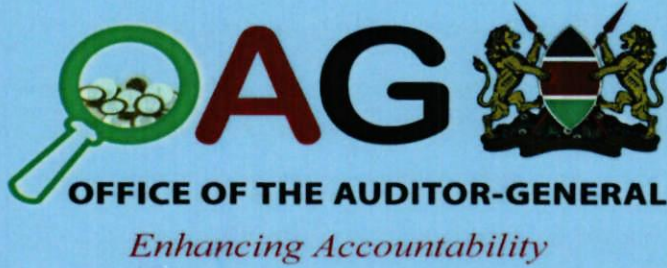


REPUBLIC OF KENYA

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REPORT



OF

THE AUDITOR-GENERAL

ON

**KISUMU COUNTY ASSEMBLY CAR LOAN
AND MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**

PAPERS LAID	
DATE	02/03/2022
TABLED BY	SML
COMMITTEE	-
CLERK AT THE TABLE	CHANIA



KISUMU COUNTY ASSEMBLY
CAR LOAN AND MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR
THE FINANCIAL YEAR ENDED JUNE 30, 2020

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

COUNTY ASSEMBLY OF KISUMU
Car Loan and Mortgage Scheme
Reports and Financial Statement for the year ended 30th June, 2020

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COUNTY ASSEMBLY OF KISUMU
Car Loan and Mortgage Scheme
Reports and Financial Statement for the year ended 30th June, 2020

1.0 KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Kisumu County Assembly car loan scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the fund and as advised by the SRC in the circular under the reference, Kisumu County adopted the PFM regulations 2014 to guide in the operationalization of the fund. The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. The fund is wholly owned by the County Assembly of Kisumu and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide car loans and mortgage facility to members and staff of the Assembly

Core Values

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

c) Fund Administration Committee

Ref	Name	Position
1	Hon. Beatrice Akinyi Odongo	Chairperson
2	Hon. Prisca Auma Misachi	Member
3	Hon. John Ageng'o	Member

Key Management

Ref	Name	Position
1	Mr. Owen Ojuok	Fund Administrator
2	Mr. Boaz Ouko	Staff Representative

d) Registered Offices

P.O. Box 86 – 40100,
Kisumu County Assembly Buildings
Kisumu,
KENYA

COUNTY ASSEMBLY OF KISUMU
Car Loan and Mortgage Scheme
Reports and Financial Statement for the year ended 30th June, 2020

e) Fund Contacts

E-mail: kisumuassembly@gmail.com

Website: www.kisumuassembly.go.ke

f) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

2. Kenya Commercial Bank
(KISUMU BRANCH)
P.O. Box 19828 - 00100
Nairobi, 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

COUNTY ASSEMBLY OF KISUMU
Car Loan and Mortgage Scheme
Reports and Financial Statement for the year ended 30th June, 2020

3.0 REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present Kisumu County Assembly car loan and mortgage fund financial statements for the year ended 30th June 2020. The financial statements present the financial performance of the fund over the past year.

The fund was established during the first assembly and is now serving the second assembly members. At the beginning of the fund's operations in 2017, the funds had the initial seed money of Kshs. 250,000,000.00. The fund has since then received additional input of Kshs. 15,000,000.00 which was received in the period under reporting. The fund has since disbursed a total amount of Kshs. 253,700,000 as loan to members with a total of 61 beneficiaries.

Financial Performance

a) Revenue

In the year ended 30th June 2020, the fund had projected revenues of **Kshs. 3,000,000.00** Out of the projected revenue, the fund was able to realise **Kshs 4,444,645.00** in actual revenues, representing over 100% in performance.

In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (Kshs.)	Actual (Kshs.)	Realization (%)
Revenue			
Transfers from the Exchequer	15,000,000.00	15,000,000.00	100%
Interest income	3,000,000.00	4,011,050.00	134%
Other income	-	433,595.00	0%
Total income	18,000,000.00	19,444,645.00	108%

Loans

During the financial year 2019/2020, the fund for the first time issued loans to staff of the assembly achieving a milestone that has been pursued for long by staff. The fund disbursed 15 new loans bringing the total loan beneficiaries to date to 138.

b) Cash flows

In the FY 2019/2020, the fund has not experienced any liquidity disruptions. This has been mainly aided by the fact that repayment deductions are made at source. The cash and cash equivalents increased from **Kshs. 45,900,488.00** as at 30th June 2019 to **Kshs. 78,660,179.10** as at 30th June 2020. We look forward to increasing the number of loan beneficiaries from the staff membership in future.

