

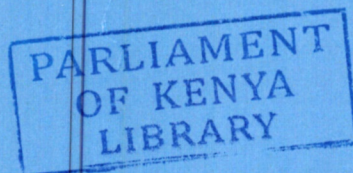
REPUBLIC OF KENYA



Enhancing Accountability

| PAPERS LAID | |
|--------------------|---------------|
| DATE | 27/6/2023 |
| TABLED BY | Majority Whip |
| COMMITTEE | — |
| CLERK AT THE TABLE | Angela |

REPORT



OF

THE AUDITOR-GENERAL

ON

**SIAYA COUNTY ASSEMBLY CAR LOAN
AND MORTGAGE FUND**

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

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the Year ended June 30, 2022



THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND

ANNUAL REPORTS AND FINANCIAL STATEMENTS

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

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

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the Year ended June 30, 2022



THE SIAYA COUNTY ASSEMBLY
CAR LOAN AND MORTGAGE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE 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 Siaya 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. 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, County Assembly of Siaya adopted the PFM regulations 2014 to guide in the operationalization of the fund. As advised by the SRC and as provided for under regulation 16 of the said regulations, the County Service Board appointed a fund committee to manage the fund. Therefore, the fund is internally administered.

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. Arising therefrom, the County Assembly Service Board approved and adopted the Staff Loans Policy Paper on 17th March 2015

The fund is wholly owned by the County Assembly of Siaya and is domiciled in Kenya.

b) Principal Activities





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

Core Values





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

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
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c) Fund Administration Committee

| Ref.No | PHOTO | NAME | POSITION |
|--------|---|---------------------|---|
| 1 |  | Hon. Maurice Aringo | Member of the County Assembly Service Board(Chairman) |
| 2 |  | Hon. Margaret Olale | Member of the County Assembly Service Board |
| 3 |  | Hon. Irene Shirley | Welfare Chairperson |
| 4 |  | Hon. Samuel Olasi | Majority Whip |

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the Year ended June 30, 2022

| | | | |
|---|---|-----------------------|--|
| 5 |  | CPA. David Okumu | Director Finance and Accounting Services |
| 6 |  | Mr. Eric Ogenga | Fund Administrator |
| 7 |  | Ms. Roselinda Baraza | Director Human Resource and Administration |
| 8 |  | Mr. Christopher Omore | Nominated Staff |

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
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d) Entity Headquarters

P.O. Box 7-40600
County Assembly Building/House/Plaza
SIAYA, KENYA
Telephone: +254708745148 / 0575321021
E-mail: clerk@siayaassembly.go.ke / siyacountyassembly.go.ke
Website: www.siayaassembly.go.ke

e) Entity Contacts

Telephone: +254708745148 / 0575321021
E-mail: clerk@siayaassembly.go.ke / siyacountyassembly.go.ke
Website: www.siayaassembly.go.ke

f) Fund Bankers

1. Co-operative Bank of Kenya Ltd
Siaya Branch
P.O. Box 7 -40600
Siaya, Kenya
2. Kenya Commercial Bank Ltd
Ugunja Branch
P.o Box 175-40606
Siaya, Kenya.

g) Independent Auditors





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

h) Principal Legal Adviser





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

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the Year ended June 30, 2022

2. THE BOARD OF TRUSTEES /FUND ADMINISTRATION COMMITTEE

| Ref.No | PHOTO | NAME | POSITION |
|--------|---|---------------------|---|
| 1 |  | Hon. Maurice Aringo | Member of the County Assembly Service Board(Chairman) |
| 2 |  | Hon. Margaret Olale | Member of the County Assembly Service Board |
| 3 |  | Hon. Irene Shirley | Welfare Chairperson |
| 4 |  | Hon. Samuel Olasi | Majority Whip |





THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the Year ended June 30, 2022

| | | | |
|---|---|-----------------------|--|
| 5 |  | CPA. David Okumu | Director Finance and Accounting Services |
| 6 |  | Mr. Eric Ogenga | Fund Administrator |
| 7 |  | Ms. Roselinda Baraza | Director Human Resource and Administration |
| 8 |  | Mr. Christopher Omore | Nominated Staff |





THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the Year ended June 30, 2022

3. MANAGEMENT TEAM

The Current management team was gazetted on 17th May 2019 and Comprises of the following

| Ref.No | PHOTO | NAME | POSITION |
|--------|---|---------------------|---|
| 1 |  | Hon. Maurice Aringo | Member of the County Assembly Service Board(Chairman) |
| 2 |  | Hon. Margaret Olale | Member of the County Assembly Service Board |
| 3 |  | Hon. Irene Shirley | Welfare Chairperson |
| 4 |  | Hon. Samuel Olasi | Majority Whip |

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
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| | | | |
|---|---|-----------------------|--|
| 5 |  | CPA. David Okumu | Director Finance and Accounting Services |
| 6 |  | Mr. Eric Ogenga | Fund Administrator |
| 7 |  | Ms. Roselinda Baraza | Director Human Resource and Administration |
| 8 |  | Mr. Christopher Omore | Nominated Staff |

4. BOARD/FUND CHAIRPERSON'S REPORT

The fund was established pursuant to the provisions of Section 3 of the Siaya County Loans and Mortgage Fund Act, 2015. The objective of the Fund is to enable loans and mortgages to be advanced to Members of the County Assembly and staff as may be prescribed by Salaries and Remuneration Commission.

The administration of the Fund is done by the Loans and Mortgages Committee established pursuant to the provisions of Section 7A of the Siaya County Assembly Car Loan and Mortgage Fund (Amendment) Act. 2019 and consists of the following;

- The Accounting officer of his/her alternate
- Two members of the County Assembly Service Board
- Director Finance and Accounting Services
- Director Human Resource and Administration
- One staff member nominated by the Board
- Majority/Minority whips
- Chairperson of the welfare committee

The Current management team was gazzetted on 17th May 2019 and Comprises of the following

- | | |
|-------------------------|---|
| Eric Odhiambo Ogenga | -Fund Administrator (Accounting officer) |
| Maurice Osewe Aringo | -Member of County Assembly Service Board (Chairman) |
| Margaret Aoko Olale | -Member of County Assembly Service Board |
| David Ouma Okumu | -Director Finance and Accounting Services |
| Roslinda Achieng Barasa | - Director Human Resource and Administration |
| Christopher Omore Omore | -Nominated Staff |
| Samuel Onyango Olasi | - Majority Whip |
| Irene Shirley Oyuago | - Welfare Chairperson |

Review of Funds Performance

The fund is operated through two accounts, one for the Members of County Assembly and the other for the staff. The separation of the accounts for the two cadres of beneficiaries was informed by the fact that MCAs have a fixed five-year term within which the disbursement and repayment have to be accomplished. On the other hand, staff are engaged on permanent and pensionable terms and hence may have varied repayment periods with intermittent disbursement schedules. The separation therefore has advantages in terms of funds management and accountability.

As at the beginning of the 2021/2022 FY the Loan debit balance was Kshs 87,772,230. During the year a total amount of Kshs 113,000,000 was issued out to Staff as car loan and mortgage and additional Kshs 80,000,000 was received thus increasing the fund balance from Kshs. 197,000,000

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
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to Kshs 277,000,000. The total repayment during the same period was Kshs 59,903,989 and Interest earned was Kshs 2,777,855.

Future Outlook of the Fund

Going by the repayment trend of the amounts borrowed by the MCAs and bearing on the fact repayments are done through check-off within the term of the Loan, all loans will have been fully repaid by end of the term of the MCAs. Similarly, staff loans will also be fully repaid within the loan terms owing to the predictable recovery method.

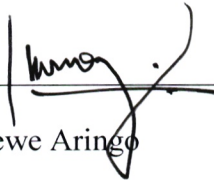
The loans are fully insured in case of unfortunate death of any borrower.

