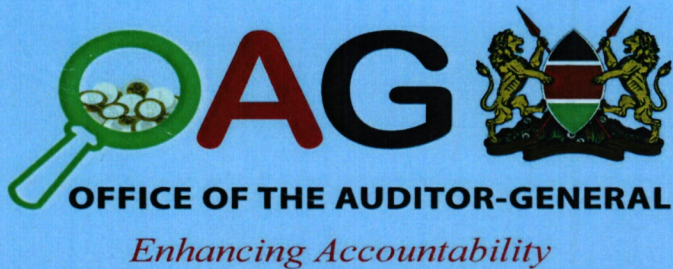


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**REPORT**

PAPERS LAID

|                    |                         |
|--------------------|-------------------------|
| DATE               | 8/11/2022               |
| TABLED BY          | Senate<br>Majority Whip |
| COMMITTEE          |                         |
| CLERK AT THE TABLE | I. Mbaya                |

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

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



---

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

---

**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, 2020**

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**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Bungoma County Assembly Employees’ 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 16<sup>th</sup> January 2017 and The Public Finance Management (Bungoma County Assembly) (Employees’ Mortgage Scheme Fund) Regulations, 2018 on 19<sup>th</sup> 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) Fund Administration Committee**

| Ref | Name                   | Position           |
|-----|------------------------|--------------------|
| 1   | Hon Ben Kipkut         | Chairman           |
| 2   | Michael Muthui Kimwele | Vice Chair         |
| 3   | John Ongwae Mosongo    | Fund Administrator |
| 4   | Francis Simiyu Tome    | Member             |
| 5   | Ignatius Wangila       | Member             |
| 6   | Ann Nang’oni Wekesa    | Member             |
| 7   | Julia Naliaka Lunani   | Member             |

**c) Key Management**

| Ref | Name                   | Position                |
|-----|------------------------|-------------------------|
| 1   | John Ongwae Mosongo    | Accounting Officer      |
| 2   | Julia Naliaka Lunani   | Senior Accounts Officer |
| 3   | Charles Wanjala Wafula | Fund Accountant         |
| 4   | Ann Nang’oni Wekesa    | Human Resource Manager  |

**d) Registered Offices**

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

**e) Fund Contacts**

Telephone: (254) 722585582  
E-mail: [info@bungomaassembly.go.ke](mailto:info@bungomaassembly.go.ke)  
Website: [www.bungomaassembly.go.ke](http://www.bungomaassembly.go.ke)

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021.**

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**f) 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

**g) Independent Auditors**

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

**h) Principal Legal Adviser**




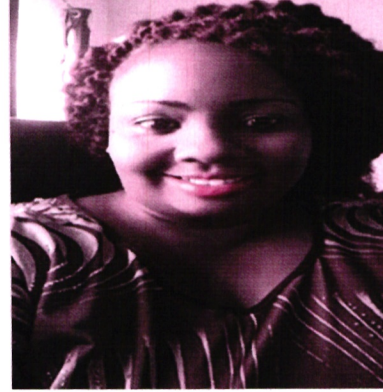
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021.**

**2. FUND ADMINISTRATION COMMITTEE & MANAGEMENT TEAM**

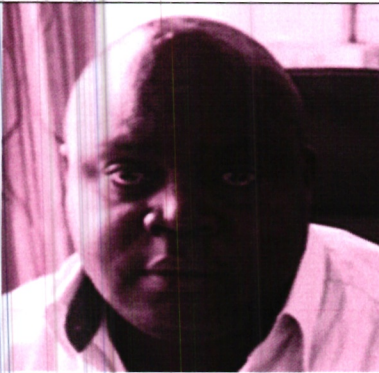
| Name  | Details of qualifications and experience  |
|---|---|
|    | <p><b>Hon Ben Kipkut Joshua – Fund Chairman</b><br/>He was elected MCA Chesikaki Ward in August 2017. He was seconded to the County Assembly Service Board by the Minority party in December 2019 where he serves as a member.</p>  |
|   | <p><b>Michael Kimwele – Vice Chair</b><br/>He is employed as Deputy Clerk to County Assembly of Bungoma since 2013. He holds a master of Business Administration from Maseno University. He is a certified Human Resource Practitioner and a member of the Institute of Human Resource Management and Kenya Institute of Management. He previously worked with the defunct Local Authority in various capacities.</p>   |
|  | <p><b>John Ongwae Mosongo –Fund Administrator</b><br/>Mr Mosongo was seconded by the transition Authority as the Clerk to the Assembly on February 2013. He was later recruited through a competitive process as the Clerk to County Assembly of Bungoma and Secretary to the County Assembly Board on 12<sup>th</sup> January 2014. He is the CEO and the adviser to the Speaker.<br/><br/>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).</p> |

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021.**

|   |  |
|---|--|
|    | <p><b>Francis Tome – Member</b></p> <p>He is employed as a Principal Clerk Assistant at County Assembly of Bungoma. He holds Masters of Arts in communication and media studies from University of Nairobi. He previously worked as a lecturer at Bushangala Technical Training Institute under Teachers Service Commission. He was also a part time lecturer in Communication and Media studies at Mt Kenya University.</p>   |
|   | <p><b>Ignatius Wangila- Member</b></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 &amp; Co. Advocate – Litigation Counsel, MS Wanyama Wanyonyi Co. Advocate – Associate. He is a member of the Law Society of Kenya.</p> |
|  | <p><b>Anne Nang'oni Wekesa – Member</b></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. She previously worked with the defunct Local Authorities. She is a member of the Institute of Human Resource Management.</p>  |
|  | <p><b>Julia Naliaka Lunani – Member</b></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>  |

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021.**

---



**Charles Wanjala Wafula- Fund Accountant**

He works in the Finance and Accounts department as Accountant I and seconded to the Fund in June 2018. He holds a bachelor in Commerce (Accounting) from KCA University with a Diploma in Accounts and CPA Part I. He has also had training at Kenya School of Government Senior Management Course and Strategic Leadership and Development Program.