COUNTY ASSEMBLY OF KISUMU
Car Loan and Mortgage Scheme
Reports and Financial Statement for the year ended 30th June, 2020

Conclusion

FY 2019/2020 was generally a favourable year for the fund. The fund has achieved some commendable progress in actualizing the dreams of the members of staff who are now able to access affordable credit. This milestone will be leveraged upon to create the needed momentum which the fund needs to pursue a trajectory that will destine it towards greater achievements in future.

I take this opportunity to thank the County Assembly Service Board and the Management Committee for their support. I also want to thank all staff who we have worked hand in hand to ensure that the Kisumu County Assembly Car Loan and Mortgage Fund achieve its core mission and mandates.

Signed: Owen Ojuok

Owen Ojuok
Fund Administrator

COUNTY ASSEMBLY OF KISUMU
Car Loan and Mortgage Scheme
Reports and Financial Statement for the year ended 30th June, 2020

4.0 CORPORATE GOVERNANCE STATEMENT

4.1 THE KISUMU COUNTY ASSEMBLY SERVICE BOARD

The Kisumu County Assembly Car Loan and Mortgage Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014 and Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide car loans to members and 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 CASB and the Fund Management Committee at its apex.

The operations of the fund are governed by The Kisumu County Assembly Car Loan and Mortgage Rules and Regulations made on 26th April, 2014. The structure is designed to ensure an informed decision making process based on accurate reporting to the Fund Management Committee.

4.2 THE FUND MANAGEMENT COMMITTEE

The Kisumu County Assembly Car Loan and Mortgage Rules and Regulations provide that the Management Committee shall be made up of members, including the chairman, and shall consist of a chairperson and other members nominated by fellow members. The Fund Management Committee is responsible for the long-term strategic direction of the fund and guidance of the Fund Administrator and his support team. The Fund Management Committee exercises leadership, enterprise, integrity and judgment in directing the Fund.

The Committee is provided with full, appropriate and timely information that enables it to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator but the Fund Management Committee is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing car loan and mortgage facility to members.

Committee Meetings

The Fund Management Committee meets regularly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets as agreed upon with the fund administrator and the support team.

5.0 MANAGEMENT DISCUSSION AND ANALYSIS

The fund continues to register growth over the years and the management has put measures in place to safeguard against 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 established credible and reliable credit history.

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

BUSINESS PERFORMANCE

Revenue

The fund earned revenues amounting to Kshs. **4,444,645.00** from interest income and insurance expenses recoveries as well as from Robin Hood Refunds from our banker. Overall income increased by **13%**.

Cash flow

In the FY 2019/2020, the fund has not experienced any liquidity disruptions. This has been mainly aided by the fact that repayment deductions are made at source. The cash and cash equivalents increased from **Kshs. 45,900,488.00** as at 1st July, 2019 to **Kshs. 78,660,179.10** as at 30th June 2020

COUNTY ASSEMBLY OF KISUMU
Car Loan and Mortgage Scheme
Reports and Financial Statement for the year ended 30th June, 2020

6.0 REPORT OF THE MANAGEMENT COMMITTEE

The Fund Management Committee submits their report together with the unaudited financial statements for the year ended June 30th, 2020 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to provide car loan and mortgage financing to the members of the Assembly

Results

The results of the Fund for the year ended June 30, 2020 are set out on pages **14 to 18**.

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 Fund Management Committee



Hon. Beatrice Akinyi Odongo

Chairperson - Fund Management Committee

Date: 28th June 2020

COUNTY ASSEMBLY OF KISUMU
Car Loan and Mortgage Scheme
Reports and Financial Statement for the year ended 30th June, 2020

7.0 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 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 Kisumu County Assembly Car Loan and Mortgage 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, 2020. 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 Kisumu County Assembly Car Loan and Mortgage 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.

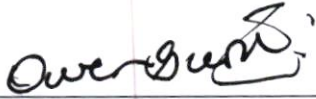
The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of 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 Kisumu County Assembly Car Loan and Mortgage 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.

