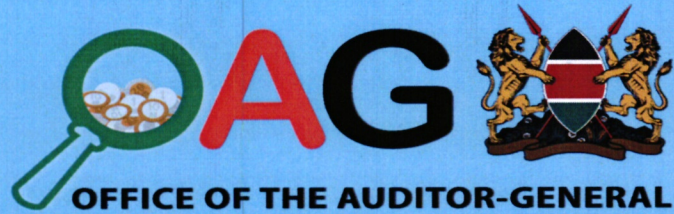


REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

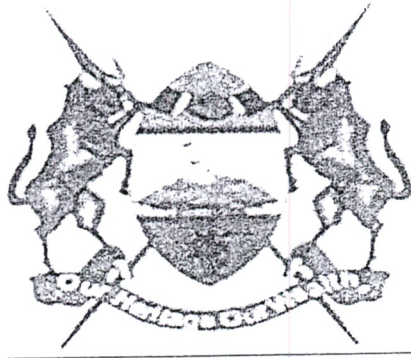
**ON**

**BUNGOMA COUNTY ASSEMBLY MEMBERS'  
CAR LOAN AND MORTGAGE  
SCHEME FUND**

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

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**BUNGOMA COUNTY ASSEMBLY – MEMBERS CAR LOAN AND  
MORTGAGE SCHEME FUND**

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

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

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

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

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**1. Key Entity Information and Management**

**a) Background information**

The Bungoma County Assembly Member Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the fund and as advised by the SRC in the circular under the reference, Bungoma county adopted the PFM regulations 2014 to guide in the operationalization of the fund. The fund is internally administered in the county assembly by the office of the clerk.

The Bungoma County Assembly Members Car Loan and Mortgage Scheme Fund was set up by the salaries and remuneration commission through circular Ref No. SRC/TS/CGOVT/3/16 of 2013 as a benefit to members of the scheme.

The fund is wholly owned by the county government of Bungoma and is domiciled in Kenya.

**b) Principal Activities**

The principal activity/mission/ mandate of the fund is to provide car loan and Mortgage to Members of the County Assembly.

**c) Fund Administration Committee**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Hon. James Barasa Mukhongo	Chairperson
2	Hon. Jack Wambulwa	Vice Chairperson
3	Hon. Jane Cheperenger Ingo	Member
4	Hon. George Makari	Member
5	Hon. Millia Masungu	Member
6	Ms. Rael Nekesa	Member
7	Mr. Charles Wanjala	Secretary

**d) Key Management**

<b>No.</b>	<b>Name</b>	<b>Designation</b>
1.	Charles Wanjala	Fund Administrator from 9 <sup>th</sup> Feb 2022
2.	John Mosongo	Fund Administrator up to 8 <sup>th</sup> Feb 2022
3.	Hon. James Barasa Mukhongo	Chair person
4.	Rael Nekesa Khisa	CASB

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

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**e) Registered Offices**

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

**f) Fund Contacts**

Telephone: (254) 726411821  
E-mail: [info@bungomaassembly.go.ke](mailto:info@bungomaassembly.go.ke)  
Website: [www.bungomaassembly.go.ke](http://www.bungomaassembly.go.ke)

**g) Fund Bankers**

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

**h) Independent Auditors**





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

**i) Principal Legal Adviser**




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

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

**2. The Fund Committee**





Name	Details of qualifications and experience
<p>1. </p>	<p><b>Hon. James Barasa Mukhongo- Chairman</b> He was elected MCA Chwele/Kabuchai Ward in August 2017. He is the Chairperson Finance and Economic Planning Committee</p>
<p>2. </p>	<p><b>Hon. Jack Wambulwa – Member.</b> He was elected MCA Kimaeti Ward in August 2017. He is the Chair Budget and Appropriation Committee.</p>
<p>3. </p>	<p><b>Hon. Jane Cheperenger Ingo – Member</b> She was nominated MCA in August 2017. She represents women in the Committee.</p>
<p>4. </p>	<p><b>Hon. Milliah Masungo – Member</b> She was elected MCA Misikhu Ward in August 2017. She represents women in the Committee.</p>

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

<p>5.</p> 	<p><b>Hon. George Makari-Member</b> He was elected MCA Musikoma Ward in August 2017. He is a member of Welfare Committee.</p>
<p>6.</p> 	<p><b>Ms. Rael Nekesa-Member</b> Ms Rael Nekesa was competitively recruited as member representing the public in 2017. She holds a Bachelor's degree in Business Administration from Maseno University and Masters in Project Planning and Management from University of Nairobi.</p>
<p>7.</p> 	<p><b>Mr Charles Wanjala Wafula</b> He was appointed to the position of Deputy Clerk on January 2022 and Acting Clerk of the County Assembly of Bungoma on February 2022. He previously worked in the Finance and Accounts department as Accountant I and seconded to the Fund in June 2018. He holds an undergraduate degree in Bachelor in Commerce (Accounting) from KCA University with a Diploma in Accounts and CPA Part II. He has also had training at Kenya School of Government Senior Management Course and Strategic Leadership and Development Program.</p>