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021.**

---

**3. 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 30<sup>th</sup> June 2021. The financial statements present the financial performance of the fund over the past year.

**Sustainability**

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

**Review of performance**

**Income**

The income from interest income amounted to Kshs. 3,928,068.

**Expenditure**

The total expenditures during the period amounted to Kshs. 2,696,665 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 trustees 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, 2021.**

---

**4. REPORT OF THE ADMINISTRATOR**

It is my pleasure to present the County Assembly of Bungoma Employee car loan and mortgage financial statements for the period ended 30<sup>th</sup> June 2021.

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. 63,635,901.

During the financial period, the fund borrowed funds amounting to Kshs.30,000,000 from Car Loan and Mortgage Scheme for MCAs to pay beneficiaries. The funds were disbursed directly to the beneficiaries.

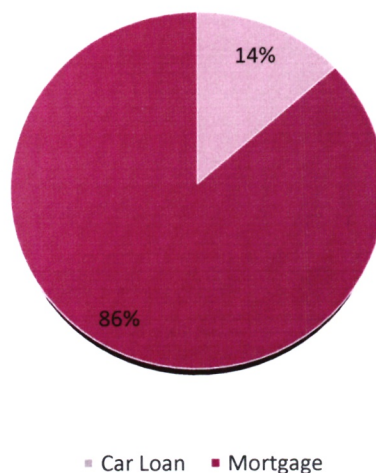
**Financial Performance**

**a) Revenue**

Interest earned from Loan repayment amounted to Kshs. 3,928,068 for the period under review which was an improvement from the prior period 2019/2020 whereby the fund earned an interest of Kshs. 2,432,442.

| <b>Revenue classification</b> | <b>Actual (Kshs)</b> |
|-------------------------------|----------------------|
| Interest from Car Loan        | 530,872              |
| Interest from Mortgage        | 3,397,196            |
| <b>Total Interest income</b>  | <b>3,928,068</b>     |

**Car Loan Versus Mortgage Interest**



**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021.**

**b) Loans**

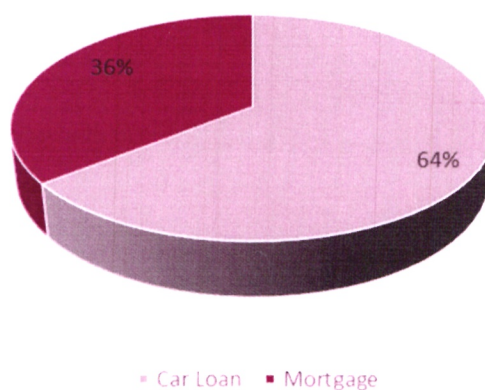
During the period as at 31<sup>st</sup> March 2021, the funds disbursed to Mortgage amounted to Kshs. 63,635,901. Included in this amount is Kshs. 4,863,943 paid to offset some beneficiaries’ loans.

The total loan repayments received during the period composed of loan offsets and payroll deductions amounted to Kshs. 24,930,174 as analysed in the table below:

|              | <b>Interest</b>  | <b>Principal</b>  | <b>PMI</b>     | <b>Total</b>      |
|--------------|------------------|-------------------|----------------|-------------------|
| Car Loan     | 530,872          | 13,208,093        | 220,577        | <b>13,959,542</b> |
| Mortgage     | 3,397,196        | 7,349,377         | 224,059        | <b>10,970,632</b> |
| <b>Total</b> | <b>3,928,068</b> | <b>20,557,470</b> | <b>444,635</b> | <b>24,930,174</b> |

Although interest earned from Car loan fund represented 14% of total interest earned for the period, more principal amount was received from the fund (Car Loan) as illustrated in the chart below:

**Car Loan Versus Mortgage Principal Amounts received**



**c) Cash flows**

In the financial period, we have not had many liquidity disruptions. The cash and cash equivalents was Kshs. 3,262,609 as at 30<sup>th</sup> June 2021.

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021.**

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**Conclusion**

It has been a good period in general. I take this opportunity to thank the board of trustees 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, 2021.**

---

**5. 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 17<sup>th</sup> 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 16<sup>th</sup> January, 2017 and The Public Finance Management (Bungoma County Assembly) (Employees' Mortgage Scheme Fund) Regulations, 2018 on 19<sup>th</sup> 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:

| <b>S/No.</b> | <b>Name</b>               | <b>Position in committee</b> |
|--------------|---------------------------|------------------------------|
| 1            | Mr. Calistus Wekesa Waswa | Chairman Audit committee     |
| 2            | Dr. Destaings N. Nyongesa | Member Audit committee       |
| 3            | CPA Jackson Wetosi        | Member Audit committee       |
| 4            | Mrs. Diana Khaemba        | Member Audit committee       |
| 5            | Mr. Alfred Makokha        | Secretary Audit committee    |

**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, 2021.**

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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 5 meetings.

**Auditor**

The fund is audited by the Auditor-General.

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021.**

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**6. MANAGEMENT DISCUSSION AND ANALYSIS**

The fund has continues 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 3,928,068 for the period under review compared to Kshs. 2,432,442 earned in the previous financial year 2019/2020.

**Cash flows**

We have not had many liquidity disruptions for the period. The cash and cash equivalents was KShs 3,262,609 as at 30<sup>th</sup> June 2021. Which is a reduction from the prior year's cash flow of Kshs. 16,892,501 due to increased cash outflow as a result of disbursement of loans to beneficiaries.

**Loans**

During the period, the management borrowed Kshs. 30,000,000 from MCA's Car Loan & Mortgage and subsequently disbursed Kshs. 63,635,901(Inclusive of Kshs.4,863,943 for offsetting loans) compared to the prior period where a total of Kshs.34,160,000 Mortgage was disbursed to beneficiaries.

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

**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, 2021.**

---

**7. REPORT OF THE TRUSTEES**

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

**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, 2021 are set out from page 2.

**Fund Committee**

The members of the fund committee who served during the year are shown on page II.