COUNTY ASSEMBLY OF KISUMU
Car Loan and Mortgage Scheme
Reports and Financial Statement for the year ended 30th June, 2020

Approval of the financial statements

The fund's financial statements were approved by the Board on 30th June 2020 and signed on its behalf by:

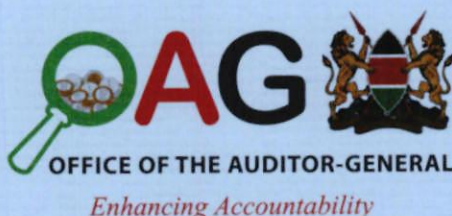


Owen Ojuok

Administrator - Kisumu County Assembly Car Loan and Mortgage Fund

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KISUMU COUNTY ASSEMBLY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kisumu County Assembly Car Loan and Mortgage Scheme Fund set out on pages 14 to 26, which comprise the statement of financial position as at 30 June, 2020, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kisumu County Assembly Car Loan and Mortgage Scheme Fund as at 30 June, 2020, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

The annual report and financial statements prepared and presented for audit had the following presentation and disclosure errors;

- i. The statement of financial position reflects long term receivables balance of Kshs.153,605,784 which differed with the long-term receivables balance of Kshs.153,665,243 shown in Note 8 to the financial statements. The variance of Kshs.59,459 was not reconciled;
- ii. The statement of comparison of budget and actual amounts reflects surplus for the period amounting to Kshs.3,481,679 which differed with the surplus balance of

Kshs.3,402,949 shown under the statement of financial performance resulting to an unreconciled variance of Kshs.78,730;

- iii. The statement of comparison of budget and actual amounts reflects surplus for the period amounting to Kshs.3,481,679, however a casting error of Kshs.78,730 was noted resulting to correct surplus for the period totalling Kshs.3,402,949;
- iv. The statement of comparison of budget and actual amounts reflects total income under original budget and adjustments columns amounting to Kshs.3,283,870 and Kshs.434,094, respectively totalling to Kshs.3,717,964. However, the statement reflects total income under final budget column amounting to Kshs.3,283,870 resulting to an unreconciled variance of Kshs.434,094.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unexplained Variances between the Amended and Original Financial Statements

The amended financial statements submitted for audit on 1 February, 2021 reflects four items balances for non-interest debt, long term receivables, total revenue and total expenses of Kshs.44,872,631, Kshs.153,605,784, Kshs.4,444,645 and Kshs.1,041,696, respectively. However, the original financial statements submitted on 30 September, 2020 reflect non-interest debt, long term receivables, total revenue and total expenses balances of Kshs.52,051,526, Kshs.146,381,150, Kshs.4,231,587 and Kshs.934,376, respectively. The adjustments of Kshs.7,178,895, negative Kshs.7,224,634, negative Kshs.213,058 and negative Kshs.107,320 in respect of non-interest debt, long term receivables, total revenue and total expenses respectively were not supported by journals.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

3. Inaccurate Cash and Cash Equivalents

As disclosed in Note 6 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.78,660,179 which differs with the bank reconciliation statements amount of Kshs.87,910,193 resulting to unreconciled variance of Kshs.9,250,014.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.78,660,179 could not be confirmed.

4. Failure to Disclose Defaulted Loan in the Financial Statements

Note 10 to the financial statements reflects contingent liability balance of Kshs.8,389,339 which relates to an amount the former County Assembly Speaker owes the Fund. However, it was not clear why the amount was not disclosed in the financial statements as a receivable and how the Management is planning to recover the loan.

Consequently, the full recovery of outstanding loan is doubtful.

5. Outstanding Non-Interest Debt

As disclosed in Note 12 to the financial statements, the statement of financial position reflects debts owed to Kisumu County Assembly totalling Kshs.44,872,631. However, no documentary evidence was provided by the Fund on how it intends to recover the amount.

Consequently, the recoverability of debts amounting to Kshs.44,872,631 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisumu County Assembly 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 adverse 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, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and the Basis for Adverse Opinion sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with Prescribed Format

The annual reports and the financial statements as prepared and presented for audit had the following errors: -

- i. The progress on follow up of prior year auditors' recommendations was not included in the financial statements;
- ii. The financial statements did not include the comparative balances for 2018/2019 financial year in the Notes to the financial statements;

- iii. The Fund Management Committee Chairperson report reflects inventory and finance costs of Kshs.43,696 which differed with the amount of Kshs.73,696 for finance costs and inventories shown under the statement of financial performance resulting to an unreconciled variance of Kshs.30,000;
- iv. The report of the Fund Administrator reflects projected revenue amounting to Kshs.3,000,000 under financial performance section while the statement of comparison of budget and actual amounts reflects budgeted income of Kshs.3,283,870 resulting to a variance of Kshs.283,870 which was not reconciled.