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

**3. Management Team**

Name	Details of qualifications and experience
<p>1. </p>	<p><b>John Mosongo-Fund Administrator</b> Mr Mosongo is the Clerk to the County Assembly of Bungoma. He was initially seconded by the transition Authority before being recruited by CASB on 12<sup>th</sup> January 2014. Mr Mosongo holds a Bachelor of Arts Degree from University of Nairobi. He has undertaken a Senior Management Course and Strategic Leadership Course offered by the Kenya School of Government. Mr Mosongo is a member of the Labour relations at the Society of Clerks at the Table (SOCATT). He previously served as Clerk of various local authorities in the defunct local authorities  He retired on 8<sup>th</sup> February 2022</p>
<p>2. </p>	<p><b>Charles Wanjala Wafula –Fund Administrator</b> He was appointed to the position of Deputy Clerk on January 2022 and Acting Clerk of the County Assembly of Bungoma on February 2022. He previously worked in the Finance and Accounts department as Accountant I and seconded to the Fund in June 2018. He holds an undergraduate degree in Bachelor in Commerce (Accounting) from KCA University with a Diploma in Accounts and CPA Part II. He has also had training at Kenya School of Government Senior Management Course and Strategic Leadership and Development Program.</p>
<p>3. </p>	<p><b>Hon. James Barasa Mukhongo- Chairman</b> He was elected MCA Chwele/Kabuchai Ward in August 2017. He is the Chairperson Finance and Economic Planning Committee</p>
<p>4. </p>	<p><b>Ms. Rael Nekesa-CASB Member</b> Ms Rael Nekesa was competitively recruited as member representing the public in 2017. She holds a Bachelor’s degree in Business Administration from Maseno University and Masters in Project Planning and Management from University of Nairobi.</p>

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

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**4. Fund Chairperson’s Report**

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

**Sustainability**

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

**Review of performance**

**Income**

The income from interest income amounted to Kshs. 581,594 .

**Expenditure**

The total expenditures during the period amounted to Kshs.5,468,972 meant to undertake fund administration expenses with regard to hospitality related activities and bank charges.

**Conclusion**

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

I look forward to your continued support.

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



**Hon. James Barasa Mukhongo  
Fund Administration Chairperson**

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

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**5. Report of the Fund Administrator**

It is my pleasure to present the County Assembly of Bungoma car loan and Mortgage Scheme financial statements for the year ended 30<sup>th</sup> June 2022. The financial statements present the financial performance of the fund over the past year.

**Financial Performance**

**a) Revenue**

In the year ended 30<sup>th</sup> June 2022, the fund was able to realise KShs 581,594 in actual interest. There was a drop in interest realised (from KSh.3,118,229 in the prior year) as a result of most beneficiaries clearing their loans at the beginning of the current financial year.

**b) Loans**

During the financial year 2021/2022, the fund did not disburse any loans to beneficiaries as a result of their election term coming to an end.

**c) Cash flows**

In the financial period, we have not had many liquidity disruptions. The cash and cash equivalents was Kshs 2,579,172 as at 30<sup>th</sup> June 2022.

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

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

**CHARLES WANJALA WAFULA**  
**FUND ADMINISTRATOR**

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

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**6. Corporate Governance Statement**

**THE FUND**

The Bungoma county assembly Members car loan and mortgage scheme fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014 Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide car loans and mortgage to Members of County Assembly. 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 Loans Management Committee at its apex. The operations of the fund are governed by the Members Car Loan and Mortgage regulations made on 26th April, 2014. The structure is designed to ensure an informed decision making process based on accurate reporting to the board.

**AUDIT AND RISK COMMITTEE**

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

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

**Table 1: Audit Committee Members**

**STATEMENT OF COMPLIANCE**

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

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

**INTERNAL CONTROL AND RISK MANAGEMENT**

**Internal Control**

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

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

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**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 – Members Car Loan And Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2022**

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**7. Management Discussion and Analysis**