**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:** 07.07.2022

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021.**

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**8. 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 16<sup>th</sup> January, 2017 and The Public Finance Management (Bungoma County Assembly) (Employees’ Mortgage Scheme Fund) Regulations, 2018 on 19<sup>th</sup> 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, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the 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 16<sup>th</sup> January, 2017 and The Public Finance Management (Bungoma County Assembly) (Employees’ Mortgage Scheme Fund) Regulations, 2018 on 19<sup>th</sup> 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, 2021, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the 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 07-07 2022 and signed on its behalf by:

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

# REPUBLIC OF KENYA

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Email: 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, 2021**

---

### **PREAMBLE**

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

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

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

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

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

#### **Opinion**

I have audited the accompanying financial statements of Bungoma County Assembly Employee Car Loan and Mortgage Scheme Fund set out on pages 2 to 29, which

comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 Bungoma County Assembly Employee Car Loan and Mortgage Scheme Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the Public Finance Management (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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. 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.

## **2. 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.

## **3. Professional Services Costs**

The expenditure of Kshs.2,696,665 shown in the statement of financial performance under general expenses includes, as shown under Note 3, expenditure of Kshs.619,628 incurred on professional services. The amount was paid to a local law firm for provision of legal services relating to preparation and registration of legal charges on staff mortgage loans, despite the fact that the Assembly has an internal legal officer. This contrary to Regulation 10(2) of the Bungoma County Assembly Employees' Mortgage Scheme Fund, 2018, which provides that the applicants shall bear the cost of stamp duty and other legal fees

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

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

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

### **Conclusion**

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

## **Basis for Conclusion**

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

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

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

In preparing the financial statements, Management is responsible for assessing the 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 intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015, and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund 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 of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists,

I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue 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**

**08 September, 2022**

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
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For the year ended June 30, 2020**

**10. FINANCIAL STATEMENTS**

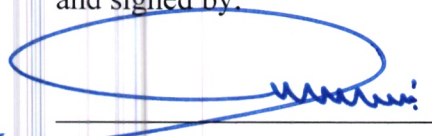
**10.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2021.**

|   | Note | FY2020/2021      | FY2019/2020        |
|---|------|------------------|--------------------|
|   |      | KShs             | KShs               |
| <b>Revenue from exchange transactions</b> |      |                  |                    |
| Interest income                           | 1    | 3,928,068        | 2,432,442          |
| Other income                              | 2    | -                | 90,917 *           |
| <b>Total revenue</b>                      |      | <b>3,928,068</b> | <b>2,523,359 *</b> |
| <b>Expenses</b>                           |      |                  |                    |
| General expenses                          | 3    | 2,696,665        | 2,805,862          |
| <b>Total expenses</b>                     |      | <b>2,696,665</b> | <b>2,805,862</b>   |
| <b>Surplus/(Deficit) for the period</b>   |      | <b>1,231,403</b> | <b>(282,503) *</b> |

\*See Prior year adjustment as per Note 7

The notes set out on pages 23 to 26 form an integral part of these Financial Statements.

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 07-07 2022 and signed by:

  
\_\_\_\_\_  
**Administrator of the Fund  
CHARLES WANJALA WAFULA**

  
\_\_\_\_\_  
**Fund Accountant  
ELIAS TASKIN**

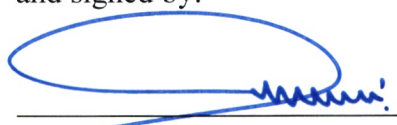
**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
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**10.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

|   | Note | FY2020/2021        | FY2019/2020          |
|---|------|--------------------|----------------------|
|   |      | KShs               | KShs                 |
| <b>Assets</b>   |      |                    |                      |
| <b>Current assets</b>   |      |                    |                      |
| Cash and cash equivalents   | 4    | 3,262,609          | 16,892,501 *         |
| Current portion of long term receivables from exchange transactions | 5A   | 9,862,225          | 12,565,725           |
| <b>Non-current assets</b>   |      |                    |                      |
| Long term receivables from exchange transactions                    | 5B   | 140,619,304        | 97,985,508           |
| <b>Total assets</b>   |      | <b>153,744,138</b> | <b>127,443,735 *</b> |
| <b>Current liabilities</b>  |      |                    |                      |
| Trade and other payables from exchange transactions                 | 6    | 25,069,000         | -                    |
| <b>Net assets</b>   |      | <b>128,675,138</b> | <b>127,443,735</b>   |
| Revolving Fund  |      | 125,875,938        | 125,875,938          |
| Accumulated surplus   |      | 2,799,200          | 1,567,797 *          |
| <b>Total net assets and liabilities</b>                             |      | <b>128,675,138</b> | <b>127,443,735</b>   |

\*See Prior year adjustment as per Note 7

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 07.07.2022 and signed by:

  
**Administrator of the Fund**  
**CHARLES WANJALA WAFULA**

  
**Fund Accountant**  
**ELIAS TASKIN**

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
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**10.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021**

|                                   | Revolving Fund | Revaluation Reserve | Accumulated surplus | Total         |
|-----------------------------------|----------------|---------------------|---------------------|---------------|
|                                   |                | KShs                | KShs                | KShs          |
| <b>Balance as at 1 July 2019</b>  | 95,911,570     | -                   | 1,850,300           | 97,761,870 *  |
| Surplus/(deficit) for the period  | -              | -                   | 282,503             | 282,503 *     |
| Funds received during the year    | 29,964,368     | -                   | -                   | 29,964,368    |
| <b>Balance as at 30 June 2020</b> | 125,875,938    | -                   | 1,567,797           | 127,443,735 * |
| <b>Balance as at 1 July 2020</b>  | 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    | -              | -                   | -                   | -             |
| <b>Balance as at 30 June 2021</b> | 125,875,938    | -                   | 2,799,200           | 128,675,138   |

\*See Prior year adjustment as per Note 7

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 07-07 2022 and signed by:

**CHARLES WANJALA WAFULA**  
Administrator of the Fund

**ELIAS TASKIN**  
Fund Accountant

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund**  
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**10.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

|   | Note | FY2020/2021<br>KShs | FY2019/2020<br>KShs |
|---|------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                 |      |                     |                     |
| <b>Receipts</b>   |      |                     |                     |
| Interest received   | 1    | 3,928,068           | 2,432,442           |
| Other Income  | 2    | -                   | 90,917              |
| <b>Total Receipts</b>                                       |      | <b>3,928,068</b>    | <b>2,523,359</b>    |
| <b>Payments</b>   |      |                     |                     |
| General expenses  | 3    | 2,696,665           | 2,805,862           |
| <b>Total Payments</b>                                       |      | <b>2,696,665</b>    | <b>2,805,862</b>    |
| <b>Cash flows from operating activities</b>                 |      | <b>1,231,403</b>    | <b>(282,503)</b>    |
| <b>Adjustments;</b>   |      |                     |                     |
| Debtors Borrowings  | 5A   | -                   | (4,966,431)         |
| Debtors Repayments  | 5A   | 2,703,500           | 9,591,024           |
|   |      | <b>2,703,500</b>    | <b>4,624,593</b>    |
| <b>Net Cash flows from operating activities</b>             |      | <b>3,934,903</b>    | <b>4,342,090</b>    |
| <b>Cash flows from investing activities</b>                 |      |                     |                     |
| Insurance Premium Recovered                                 | 5C   | 444,635             | 408,392             |
| Insurance Premium June 2021                                 | 5C   | -                   | -                   |
| Proceeds from loan principal repayments                     | 5B   | 20,557,470          | 14,178,412          |
| Loan Offset paid out  |      | (4,863,943)         |                     |
| Loan disbursements paid out                                 | 5B   | (58,771,958)        | (34,160,000)        |
| <b>Net cash flows used in investing activities</b>          |      | <b>(42,633,796)</b> | <b>(19,573,196)</b> |
| <b>Cash flows from financing activities</b>                 |      |                     |                     |
| Proceeds from revolving fund receipts                       |      | -                   | 29,964,368          |
| Borrowing from MCA'S Car Loan & Mortgage                    | 6    | 30,000,000          |                     |
| Repayments during the year                                  | 6    | (4,931,000)         |                     |
| <b>Net cash flows used in financing activities</b>          |      | <b>25,069,000</b>   | <b>29,964,368</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>(13,629,892)</b> | <b>14,733,262</b>   |
| Cash and cash equivalents at 1st July 2020                  | 4    | 16,892,501          | 2,159,239 *         |
| <b>Cash and cash equivalents at 30th June 2021</b>          | 4    | <b>3,262,609</b>    | <b>16,892,501 *</b> |

\*See Prior year adjustment as per Note 7

*(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. The above illustration assumes direct method)*

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund**  
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**10.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD  
 ENDED 30<sup>th</sup> JUNE 2021.**

|                               | <b>Original<br/>budget</b> | <b>Adjustments</b> | <b>Final budget</b> | <b>Actual on<br/>comparable basis</b> | <b>Performance<br/>difference</b> | <b>%<br/>utilisation</b> |
|-------------------------------|----------------------------|--------------------|---------------------|---------------------------------------|-----------------------------------|--------------------------|
|                               | <b>2021</b>                | <b>2021</b>        | <b>2021</b>         | <b>2021</b>                           | <b>2021</b>                       | <b>2021</b>              |
| <b>Revenue</b>                | <b>KShs</b>                | <b>KShs</b>        | <b>KShs</b>         | <b>KShs</b>                           | <b>KShs</b>                       |                          |
| Interest income               | 3,928,068                  | -                  | 3,928,068           | 3,928,068                             | -                                 | 100%                     |
| <b>Total income</b>           | <b>3,928,068</b>           | <b>-</b>           | <b>3,928,068</b>    | <b>3,928,068</b>                      | <b>-</b>                          | <b>100%</b>              |
|                               |                            |                    |                     |                                       |                                   |                          |
| <b>Expenses</b>               |                            |                    |                     |                                       |                                   |                          |
| General expenses              | 3,928,068                  | -                  | 3,928,068           | 2,696,665                             | 1,231,403                         | 69%                      |
| <b>Total expenditure</b>      | <b>3,928,068</b>           | <b>-</b>           | <b>3,928,068</b>    | <b>2,696,665</b>                      | <b>1,231,403</b>                  | <b>69%</b>               |
| <b>Surplus for the period</b> | <b>-</b>                   | <b>-</b>           | <b>-</b>            | <b>1,231,403</b>                      | <b>- 1,231,403</b>                |                          |

## **11. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund**  
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|  |  |
|--|--|
| <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).<br/><br/>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p> | <p>The Fund has been operating on Accrual basis hence there was no impact on the Fund.</p> |
|--|--|

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

| <b>Standard</b>                               | <b>Effective date and impact:</b>  |
|---|--|
| <p><b>IPSAS 41: Financial Instruments</b></p> | <p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> |

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund**  
**Reports and Financial Statements**  
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| Standard  | Effective date and impact:   |
|---|--|
| <p><b>IPSAS 42: Social Benefits</b></p>   | <p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.</li> </ul>   |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Early adoption of standards**

The Fund did not early – adopt any new or amended standards in year 2020/2021.

**3. Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**4. Budget information**

The original budget for FY 2020/2021 was approved by the County Assembly on 26/3/2021. 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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

**5. 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.

**6. Financial instruments**

**a) 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 Fund 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.

**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)

***b) Financial liabilities***

**Initial recognition and measurement**

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

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

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**7. Inventories**

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

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

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

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

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

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

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**8. Provisions**

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

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

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

**Contingent liabilities**

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

**Contingent assets**

The Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund 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.

**9. Nature and purpose of reserves**

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

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

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**11. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise. The Fund did not deal with any foreign transactions during the period.