Consequently, the annual report and the financial statements as prepared and presented are not in the format prescribed by the International Public Sector Accounting Standards Board.

2. Over Expenditure on Budgeted Funds

The statement of comparison of budget and actual amounts reflects final expenditure budget of Kshs.900,000 against actual expenditure of Kshs.1,041,696 or 116%, resulting to an overall over absorption of Kshs.141,696. Further, the statement of comparison of budget and actual amounts reflects over expenditure for administration expenses of Kshs.268,000 or 38%.

This is contrary to Regulation 53(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities.

3. Non-Compliance with Loan Regulations

Review of Fund records showed that one of the beneficiary member applied for car loan and mortgage loan amounting to Kshs.4,375,000 and Kshs.4,375,000, respectively. However, it was noted that the loan given was not utilized for the intended purpose as the valuation report dated 20 March, 2020 indicated that the building had tenants and therefore could not qualify to be a residential property.

Further, the loan application for construction purposes was not accompanied by copies of design of residential property duly approved by urban area/city area showing where the building is to be situated and bills of quantities in respect of the proposed development were not provided contrary to Regulation 11(2) of the Public Finance Management (Mortgage Scheme) Regulations, 2020.

The Fund Management was therefore in breach of the law.

4. Failure to Appoint a Financial Institution to Administer the Funds

Review of Fund operations showed that the Fund Management did not appoint a financial institution to administer the funds which is contrary to Regulation 7(4) of the Public Finance Management (Car loan Scheme) Regulations, 2020 which requires that a financial institution to administer the Fund.

The Fund 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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance and Basis for Adverse Opinion sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Weak Internal Controls

The County Assembly of Kisumu Car Loan and Mortgage Scheme Fund had internal control weaknesses as highlighted below;

- i. Failure of the Fund to have an approved budget making it hard to determine how annual plans are to be met.
- ii. Review of personal files for members showed that the files did not have hire purchase agreements contrary to Regulation 12(3) of the PFM (Car loan Scheme) Regulations, 2020 requires that a member of the scheme to duly complete hire purchase agreement.

Consequently, the resources of the Fund are at risk of misuse.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to abolish 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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Fund 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

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

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

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

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

14 February, 2022

COUNTY ASSEMBLY OF KISUMU
Car Loan and Mortgage Scheme
Reports and Financial Statement for the year ended 30th June, 2020

8.0 FINANCIAL STATEMENTS

8.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

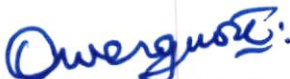
	Note	FY 2019/2020	FY 2018/2019
		Kshs.	Kshs.
Revenues			
Interest income	1	4,011,050.00	3,802,199.00
Other income	2	433,595.00	-
Total revenue		4,444,645.00	3,802,199.00
Expenses			
Fund administration expenses	3	968,000.00	444,000.00
Inventories	4	60,000.00	-
Finance costs	7	13,696.00	13,039.00
Total expenses		1,041,696.00	457,039.00
Surplus/(deficit) for the period		3,402,949.00	3,345,160.00

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8.2 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Note	FY 2019/2020 Kshs	FY 2018/2019 Kshs
Assets			
Current assets			
Cash and cash equivalents	6	78,660,179.00	45,900,488.00
Inventories	4	60,000.00	-
		78,720,179.00	45,900,488.00
Non-current assets			
Debts	12	44,872,631.00	
Long term receivables	8	153,605,784.00	212,895,157.00
		198,478,415.00	212,895,156.90
Total assets		277,198,594.00	258,795,645.00
Net assets		277,198,594.00	258,795,645.00
Equity			
Revolving Fund	13	250,000,000.00	255,450,485.00
Transfer from Exchequer	5	15,000,000.00	-
Accumulated surplus	14	12,198,594.00	3,345,160.00
Total equity		277,198,594.00	258,795,645.00

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 30/09 2020 and signed by:


Administrator of the Fund
Name: Owen Ojuok


Fund Accountant
Name: Felix O. Owuor
ICPAK No. 22874

COUNTY ASSEMBLY OF KISUMU
Car Loan and Mortgage Scheme
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8.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2020

	Revolving Fund	Accumulated surplus	TOTAL
	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2018	250,000,000.00	5,511,775.00	255,511,775.00
Surplus/(deficit) for the period	-	3,283,870.00	3,283,870.00
Funds received during the year	-	-	-
Revaluation gain	-	-	-
Balance as at 30 June 2019	250,000,000.00	8,795,645.00	258,795,645.00
Balance as at 1 July 2019	250,000,000.00	8,795,645.00	258,795,645.00
Surplus/(deficit) for the period	-	3,402,949.00	3,402,949.00
Funds received during the year	15,000,000.00	-	15,000,000.00
Balance as at 30 June 2020	265,000,000.00	12,198,594.00	277,198,594.00