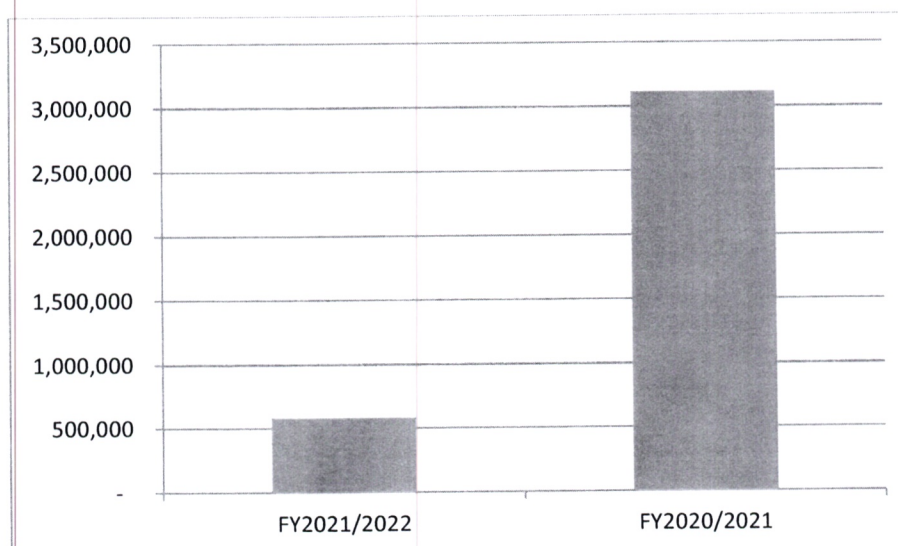
The fund has continues to grow and the management has put measures in place to safeguard against risks. The fund’s activities expose it to a variety of financial risks including credit and liquidity risks. The Fund’s overall risk management programme focuses on unpredictability of changes in the business 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**

In the year ended 30<sup>th</sup> June 2022, the fund was able to realise KShs 581,594 in actual interest. There was a drop in interest realised (from KSh.3,118,229 in the prior year) as a result of the Car Grant granted to MCAs.



**Figure 1: Revenue Comparisons**

**Cash flows**

We have not had many liquidity disruptions for the period. The cash and cash equivalents was KShs.2,579,172 as at 30<sup>th</sup> June 2022 which is a reduction from the prior year’s cash flow of Ksh. 8,323,563 due to increased cash outflow.

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

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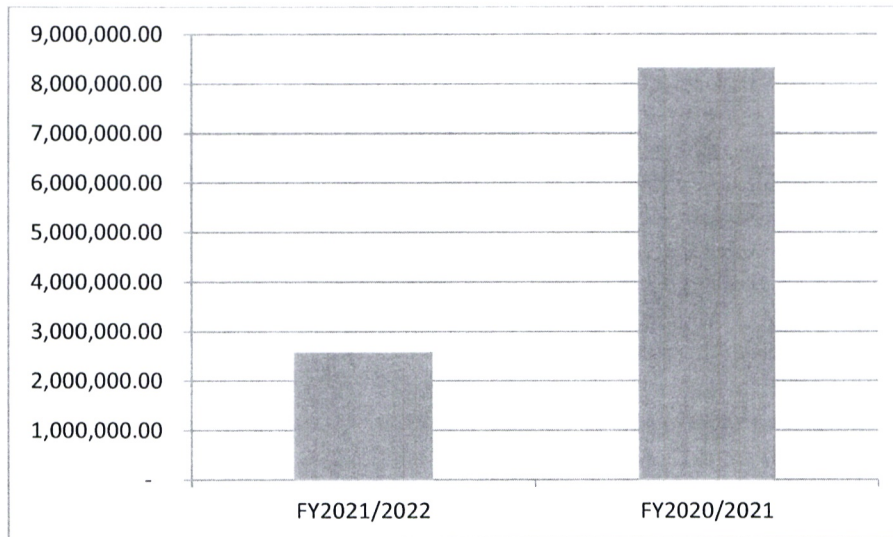


Figure 2: Cash flow Comparisons

**Loans Disbursements**

During the financial year 2021/2022, the fund did not disburse any loans to beneficiaries as a result of their election term coming to an end.

**OPERATIONAL PERFORMANCE**

The fund’s core operating activity has been the offering car loans and mortgage to Members of the County Assembly. The county government has supported the fund and has made provisions to refund car grant granted to 2<sup>nd</sup> county assembly members.

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

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**8. Report of the Fund Committee**

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

**Principal activities**

The principal activities of the Fund are;

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

**Results**

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

**Fund Committee**

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

**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 Committee

Hon. George Mkari

Member of the Committee

Date: 30.09.2023



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

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**9. Statement of Management’s Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund 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 Bungoma County Assembly Car Loan and Mortgage Scheme Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2022, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

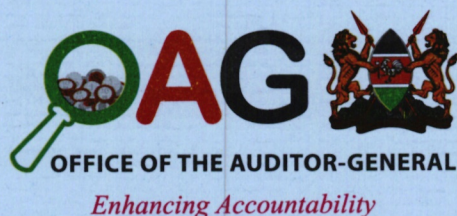
**Approval of the financial statements**

The Fund’s financial statements were approved by the Loans Management Committee on 30<sup>th</sup> September 2022 and signed on its behalf by:

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

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON BUNGOMA COUNTY ASSEMBLY MEMBERS' CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Bungoma County Assembly Members' Car Loan and Mortgage Scheme Fund set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2022 and the statement of

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bungoma County Assembly Members' Car Loan and Mortgage Scheme Fund as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (Bungoma County Assembly Members' Car Loan Scheme Fund) Regulations, 2018.