**12. 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.

**13. Related parties**

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

**14. 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 various commercial banks at the end of the financial year.

**15. Comparative figures**

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

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**16. Events after the reporting period**

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

**17. Ultimate and Holding Entity**

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

**18. Currency**

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

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

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

**a) Estimates and assumptions**

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

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Useful lives and residual values**

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

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

**20. 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.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**b) Liquidity risk management**

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

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Foreign currency risk**

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

**e) Interest rate risk**

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

**Management of interest rate risk**

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

**f) Capital risk management**

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

|   | <b>2020/2021</b>   | <b>2019/2020</b>   |
|---|--------------------|--------------------|
|   | <b>KShs</b>        | <b>KShs</b>        |
| Revaluation reserve                         | -                  | -                  |
| Revolving fund                              | 125,875,938        | 125,875,938        |
| Accumulated surplus                         | 2,799,200          | 1,567,797          |
| <b>Total funds</b>                          | <b>128,675,138</b> | <b>127,443,735</b> |
| Total borrowings                            | 30,000,000         | -                  |
| Less: cash and bank balances                | 3,262,609          | 16,892,501         |
| Net debt/(excess cash and cash equivalents) | 26,737,391         | - 16,892,501       |
| <b>Gearing</b>                              | <b>21%</b>         | <b>-13%</b>        |

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**12. NOTES TO THE FINANCIAL STATEMENTS**

**1. Interest income**

| Description                              | FY2020/2021      | FY2019/2020      |
|--|------------------|------------------|
|  | KShs             | KShs             |
| Interest income from Car Loan & Mortgage | 3,928,068        | 2,432,442        |
|  |                  |                  |
|  | <b>3,928,068</b> | <b>2,432,442</b> |

**2. Other income**

| Description                         | FY2020/2021 | FY2019/2020   |
|-------------------------------------|-------------|---------------|
|                                     | KShs        | KShs          |
| Miscellaneous income not classified | -           | 90,917        |
| Other income                        | -           | -             |
|                                     |             |               |
| <b>Total other income</b>           | <b>-</b>    | <b>90,917</b> |

**3. Fund administration expense**

| Description                  | FY2020/2021      | FY2019/2020      |
|------------------------------|------------------|------------------|
|                              | KShs             | KShs             |
| Hospitality                  | 2,056,837        | 1,856,900        |
| Professional services costs  | 619,628          | 915,608          |
| Other expenses- Bank Charges | 20,200           | 33,354           |
| <b>Total</b>                 | <b>2,696,665</b> | <b>2,805,862</b> |

**4. Cash and cash equivalents**

| Description                            | FY2020/2021      | FY2019/2020       |
|--|------------------|-------------------|
|  | KShs             | KShs              |
| Current account                        | 3,262,609        | 16,892,501        |
| <b>Total cash and cash equivalents</b> | <b>3,262,609</b> | <b>16,892,501</b> |

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

| Financial institution  | Account number | FY2020/2021      | FY2019/2020       |
|------------------------|----------------|------------------|-------------------|
|                        |                | KShs             | KShs              |
| <b>Current account</b> |                |                  |                   |
| Kenya Commercial bank  | 1206004991     | 159              | 260,870           |
| Kenya Commercial bank  | 1206090308     | 3,262,449        | 16,631,631        |
| <b>Grand total</b>     |                | <b>3,262,609</b> | <b>16,892,501</b> |

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. Receivables from exchange transactions**

| <b>Description</b> |   | <b>FY2020/2021</b> | <b>FY2019/2020</b> |
|--------------------|---|--------------------|--------------------|
|                    |   | <b>KShs</b>        | <b>KShs</b>        |
| <b>5A</b>          | <b>Current loan repayments due-CASB Borrowings</b>        |                    |                    |
|                    | Balance b/f   | 12,565,725         | 17,190,318         |
|                    | Borrowings During the Year                                | -                  | 4,966,431          |
|                    | Less-Repayments During the Year                           | 2,703,500          | 9,591,024          |
|                    |   | 9,862,225          | 12,565,725         |
|                    | Interest Receivable                                       | -                  | -                  |
|                    | Other exchange debtors-MCA'S Car Loan                     | -                  | -                  |
|                    | <b>Total Current receivables</b>                          | <b>9,862,225</b>   | <b>12,565,725</b>  |
|                    | <b>Non Current Receivables</b>                            |                    |                    |
| <b>5B</b>          | <b>Long term loan repayments due</b>                      |                    |                    |
|                    | Balance b/f   | 91,390,435         | 71,408,847         |
|                    | Loan disbursements paid out                               | 58,771,958         | 34,160,000         |
|                    | Loan offset Paid out                                      | 4,863,943          | -                  |
|                    | Less-Proceeds from loan principal repayments              | 20,557,470         | 14,178,412         |
|                    | <b>Sub-Total</b>  | <b>134,468,866</b> | <b>91,390,435</b>  |
| <b>5C</b>          | <b>Insurance Receivable</b>                               |                    |                    |
|                    | Balance b/f   | 6,595,073          | 7,003,465          |
|                    | Insurance Premium Recovered                               | 444,635            | 408,392            |
|                    |   |                    | -                  |
|                    | <b>Sub-Total</b>  | <b>6,150,438</b>   | <b>6,595,073</b>   |
|                    | <b>Total Non current receivables</b>                      | <b>140,619,304</b> | <b>97,985,508</b>  |
|                    | <b>Grand Total receivables from exchange transactions</b> | <b>150,481,529</b> | <b>110,551,233</b> |

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

| <b>Description</b> |                                       | <b>FY2020/2021</b> | <b>FY2019/2020</b> |
|--------------------|---------------------------------------|--------------------|--------------------|
|                    |                                       | <b>KShs</b>        | <b>KShs</b>        |
|                    | <b>MCA'S Car Loan &amp; Mortgage</b>  |                    |                    |
|                    | Balance b/f                           | -                  | -                  |
|                    | Borrowings During the Year            | 30,000,000         | -                  |
|                    | Less-Repayments During the Year       | (4,931,000)        | -                  |
|                    | <b>Total trade and other payables</b> | <b>25,069,000</b>  | <b>-</b>           |

**7. Prior Year Adjustments**

During the FY 2018/2019, there was a taskforce allowance of Kshs. 146,000 paid in the Car loan & Mortgage scheme bank account included in the amount was Kshs. 21,000 allowance

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for one of the committee members was reversed in the bank then paid out later. At the time of preparation of the financial statements, the Kshs.21,000 could not be identified then, hence it reflected in the FS as receipt in the Bank not captured in the cash book and this recurred in the subsequent bank reconciliations as un-reconciled. In addition, the expense related to the allowance was captured twice erroneously in the FS resulting to overstatement of expenditure by Kshs. 21,000. Consequently, surplus was understated by Kshs. 21,000 and the cashbook balance was understated by the same amount.