COUNTY ASSEMBLY OF KISUMU
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8.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2020

	NOTES	FY 2019/2020 Kshs.	FY 2018/2019 Kshs.
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Exchequer Releases	5	15,000,000.00	-
Interest Received	1	4,011,050.00	3,207,531.00
Receipts from other Operating activities	2	433,595.00	-
<u>Payments</u>			
Fund Administration Expenses	3	(968,000.00)	(444,000.00)
Inventories	4	(60,000.00)	
Finance Costs, including Loan Interest	7	(13,696.00)	(13,039.00)
Net cash flows from operating activities		18,402,949.00	2,750,492.00
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan Disbursements Paid Out	9	(43,358,258.00)	(19,000,000.00)
Proceeds from Repayments	11	57,715,000.00	58,487,145.00
Net cash flows from investing activities		14,356,742.00	39,487,145.00
Net increase/(decrease) in cash and cash equivalents		32,759,691.00	39,487,145.00
Cash and cash equivalents at beginning of period		45,900,488.00	6,413,343.00
Cash and cash equivalents at end of period		78,660,179.00	45,900,488.00

COUNTY ASSEMBLY OF KISUMU
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Reports and Financial Statement for the year ended 30th June, 2020

8.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance difference	% Utilization
	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020
Revenue	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Interest income	3,283,870.00	-	3,283,870.00	4,011,050.00	727,180.00	22.1%
Other income	-	434,094.00	-	433,595.00	-	100%
Total income	3,283,870.00	434,094.00	3,283,870.00	4,444,645.00	1,160,775.00	100%
Expenses						
Fund administration expenses	700,000.00	-	700,000.00	968,000.00	268,000.00	138%
General expenses	200,000.00	-	200,000.00	73,696.00	126,304.00	37%
Total expenditure	900,000.00	-	900,000.00	1,041,696.00	141,696.00	116%
Surplus for the period	2,383,870.00		2,383,870.00	3,481,679.00	1,019,079.00	134%

9.0. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Revenue recognition

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.

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.

3. Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

4. Events after the reporting period

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

5. Ultimate and Holding Entity

The entity is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the KISUMU county assembly.

6. Currency

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

COUNTY ASSEMBLY OF KISUMU
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10.0 NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Mortgages

Jul-19	183,472.00
Aug-19	195,199.00
Sep-19	209,137.00
Oct-19	201,313.00
Nov-19	201,313.00
Dec-19	201,313.00
Jan-20	201,313.00
Feb-20	204,762.00
Mar-20	204,762.00
Apr-20	204,762.00
May-20	232,672.00
Jun-20	232,672.00
TOTAL	2,472,690.00

Car Loans

Jul-19	129,474.00
Aug-19	129,474.00
Sep-19	129,474.00
Oct-19	129,474.00
Nov-19	124,269.00
Dec-19	124,269.00
Jan-20	124,269.00
Feb-20	127,777.00
Mar-20	128,707.00
Apr-20	128,707.00
May-20	131,233.00
Jun-20	131,233.00
TOTAL	1,538,360.00

TOTAL INTEREST INCOME	4,011,050.00
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COUNTY ASSEMBLY OF KISUMU
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Reports and Financial Statement for the year ended 30th June, 2020

2. Other income

Description	FY 2019/2020
	Kshs.
Insurance recoveries	430,345.00
Income from bank refund (Robin Hood refunds)	3,250.00
Total	433,595.00

3. Fund Administration Expenses

Description	FY 2019/2020
	Kshs.
Fund Committee Expenses	968,000.00
	-
Total	968,000.00

4. Inventories

Description	FY 2019/2020
	Kshs.
Printing and stationery	60,000.00
Total	60,000.00

5. Exchequer Release

Description	FY 2019/2020
	Kshs.
Total Addition from the Exchequer for the FY	15,000,000.00
Total	15,000,000.00

6. Cash and Cash Equivalents

Cash at bank balances from the certified reconciled cashbook – **Kshs. 78,660,179.00**

COUNTY ASSEMBLY OF KISUMU
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Reports and Financial Statement for the year ended 30th June, 2020