## **Basis for Qualified Opinion**

### **1. Unsupported Prior Year Adjustments**

The statement of changes in net assets reflects an amount of Kshs.89,500,000 and Kshs.32,000,000 being amounts refunded as principal car loan car grant and principal car loan written off respectively, under the revolving fund. However, the amounts are at variance with the balances of Kshs.92,500,000 and Kshs.31,500,000 respectively, reflected in the audited financial statements for the year ended 30 June, 2021. The respective variances of Kshs.3,000,000 and Kshs.500,000 have not been explained or reconciled.

In addition, Note 6 to the financial statements on prior year adjustments reflects adjustments during the year of Kshs.45,625,458. However, the balance includes an adjustment of Kshs.9,010,351 relating to receivables which was not supported by a detailed analysis.

In the circumstances, the accuracy and completeness of the prior year adjustment balances could not be confirmed.

### **2. Non-Recovery of Long Outstanding Loans**

The statement of financial position reflects a balance of Kshs.21,457,620 in respect of long-term receivables from exchange transactions as disclosed in Note 4B to the financial statements. However, the balance includes an amount of Kshs.5,177,571 which has been outstanding since 2018/2019. No explanation was provided for the failure to recover the long outstanding loans.

In the circumstances, the recoverability of the loan balances totalling Kshs.5,177,571 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Bungoma 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 qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects total actual expenditure of Kshs.5,468,972 against approved budget of Kshs.581,594 resulting to over-expenditure of Kshs.4,887,378 or 840% of the budget. No explanation was provided on the source and approval of the excess funding of Kshs.4,887,378.

In the circumstances, the excess expenditure of Kshs.4,887,378 could not be confirmed.

### **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, I confirm that, nothing 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**

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 the intention to terminate the Fund or to cease its operations.

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

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

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

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

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 noncompliance. 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 sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Fund to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

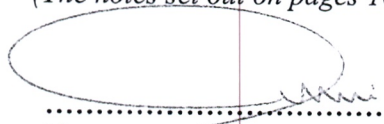
**31 March, 2023**

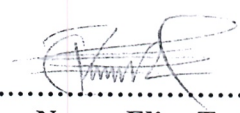
**Bungoma County Assembly – Members Car Loan And Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2022**

**11. Statement of Financial Performance For The Year Ended 30th June 2022**

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
<b>Revenue from exchange transactions</b>			
Interest income	1	581,594	3,118,229
<b>Total revenue</b>		<b>581,594</b>	<b>3,118,229</b>
<b>Expenses</b>			
General expenses	2	5,468,972	4,914,105
<b>Total expenses</b>		<b>5,468,972</b>	<b>4,914,105</b>
<b>Surplus/( deficit) for the period</b>		<b>- 4,887,378</b>	<b>- 1,795,876</b>

*(The notes set out on pages 16 to 19 form an integral part of these Financial Statements)*

  
Name: Charles Wanjala Wafula  
Administrator of the Fund

  
Name: Elias Taskin  
Fund Accountant

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

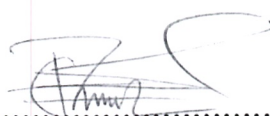
**12. Statement of Financial Position as at 30 June 2022**

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	2,579,172	8,323,563
Current portion of long term receivables from exchange transactions	4A	100,005,321	100,329,485
<b>Non-current assets</b>			
Long term receivables from exchange transactions	4B	21,457,620	70,277,703
Other Long term Receivables	4C	20,643,571	20,686,221
<b>Total assets</b>		<b>144,685,685</b>	<b>199,616,973</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	5	-	36,600,000
<b>Total Liabilities</b>		<b>-</b>	<b>36,600,000</b>
<b>Net assets</b>		<b>144,685,685</b>	<b>163,016,973</b>
Revolving Fund		191,000,000	193,500,000
Prior year adjustment	6	- 45,625,458	- 34,681,548
Accumulated surplus		- 688,857	4,198,521
<b>Total net assets and liabilities</b>		<b>144,685,685</b>	<b>163,016,973</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30<sup>th</sup> September 2022 and signed by:



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



**Name: Elias Taskin**  
**Fund Accountant**

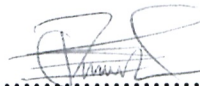
**Bungoma County Assembly – Members Car Loan And Mortgage Scheme Fund  
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For the year ended June 30, 2022**

**13. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

	Revolving Fund	Accumulated surplus	Total
	KShs	KShs	KShs
<b>Balance as at 1 July 2020</b>	<b>315,000,000</b>	<b>5,994,397</b>	<b>320,994,397</b>
Less:- Principal Car Loan Amount Refunded as Car Grant	- 89,500,000		- 89,500,000
Less:- Principal Car Loan Amount outstanding written off	- 32,000,000		- 32,000,000
Surplus/(deficit) for the period	-	- 1,795,876	- 1,795,876
<b>Balance as at 30 June 2021</b>	<b>193,500,000</b>	<b>4,198,521</b>	<b>197,698,521</b>
<b>Balance as at 1 July 2020</b>	<b>193,500,000</b>	<b>4,198,521</b>	<b>197,698,521</b>
Less:- Principal Car Loan Amount Refunded as Car Grant	- 2,500,000		- 2,500,000
Surplus/(deficit) for the period	-	- 4,887,378	- 4,887,378
<b>Balance as at 30 June 2022</b>	<b>191,000,000</b>	<b>- 688,857</b>	<b>190,311,143</b>