During the FY 2018/2019, there were payroll deductions amounting to Kshs. 742,650 which were captured in the cashbook but were never credited in the bank. This remained un-reconciled in the bank reconciliation statement and was captured under 'Other income' in the financial statements for the period. Consequently this resulted to overstatement of the surplus amount and cashbook balance by Kshs.742,650.

During the FY 2019/2020, there were payroll deductions amounting to Kshs. 230,841 which were captured in the cashbook but were never credited in the bank. This amount remained un-reconciled in the bank reconciliation statement as receipts in the cashbook and not in the Bank. This amount was captured under 'Other income' in the financial statements for the period. Consequently, this resulted to overstatement of the surplus amount and cashbook balance by Kshs.230,841. The above affected the comparative figures as follows;

| Statement of Financial Performance           |   | 2019/2020<br>(Restated)                 | 2019/2020<br>(Reported) | Effect on<br>2019/2020 |
|--|---|---|-------------------------|------------------------|
|  |   | Kshs                                    | Kshs                    | Kshs                   |
| Other income                                 | 2 | 90,917                                  | 321,759                 | -230,841               |
| Surplus for the period                       |   | -282,503                                | -51,662                 | -230,841               |
| <b>Changes in Net Assets</b>                 |   |   |                         |                        |
| Balance as at 1 July 2019                    |   | 1,850,300                               | 2,571,950               | -721,650               |
| Surplus/(deficit) for the period (2019/2020) |   | -282,503                                | -51,662                 | -230,841               |
| Balance as at 1 July 2020                    |   | 1,567,797                               | 2,520,288               | -952,491               |
| <b>Statement of Financial Position</b>       |   |   |                         |                        |
| Cash and cash equivalents                    | 4 | 16,892,501                              | 17,844,993              | -952,491               |
|  |   | <i>Kenya Commercial bank 1206004991</i> | <i>239,870</i>          | <i>21,000</i>          |
|  |   | <i>Kenya Commercial bank 1206090308</i> | <i>17,605,122</i>       | <i>-973,491</i>        |
| Accumulated surplus                          |   | 1,567,797                               | 2,520,288               | -952,491               |

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. 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 is related to the following entities:

- a) The County Government;
- b) County Assembly;
- c) Key management;
- d) Board of Trustees

**b) Due from related parties**

|   | 2020/2021          | 2019/2020          |
|---|--------------------|--------------------|
|   | Kshs               | Kshs               |
| Due from County Assembly Service Board  | 9,862,225          | 12,565,725         |
| Due from Long term Loan                 | 134,468,866        | 91,390,435         |
| Due from Insurance Premiums Recoverable | 6,150,438          | 6,595,073          |
| <b>Total</b>                            | <b>150,481,529</b> | <b>110,551,233</b> |

**c) Due to related parties**

|                                  | 2020/2021            | 2019/2020 |
|----------------------------------|----------------------|-----------|
|                                  | Kshs                 | Kshs      |
| Due to MCAs' Car Loan & Mortgage | 25,069,000.00        | -         |
| <b>Total</b>                     | <b>25,069,000.00</b> | <b>-</b>  |

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**13. 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               | <p>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;</p> <table border="1" data-bbox="365 916 1261 1294"> <thead> <tr> <th>Bank Name</th> <th>Account No.</th> <th>Bank Certificate balance Kshs.</th> <th>Reconciled Balance Kshs.</th> <th>Variance Kshs.</th> </tr> </thead> <tbody> <tr> <td>Kenya Commercial bank</td> <td>1206004991</td> <td>838,398</td> <td>817,398</td> <td>21,000</td> </tr> <tr> <td>Kenya Commercial Bank</td> <td>1206090308</td> <td>30,787</td> <td>1,925,474</td> <td>(1,894,687)</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>869,186</b></td> <td><b>2,742,872</b></td> <td><b>1,873,686</b></td> </tr> </tbody> </table> <p>In the circumstances, it was not possible to confirm that cash and cash</p> | Bank Name                      | Account No.  | Bank Certificate balance Kshs.    | Reconciled Balance Kshs.  | Variance Kshs. | Kenya Commercial bank | 1206004991 | 838,398 | 817,398 | 21,000 | Kenya Commercial Bank | 1206090308 | 30,787 | 1,925,474 | (1,894,687) | <b>Total</b> |  | <b>869,186</b> | <b>2,742,872</b> | <b>1,873,686</b> | 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 |  |
| Bank Name                                  | Account No.  | Bank Certificate balance Kshs. | Reconciled Balance Kshs.                                       | Variance Kshs.                    |   |                |                       |            |         |         |        |                       |            |        |           |             |              |  |                |                  |                  |  |                                |          |  |
| Kenya Commercial bank                      | 1206004991   | 838,398                        | 817,398  | 21,000                            |   |                |                       |            |         |         |        |                       |            |        |           |             |              |  |                |                  |                  |  |                                |          |  |
| Kenya Commercial Bank                      | 1206090308   | 30,787                         | 1,925,474  | (1,894,687)                       |   |                |                       |            |         |         |        |                       |            |        |           |             |              |  |                |                  |                  |  |                                |          |  |
| <b>Total</b>                               |  | <b>869,186</b>                 | <b>2,742,872</b>   | <b>1,873,686</b>                  |   |                |                       |            |         |         |        |                       |            |        |           |             |              |  |                |                  |                  |  |                                |          |  |

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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) |
|--|---|---|---|-----------------------------------|---|
|  | <p>equivalent balance of Kshs.869,186 as at 30 June, 2019 is fairly stated.</p> <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>   |   |   |                                   |   |
| <b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>   |   |   |   |                                   |   |
| <p><b>1. Car and Mortgage Scheme</b></p> <p><b>1.1 Lack of Security on Mortgage and Car Loans Disbursed to Staff</b></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 – Fund Administrator</p> | <p>Unresolved</p>                 |   |