7. Finance Cost

Description	FY 2019/2020
	Kshs.
Bank Charges	13,696.00
Total	13,696.00

8. Long-term Receivables

Description	FY 2019/2020
	Kshs.
Mortgages balances	104,913,963.36
Car Loan Balances	48,751,279.59
Total	153,665,242.95

9. Loan Beneficiaries in the Period

LOANS DISBURSED FOR THE PERIOD

01/08/2019	Hon. Onyango Oloo	6,000,000.00
01/08/2019	Hon. Eliakim Akungu	4,000,000.00
01/08/2019	Hon. Janet Opiata	4,000,000.00
24/12/2019	Nelco Sagwe	450,000.00
24/12/2019	Elisha Oraro	1,100,000.00
15/01/2020	Owen Ojuok	650,000.00
12/02/2020	Francis Ombewa	428,290.00
28/02/2020	Elisha Oraro	3,215,089.00
11/03/2020	Josphine Amondi	692,833.00
18/03/2020	Kephers Onoka	761,206.00
18/03/2020	Joseph Owuor	560,718.00
18/03/2020	Charles Ageng'o	2,056,395.00
18/03/2020	Arthur Gor	2,200,915.00
18/03/2020	Joshua Munda	1,967,585.00
18/03/2020	Peter Anditi	3,524,552.00
18/03/2020	Hellen Ngadi	1,752,903.00
09/04/2020	Joseph Owuor	369,148.00
09/04/2020	Arthur Gor	1,753,393.00
09/04/2020	Joshua Munda	2,008,333.00
09/04/2020	Peter Anditi	429,099.00
09/04/2020	Hellen Ngadi	1,827,072.00
09/04/2020	Charles Agengo	1,898,886.00
09/04/2020	Kephers Onoka	1,711,841.00
	TOTAL	43,358,258.00

COUNTY ASSEMBLY OF KISUMU
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10. Contingent Liability

The former speaker to the Assembly Hon. George Onyango Oloo, a beneficiary of the scheme currently owes the fund the sum of **Kshs. 8,389,339.00**. The amount owed is in arrears and recovery process has been initiated. It should be noted that settlement of the amount owed is contingent to factors beyond the funds control and therefore presents a contingent liability that the scheme may be forced to assume in the interminable future.

Contingent liabilities	FY2019/2020
	KShs.
Legal Case No. 32 of 2019	8,389,339.00

11. Proceeds from Repayments

01/07/2019	CAK	4,946,121.75
08/10/2019	CAK	4,847,022.95
14/10/2019	CAK	5,239,261.90
14/10/2019	CAK	5,199,622.45
30/10/2019	CAK	5,044,514.30
27/12/2019	CAK	5,093,480.00
27/12/2019	CAK	5,093,480.00
07/02/2020	CAK	5,093,480.00
10/03/2020	CAK	5,239,487.50
26/03/2020	CAK	5,505,158.50
14/05/2020	CAK	5,443,457.85
15/06/2020	CAK	5,411,307.70
Total Repayments for the Period		62,156,394.90

Total Repayments Received **62,156,395.00**

Less:

Interest Income (4,011,050.00)

Insurance Recoveries (430,345.00)

Net Proceeds from Repayments **57,715,000.00**

COUNTY ASSEMBLY OF KISUMU
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12. Debts

Debts	FY2019/2020
	KShs.
County Assembly of Kisumu	44,872,631.00

13. Revolving Fund

Initial Release to 50 members at kshs. 5,000,000.00	FY2019/2020
	KShs.
Revolving Fund	250,000,000.00

14. Accumulated Surplus

	Revolving Fund	Accumulated Surplus	TOTAL
	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2018	250,000,000.00	5,511,775.00	255,511,775.00
Surplus/(deficit) for the period	-	3,283,870.00	3,283,870.00
Funds received during the year	-	-	-
Balance as at 30 June 2019	250,000,000.00	8,795,645.00	258,795,645.00
Balance as at 1 July 2019	250,000,000.00	8,795,645.00	258,795,645.00
Surplus/(deficit) for the period	-	3,402,949.00	3,402,949.00
Funds received during the year	15,000,000.00	-	15,000,000.00
Balance as at 30 June 2020	265,000,000.00	12,198,594.00	277,198,594.00

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15. Insurance Cost

The total amount of Kshs. **43,358,258.00** for loan disbursed for the period is net of the insurance charges payable by each beneficiary at applicable rates for loan amount applied for and tenure.

Insurance Deductions

	FY2019/2020
	KShs.
Insurance Deductions	341,742.00