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



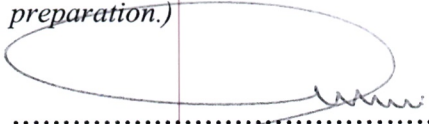
.....  
**Name: Elias Taskin**  
**Fund Accountant**

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

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

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received	1	581,594	3,118,229
<b>Total Receipts</b>		<b>581,594</b>	<b>3,118,229</b>
<b>Payments</b>			
General expenses	2	5,468,972	4,914,105
<b>Total Payments</b>		<b>5,468,972</b>	<b>4,914,105</b>
<b>Cash flows from operating activities</b>		<b>(4,887,378)</b>	<b>(1,795,876)</b>
<b>Adjustments;</b>			
Prior year Adjustment	5	-	(15,107)
Debtors Borrowings	4A	(59,736,858)	(123,471,712)
Debtors Repayments	4A	21,068,337	91,222,073
Insurance Repayments	4C	42,650	172,889
		<b>(38,625,871)</b>	<b>(32,091,857)</b>
<b>Net Cash flows from Operating Activities</b>		<b>(43,513,249)</b>	<b>(33,887,734)</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments	4B	41,368,858	80,988,973
Car Grant		(2,500,000)	(92,500,000)
Loan disbursements paid out	4B	(1,100,000)	(1,800,000)
<b>Net cash flows used in investing activities</b>		<b>37,768,858</b>	<b>(13,311,027)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(5,744,391)</b>	<b>(47,198,762)</b>
Cash and cash equivalents at 1 JULY	3	8,323,563	55,522,325
<b>Cash and cash equivalents at 30 JUNE</b>	3	<b>2,579,172</b>	<b>8,323,563</b>

*(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.)*


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

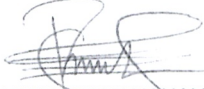
.....  
  
**Name: Elias Taskin**  
**Fund Accountant**

**Bungoma County Assembly – Members Car Loan And Mortgage Scheme Fund  
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**15. Statement of Comparison of Budget and Actual Amounts for the Period**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2021	2021	2021	2021	2021	2021
Revenue	KShs	KShs	KShs	KShs	KShs	
Interest income	581,594	-	581,594	581,594	-	100%
Other income		-	-	-	-	-
<b>Total income</b>	<b>581,594</b>	<b>-</b>	<b>581,594</b>	<b>581,594</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
General expenses	581,594	-	581,594	5,468,972	(4,887,378)	940%
<b>Total expenditure</b>	<b>581,594</b>	<b>-</b>	<b>581,594</b>	<b>5,468,972</b>	<b>(4,887,378)</b>	<b>940%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 4,887,378</b>	<b>4,887,378</b>	

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

  
.....  
**Name: Elias Taskin**  
**Fund Accountant**

**Bungoma County Assembly – Members Car Loan And Mortgage Fund  
Reports and Financial Statements  
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**16. Notes to the Financial Statements**

**1. General Information**

The Bungoma County Assembly Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the fund and as advised by the SRC in the circular under the reference, Bungoma county adopted the PFM regulations 2014 to guide in the operationalization of the fund. The fund is internally administered in the county assembly by the office of the clerk.

The Bungoma County Assembly Car Loan and Mortgage Scheme Fund was set up by the salaries and remuneration commission through circular Ref No. SRC/TS/CGOVT/3/16 of 2013 as a benefit to members of the scheme.

The fund is wholly owned by the county government of Bungoma and is domiciled in Kenya, the fund's objective is to;

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

**2. Statement of compliance and basis of preparation**

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

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

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

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

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

**Bungoma County Assembly – Members Car Loan And Mortgage Fund**  
**Reports and Financial Statements**  
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**(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

Standard	Effective date and impact:
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</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> <ol 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> </ol>

**Bungoma County Assembly – Members Car Loan And Mortgage Fund**  
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Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2023:</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>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>

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

**(iii) Early adoption of standards**

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

**Bungoma County Assembly – Members Car Loan And Mortgage Fund  
Reports and Financial Statements  
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**1. Significant Accounting Policies**

**a) Revenue recognition**

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

Transfers from other government entities

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

**ii. Revenue from exchange transactions**

***Interest income***

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

**b) Budget information**

The original budget for FY 2021-2022 was approved by the County Assembly on 19<sup>th</sup> August 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

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***Summary of Significant Accounting Policies (Continued)***

**c) Property, plant and equipment**

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

**d) Intangible Assets**

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

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

**a) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Loans and receivables***

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

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

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

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

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***Summary of Significant Accounting Policies (Continued)***

***Contingent liabilities***

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

***Contingent assets***

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

**b) Nature and purpose of reserves**

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

**c) Changes in accounting policies and estimates**

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

**d) Employee benefits – Retirement benefit plans**

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

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

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

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***Summary of Significant Accounting Policies (Continued)***

**e) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**f) Related parties**

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

**g) Cash and cash equivalents**

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

**h) Comparative figures**

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

**i) Events after the reporting period**

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

**j) Ultimate and Holding Entity**

The entity is a County Public Fund established The Bungoma County Assembly (Employees' Car Loan Scheme Fund) Regulations, 2017 on 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.