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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) |
|--|--|--|--|-----------------------------------|---|
|  | <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><b>1.2 Irregular Advances of Mortgage Loans</b></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"> <li>• Copies of the designs of the proposed residential property duly approved by relevant Government agency;</li> <li>• Bills of quantities in respect of the proposed development, renovation or repair.</li> <li>• An official search of the title to the property intended to be purchased;</li> </ul>   | <p>The management agrees with findings of audit and seeks to comply as per recommendations of audit. However an official search was presented to audit for verification.</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, 2021.**

| 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) |
|---|--|---|--|-----------------------------------|---|
|   | <ul style="list-style-type: none"> <li>A certified copy of the sale agreement relating to the property. 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.</li> </ul>  |   |  |                                   |   |
| <b>2. Lack of an Approved Budget</b>                              | 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                          |   |
| <b>3. Outstanding Borrowings by County Assembly Service Board</b> | 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, development, renovation or repair of residential property by staff of the scheme, respectively.<br>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. | The management agrees with the findings of audit. However, the County Assembly service board has refunded the borrowed funds as per the attached vouchers | John Mosongo – Fund Administrator                              | Resolved                          |   |

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021.**

| 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) |           |           |           |         |  |                                   |          |  |
|--|--|------------------------------------|--|-----------------------------------|---|-----------|-----------|-----------|---------|--|-----------------------------------|----------|--|
| 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="365 659 1227 871"> <thead> <tr> <th data-bbox="365 659 555 834">Interest Received @ 3% p.a – Kshs.</th> <th data-bbox="555 659 779 834">KRA Prescribed Rate @ 7% P.A – Kshs.</th> <th data-bbox="779 659 936 834">Taxable Fringe Benefit – Kshs.</th> <th data-bbox="936 659 1227 834">FBT @ 30% Kshs.</th> </tr> </thead> <tbody> <tr> <td data-bbox="365 834 555 871">1,800,194</td> <td data-bbox="555 834 779 871">4,200,446</td> <td data-bbox="779 834 936 871">2,400,252</td> <td data-bbox="936 834 1227 871">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 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.</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  |                                   |   |           |           |           |         |  |                                   |          |  |

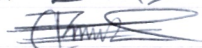
**Bungoma County Assembly – Employee Car Loan and Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021.**


**14. BANK RECONCILIATION STATEMENTS FO-30**

**BUNGOMA COUNTY ASSEMBLY CAR LOAN DEPOSIT ACCOUNT NO. 1206090308**

**MONTH: - JUNE 2021**

|  |                     |                     |
|--|---------------------|---------------------|
| <b>Balance as per Cash Book</b>              | <b>3,262,449.30</b> |                     |
| Add Payments in the Cashbook not in the Bank | -                   |                     |
| Receipts in the BS not in the CB             | -                   |                     |
| Less Payments in the BS not in the CB        | -                   |                     |
| Receipts in the CB not in the BS             | 1,591,942.75        |                     |
| <b>Balance as per Bank Statement</b>         | <b>1,670,506.55</b> | <b>1,670,505.55</b> |

**PREPARED BY:-** ERIAS TASKIN  
**SIGNATURE:-**   
**DATE:-** 07.07.2022

**VERIFIED BY:-** JULIA NALAKA LUNANI  
**SIGNATURE:-**   
**DATE:-** 7/7/2022

**Receipts in the CB not in the BS**

| <b>DATE</b> | <b>Payroll No.</b> |                             | <b>RECEIPTS</b> |
|-------------|--------------------|-----------------------------|-----------------|
| 26/6/2021   | 2005006019         | Mr CALISTUS Ndieyira W      | 11,033.70       |
| 26/6/2021   | 2007066990         | Mr MBITO Peter              | 27,628.00       |
| 26/6/2021   | 19940013285        | OSCAR SIFUMA NAMUSASI       | 20,771.00       |
| 26/6/2021   | 19940013561        | Mrs AKINYI Ruth Kubeba      | 23,465.50       |
| 26/6/2021   | 19950005606        | Mrs NAFULA Taphrose Muyundo | 28,000.00       |
| 26/6/2021   | 19950005857        | Anne Nang'oni Wekesa        | 35,092.00       |
| 26/6/2021   | 19960012453        | ANTONY WELAMONDI MULATI     | 35,092.00       |
| 26/6/2021   | 19960013521        | Mr ONGWAE John Mosongo      | 45,918.55       |
| 26/6/2021   | 20000013409        | Mr WALUKANA Symon Wanjala   | 27,628.00       |
| 26/6/2021   | 20060001407        | Mr SIKOLIA Mark Wanjala     | 14,222.50       |