**k) Currency**

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

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

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

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

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

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

**b) Useful lives and residual values**

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

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

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**6. Notes to the Financial Statements**

**1. Interest income**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Interest income from Car & Mortgage Loan	581,594	3,118,229
<b>Total interest income</b>	<b>581,594</b>	<b>3,118,229</b>

**2. Use of Goods and Services**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Hospitality (Allowances)	5,444,800	4,894,800
Other expenses-Bank Charges	24,172.00	19,305
<b>Total</b>	<b>5,468,972</b>	<b>4,914,105</b>

**3. Cash and cash equivalents**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Current account	2,579,172	8,323,563
<b>Total cash and cash equivalents</b>	<b>2,579,172</b>	<b>8,323,563</b>

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

Financial institution	Account number	FY2021/2022	FY2020/2021
		KShs	KShs
Current account			
Kenya Commercial bank .	1220563730	2,466,214	8,202,371
Kenya Commercial bank Collection	1265050945	112,958	121,193
Bank Of Africa	2624950004	-	-
Bank Of Africa	2624950017	-	-
<b>Total</b>		<b>2,579,172</b>	<b>8,323,563</b>

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**4. Receivables from exchange transactions**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
<b>Current Receivables</b>		
<b>4A</b>		
Balance b/f	100,329,485	67,079,846
Add:- Additional borrowings	59,736,858	123,471,712
Add:- Borrowings adjustment		1,000,000 *
	<b>160,066,343</b>	<b>191,551,558</b>
Less:- Loan repayments	21,068,337	91,222,073
Less: other borrowings adjustment	2,252,431	-
Less:- Tax on Car grant paid by CASB	36,600,000	
Less:Staff Deductions Credited to MCA A/c	1,960,254	
	<b>98,185,321</b>	<b>100,329,485</b> *
Payroll Deductions receivable	1,820,000.00	
<b>Total Current receivables</b>	<b>100,005,321.03</b>	<b>100,329,485.13</b>
<b>Non Current receivables</b>		
<b>4B</b>		
Balance b/f	70,277,703	177,533,117
Less:- Old Loan repayments adjustment	- 11,341,705	
Add:- Outstanding loans adjustment	2,358,048	1,933,559 *
<b>Adjusted Balance b/f</b>	<b>61,294,047</b>	<b>179,466,677</b>
Less:- Car loan outstanding balance written off	-	- 32,000,000 *
		<b>147,466,677</b>
Add:- Loan disbursements	1,100,000	1,800,000
Add:- Loan disbursements adjustment	2,252,431	2,000,000 *
	<b>64,646,478</b>	<b>151,266,677</b>
Less:- Loan repayments	43,188,858	80,988,973
<b>Long term loan repayments due</b>	<b>21,457,620</b>	<b>70,277,703</b> *
<b>Other exchange debtors-Insurance Receivable</b>		
<b>4C</b>		
Balance b/f	20,686,221	20,859,110
Less:- Insurance received	(42,650)	(172,889)
<b>Other Exchange Debtors</b>	<b>20,643,571</b>	<b>20,686,221</b>
<b>Total Non current receivables</b>	<b>42,101,191</b>	<b>90,963,925</b>
<b>Total receivables from exchange transactions</b>	<b>140,286,512</b>	<b>191,293,410</b>

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

Balance b/f	36,600,000	-
Tax on Car Grant Payable	-	36,600,000
Less:-Payment of tax by CASB	- 36,600,000	
	-	<b>36,600,000</b> *

**6. Prior year adjustment**

Description Of The Error	Balance b/f	Adjustments	Adjusted **
	FY 2020-2021 as	during the year	Balance b/f
			FY 2020-2021
	Kshs	Kshs	Kshs
Bank Account Balances	8,339,090	- 15,107	8,323,983
Receivables	70,277,703	- 9,010,351	61,267,352
Payables	-	- 36,600,000.00	- 36,600,000
	<b>78,616,794</b>	<b>- 45,625,458</b>	<b>32,991,336</b>

**Prior year adjustment detailed analysis**

**Prior year adjustment  
detailed analysis**

			2020/2021	2020/2021	Effect on	Comment
			(Restated)	(Reported)	2020/2021	
			Kshs	Kshs	Kshs	
General Expenses	2	4,914,105	4,913,688	420	Being bank charges from the collection bank account of last financial year left out in the financial statements.	
Cash and cash equivalents	3	8,339,090	8,323,563	15,527	1. Being adjustment of Bank of Africa balances of Kshs. 15,107 to NIL as a result of closure of the Accounts in the financial year 2017/2018. 2. Being adjustment of bank balance for collection Account captured as Kshs. 121,613 instead of Kshs.121,193	
Current Receivables	4A	100,329,485	99,329,485	1,000,000	1. Being reversal of Kshs.1,500,000 car grant payment to Godfrey Mukhwana captured erroneously as refund of CASB borrowing. 2. Being loan issued to Emmanuel Situma of Kshs. 500,000 wrongly classified as borrowings	
Non Current receivables	4B	70,277,703	66,844,144	3,433,559	1. Kshs. 1,933,559 being adjustment in loan outstanding brought forward as a result of reconciliation with members' amortization schedules. 2. Kshs. 500,000 being loan issue to Ben Kipkut captured erroneously as car grant (32,000,000 from 31,500,000) 3. Kshs 1,500,000 erroneously captured as car grant instead of Loan issues ( Rael and Kipkut). Kshs. 500,000 erroneously captured as CASB borrowing instead of loan issue. (Emmanuel Situma)	
Current Payables	5	36,600,000	0	36,600,000	Being introduction of tax payable to Car grant not captured in the previous year	

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**Other Disclosures**

**7. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Due from related parties**

	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Due from the County Assembly Board	98,185,321	100,329,485
<b>Total</b>	<b>98,185,321</b>	<b>100,329,485</b>

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**Bank Reconciliation Statements Fo-30**

**REPUBLIC OF KENYA  
COUNTY GOVERNMENT OF BUNGOMA  
COUNTY ASSEMBLY OF BUNGOMA**

**COUNTY ASSEMBLY OF BUNGOMA CAR LOAN SCHEME**

**FO 30**


**ACCOUNT NO:1265050945**

**BANK RECONCILIATION STATEMENT**

**AS AT 30TH FEBRUARY 2022**

	AMOUNT	COLUMN I		
		Date	Details	Cheque No. Amount
<b>Balance as per Bank Certificate</b>	112,958.00			
<b>LESS:</b>				
<b>COLUMN I:</b>		<b>COLUMN II</b>		
Payment in the Cash Book not yet presented for payment		Date	Details	Cheque No. Amount
<b>COLUMN II:</b>				
Receipt in the Bank Statement not yet recorded in the Cash Book				
<b>ADD:</b>		<b>COLUMN III</b>		
<b>COLUMN III:</b>		Date	Details	Cheque No. Amount
Payment in the Bank Statement not yet recorded in the Cash Book	-			
<b>COLUMN IV:</b>		<b>COLUMN IV</b>		
Receipt in the Cash Book not yet recorded in the Bank Statement	-	Date	Details	Cheque No. Amount
<b>Balance as per The Cash Book</b>	112,958.00			
Cash book Balance	112,958.00			
Difference	-			

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

	<i>Accountant II</i>	<i>24/07/2023</i>
Signature	Designation	Date
.....	.....	.....
Signature	Designation	Date
.....	.....	.....
Signature	Designation	Date



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**17. Financial risk management**

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

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

**a) Credit risk**

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

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

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

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

**b) Liquidity risk management**

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

**c) Market risk**

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

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

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Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

**d) Interest rate risk**

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

***Management of interest rate risk***

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

**e) Capital risk management**

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern.

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**18. 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 person resolve issue	Point to the	Status:	Timeframe
1.	<p><b>Cash and Cash Equivalents</b>  It was noted the cash and cash equivalents balance of Kshs.4,973,973 which is detailed under note 4 to the financial statements reflects a bank balance of Kshs.4,973,973 as at 30 June, 2019. However, review of the bank reconciliation statements revealed that the management used the bank certificates of balance for the three (3) bank accounts instead of the reconciled cash book balances totaling Kshs.10,598,566, resulting into an unreconciled variance of Kshs.5,624,893</p>	<p>Adjustments have been made in the current Financial year statements (FY2019/2020) to reflect the Bank reconciliation statement and cash book.</p> <p>For the Bank of Africa Accounts, The Bank certificate balance is equal to the Cash book balance. i.e. there are no unreconciled effects.</p> <p>See also attached Bank reconciliation statements for reference. (Appendix 1)</p>			Resolved	
2.	<p><b>Non-Current Receivables</b>  Included in the figure of non-current receivables of Kshs.276,955,516 under note 5B is long term loan repayments due of Kshs.255,155,516. However, recasting of the reported long term loan</p>	<p>The figures agree to the supporting schedules. See the summary,recasted plus schedules attached in Appendix 2.</p>			Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person resolve issue	Point to the	Status:	Timeframe
	repayments balance yielded a figure of Kshs.255,137,120 leading to an unexplained variance of Kshs.18,396. As a result, the accuracy of the long term loan repayments balance of Kshs.255,155,516 could not be confirmed					