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021.**

|           |             |                              |           |
|-----------|-------------|------------------------------|-----------|
| 26/6/2021 | 20070005677 | Cyrus Masika Okuri           | 29,305.70 |
| 26/6/2021 | 20070005711 | CHARLES WANJALA WAFULA       | 19,841.00 |
| 26/6/2021 | 20080003952 | SINOYA Philip Liani          | 21,055.00 |
| 26/6/2021 | 20080004119 | Mrs NAMURWA Purity Mwasame   | 28,695.00 |
| 26/6/2021 | 20090004238 | LILIAN WAFULA NAMUKHASI      | 34,390.00 |
| 26/6/2021 | 20090004247 | Robert Wabule Mumbwani       | 26,882.00 |
| 26/6/2021 | 20090004443 | MILDRED WASARI INDIVIZA      | 14,036.65 |
| 26/6/2021 | 20090005093 | EVANS WABWOBA MANGARA        | 24,564.00 |
| 26/6/2021 | 20100004055 | Mr KULOBA Joshua Mwasame     | 22,459.00 |
| 26/6/2021 | 20100005623 | ANGELINE MBUVE NGUTHU        | 18,107.00 |
| 26/6/2021 | 20110004469 | MERCYLINE MOTUM TERESIA      | 17,545.80 |
| 26/6/2021 | 20110004478 | CATHERINE WAMBETE CHESIRO    | 14,734.95 |
| 26/6/2021 | 20110005402 | FLORA SHALAKHA AMAKANJI      | 23,020.00 |
| 26/6/2021 | 20140046939 | CORNELIA NYONGESA NAFULA     | 19,466.00 |
| 26/6/2021 | 20140046948 | CELESTINE CHESEKUT MOSHONG   | 27,628.05 |
| 26/6/2021 | 20140046957 | Ms OTUKI Jackline Namalwa    | 16,142.00 |
| 26/6/2021 | 20140046975 | Ms NALIAKA Julia Lunani      | 48,000.00 |
| 26/6/2021 | 20140047007 | Mrs ALAKA Martha Aluoch      | 27,628.00 |
| 26/6/2021 | 20140047016 | Mrs NANJALA Josylyne Situmah | 27,628.05 |
| 26/6/2021 | 20140047025 | Pauline Lyne Wakoli Nafula   | 12,051.20 |
| 26/6/2021 | 20140047052 | MARYSTELLA WANYONYI NAFULA   | 13,334.80 |
| 26/6/2021 | 20140047061 | Mr MAKOKHA Alfred Masika     | 27,628.05 |
| 26/6/2021 | 20140047070 | Mr LITORO Erick Ngobilo      | 27,628.05 |
| 26/6/2021 | 20140047105 | Mr WANGILA Protus Simiyu     | 27,628.05 |
| 26/6/2021 | 20140047114 | MARTIN OMUSEE ODIKORI        | 21,055.00 |
| 26/6/2021 | 20140047123 | Mr WAKHUNGU Levis Wanjala    | 14,036.65 |
| 26/6/2021 | 20140047132 | AGGREY WILLIAM MAKOKHA       | 20,168.00 |

**Bungoma County Assembly – Employee Car Loan and Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021.**

|           |             |                             |                     |
|-----------|-------------|-----------------------------|---------------------|
| 26/6/2021 | 20140047141 | Mr WANDABWA Hussein Walela  | 19,651.00           |
| 26/6/2021 | 20140047150 | STEPHEN NYONGESA MANYONGE   | 14,036.65           |
| 26/6/2021 | 20140047169 | Mr MULULU Dennis Wanyonyi   | 14,036.65           |
| 26/6/2021 | 20140047178 | Mr TOME Francis Simiyu      | 44,134.90           |
| 26/6/2021 | 20140047203 | Mr ODERA Elijah Emojong     | 27,628.05           |
| 26/6/2021 | 20140047212 | Mr MOMOS Leornard Juma      | 27,628.05           |
| 26/6/2021 | 20140047221 | JOSEPH JUMA BARASA          | 27,933.00           |
| 26/6/2021 | 20140052133 | Mr WEPUNDI Elvis Werunga    | 27,628.05           |
| 26/6/2021 | 20140098577 | KHAEMBA Diana Naliaka       | 35,092.00           |
| 26/6/2021 | 20140098586 | Ms BARASA Prudencia Mulongo | 27,628.05           |
| 26/6/2021 | 20140098595 | CAROLYN Akirapa Wamalwa     | 14,037.00           |
| 26/6/2021 | 20140098602 | Dennis Wanjala Waswa        | 23,737.00           |
| 26/6/2021 | 20140098611 | Ms NEKESA Beatrice Mainya   | 25,265.20           |
| 26/6/2021 | 20140098639 | Mr NGALA Erick Mathias      | 9,209.35            |
| 26/6/2021 | 20140104025 | DUNSTAN WAFULA NAMUSONGE    | 27,628.05           |
| 26/6/2021 | 20140104034 | Benedict Wafula Kimwei      | 26,670.00           |
| 26/6/2021 | 20170004850 | ALEX KIPROTICH CHERONGIS    | 27,628.05           |
| 26/6/2021 | 20170004869 | ARIEL SHARON WEKESA         | 27,628.05           |
| 26/6/2021 | 20170004878 | Mr TARACHA Kennedy Barasa   | 14,734.95           |
| 26/6/2021 | 20170004896 | Mr SIMIYU Samuel Wanyika    | 23,944.30           |
| 26/6/2021 | 20170004903 | Ms WANYAMA Karen Nasimiyu   | 27,834.00           |
| 26/6/2021 | 20170004912 | Mr MUDOGA Paul Khakhole     | 27,628.05           |
| 26/6/2021 | 20170004921 | Mr MALABA Sospeter Saenyi   | 14,734.95           |
| 26/6/2021 | 20170004930 | REMI OWITI OPASA            | 25,786.15           |
| 26/6/2021 | 20170004949 | CAREN KAMONYA SAPAYA        | 27,628.05           |
| 26/6/2021 | 20170105325 | IGNATIUS WEKESA WANGILA     | 55,256.05           |
| 26/6/2021 |             | Nicolas Maghas              | 33,687.90           |
|           |             |                             | <b>1,591,942.75</b> |

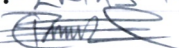
**Bungoma County Assembly – Employee Car Loan and Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021.**

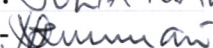
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**BGM COUNTY EMPLOYEE-CAR LOAN SCHEME ACCOUNT NO. 1206004991**

**MONTH:- JUNE 2021**

|      |                                      |               |
|------|--------------------------------------|---------------|
|      | <b>Balance as per Cash Book</b>      | <b>159.31</b> |
| Add  | Payments in Cashbook not in the Bank | -             |
|      | Receipts in the BS not in the CB     | -             |
| Less | Payments in the BS not in the CB     |               |
|      | Receipts in the CB not in the BS     | -             |
|      | <b>Balance as per Bank Statement</b> | <b>159.31</b> |

**PREPARED BY:-** ERIAS TASKIN  
**SIGNATURE:-**   
**DATE:-** 07.07.2022

**VERIFIED BY:-** JULIA NARIARA LUNANI  
**SIGNATURE:-**   
**DATE:-** 7/7/2022