2.	<b>Non-Current Receivables</b> Included in the figure of non-current receivables of Kshs.276,955,516 under note 5B is long term loan repayments due of Kshs.255,155,516. However, recasting of the reported long term loan repayments balance yielded a figure of Kshs.255,137,120 leading to an unexplained variance of Kshs.18,396. As a result, the accuracy of the long term loan repayments balance of Kshs.255,155,516 could not be confirmed	The figures agree to the supporting schedules. See the summary,recasted plus schedules attached in Appendix 2.		Resolved	
3.	<b>Lack of Security on Loan Disbursed to Members</b> It was noted that the long term loan repayments due totaling Kshs.276,955,516 under note 5(b) to the	The management is facing challenges in the implementation of the recommendation due to budgetary constraints. The titles have been submitted to the fund and		On-going	

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	<p>financial statements, include a balance of Kshs.255,155,516 for both car loan and mortgages which are not secured with registration of logbooks and title deeds on joint ownership of the acquired assets contrary to regulations which require joint registration of ownership and placing the title document in custody of fund administration.</p> <p>In the circumstances, the Fund contravened Regulation 8(2) of the Public Finance (County Assembly Car Loan (Members) Scheme Fund) Regulations, 2018 that requires the log-book of a vehicle subject to a loan from the Fund to be issued jointly between the County Assembly and the member of the Scheme and be kept in the custody of the officer administering the Fund until the loan is repaid in full by the member of the Scheme.</p> <p>Further, the Fund failed to adhere to Regulation 15(1) of the Public Finance Management (County Assembly Mortgage (Members) Scheme Fund) Regulations, 2018, which requires the Fund to have a charge registered on the property financed through a loan granted and its name entered in all documents of title for such property.</p>	<p>the request to charge through an advocate has been launched. However, there has been delay in implementation of the instructions at the lands office due to management instability and COVID 19.</p>			
4.	<p><b>Un-collected Loans Arrears</b> It was noted that included in the long</p>	<ul style="list-style-type: none"> <li>The Fund administrator noted this and gave demand notices</li> </ul>	Fund Administration	On-going	

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	<p>term loan repayments due of Kshs.276,955,516 under note 5(b) in the financial statements is a non-recovered amount of Kshs.33,900,825 relating to loans advanced to members of the first county assembly who did not make it to the current parliament. It was noted that no progress had been made to initiate recovery of the outstanding loans held by former members in absence of formal security documentation.</p> <p>Consequently, the Fund was not in compliance with Regulation 12 of the Public Finance (County Assembly Car Loan (Members) Scheme Fund) Regulations, 2018 states that a loan advanced shall be repaid in full over a maximum period of sixty (60) months and Regulation 13 (1) of the Public Finance Management (County Assembly Mortgage (Members) Scheme Fund) Regulations, 2018 which states that a loan granted shall be fully repaid at the end of the term of that Assembly.</p> <p>In the circumstances, it was not possible to ascertain the recoverability of the loan balance of Kshs.33,900,825 reported as at 30 June, 2019.</p>	<p>to affected members.</p> <ul style="list-style-type: none"> <li>Attached herewith are copies of cash deposits to the fund accounts which show effort by members towards repayment. And further the delayed recoveries were largely occasioned by delayed exchequer releases</li> <li>Today the current reason for uncollected loan arrears is because the members of the Assembly term came to an end eight months earlier and this was not foreseen during disbursement</li> </ul>	Committee		
5.	<p><b>Lack of an Approved Budget</b> Review of the Fund’s loan management committee minutes and financial statements for the year under review</p>		Fund Administrator	Resolved	

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	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 the circumstances, the Fund conducted its business during the year under review in breach of the law.				
6.	<b>Outstanding Borrowings by County Assembly Service Board</b> The statement of the financial position of the Fund reported a figure of Kshs.36,722,914 in respect of un-refunded borrowings by the County Assembly Service Board under note 5(a) in contravention of Regulation 4 of both the Public Finance Management (County Assembly Members Car Loan Scheme Fund) Regulations, 2018 and the Public Finance Management (County Assembly Members 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 members of the scheme and for the purchase, development, renovation or repair of	We wish to confirm that reimbursements of the borrowings is on-going and please find attached schedule of repayment (bank statement).The entire Service Board borrowings were occasioned by delayed exchequer releases. Attached is the commitment letter from the County Assembly Service Board.	Fund Administration Committee	On-going	

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	residential property by members of the scheme, respectively				
7.	<p><b>Non-Recovery and Remittance of Fringe Benefit Tax</b></p> <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.2,947,592.</p> <p>Thus, 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.</p> <p>Consequently, the Fund is exposed to penalties and interest due to non-compliance with provisions of the Income Tax Act.</p>	<p>The management has been unable to remit the fringe benefit tax due to limitation of fund and the committee has written to the County Assembly Board to pay the related tax on its behalf. The previous amounts due has so far been remitted.</p>			