We also note that the Assembly has made budgetary allocation towards the staff fund kitty followed by requests for disbursements by the Office of Controller of Budget, however, the disbursement schedule has fallen below the expectation even though the Assembly met all condition deemed necessary.

Conclusion

The management of the fund as guided by applicable Acts is above board. There is an assurance that all repayments are within schedule. However, most staff have not benefited given that disbursements have been slow towards that kitty.

Signed: _____



Hon Maurice Osewe Aringo

5. FUND ADMINISTRATOR

It is my pleasure to present, on behalf of the Fund Management Committee, The Siaya County Car and Mortgage Loan fund financial statements for the year ended 30th June 2022. The financial statements present the financial performance of the fund over the past year.

All the MCA and a number of Staff have benefited from the fund. However, because of the large number of staff not all have benefited. Substantial allocation amounting to Kshs. 80,000,000 has been provided for in the Assembly's budget for the FY2021/2022.

Review of performance

Income

The fund earned revenues amounting to Kshs. **2,777,855**. from the interest earned on the loans disbursed to Honourable Members of County Assembly and Staff.

Expenditures

The total expenditures during the period amounted to Kshs. **9,957**, This figure represented bank charges for the period under review. There were no major expenses apart from the Insurance premium paid which was treated as part of loan disbursed to the loan beneficiaries.

BOARD/FUND CHAIRPERSON'S REPORT (Continued)


Future outlook

The outlook of the Fund for 2021/2022 is brighter. The fund's main objective is to build a robust and sustainable fund base committee with a structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to benefit from continued support from the Siaya County Assembly Service Board(SCASB) in the realization of its mandate.

Appreciation

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

I look forward to your continued support in the year 2022/2023.

Signed: _____


Mr. Eric Ogenga
Ag. County Assembly Clerk
For Board Chairman

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the Year ended June 30, 2022

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

Introduction

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

The key development objectives of the Siaya County Assembly's 2018-2022 plan are to:

- a) Enhancing legislative services
- b) Enhancing the effectiveness of the oversight mandate
- c) Enhancing the effectiveness of representation role
- d) Institutional strengthening

Below we provide the progress on attaining the stated objectives:

| Program 1 | Objective | Outcome | Indicator |
|--------------------|---|---|-----------------------------------|
| Legislation | Identify areas that require legislation | Legislative gaps identified | 15 legislative proposals |
| | Institute joint capacity building with executive organs | Responsive legislations | 2 Joint capacity building reports |
| | Enhance technical support to MCAs to pass quality laws | Enhanced technical capacity to debate bills | 4 Capacity Building reports |
| Program 2 | Objective | Outcome | Indicator |

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| | | | |
|-----------------------|--|---|-------------------------------------|
| Representation | To decentralize Assembly services through Ward units | Enhanced accessibility of services to the community | 30 Ward offices constructed |
| | Enhance Public Participation in legislative and oversight activities | Enhanced interactions with the citizens | 15 Public participation reports |
| Program 3 | Objective | Outcome | Indicator |
| Oversight | Enhance response period to business committed to committees | | 12 reports per quarter |
| | Ensure adherence to legislative timelines in the budget process | Timely budget process reports | No of Timely budget process reports |
| | Enhance technical resources to committees | Satisfactory committee reports | 12 Satisfactory committee reports |

7. CORPORATE GOVERNANCE STATEMENT

The management of the fund is guided by the following;

- (i) The Siaya County Loans and Mortgage Fund Act, 2015
- (ii) The Siaya County Assembly Car Loan and Mortgage Fund (Amendment) Act, 2019
- (iii) County Assembly of Siaya Car Loan and Mortgage Scheme Fund Guidelines, 2019

The roles of the committee are listed hereunder;

- (i) Process and approve applications for loans in accordance with the existing terms and conditions of borrowing;
- (ii) Supervise day to day operations of the Fund;
- (iii) Receive, Administer and Invest resources of the Fund;
- (iv) Cause to be kept books of accounts and other records of the Fund relating to Loans and Mortgages financed from the Fund;
- (v) Give periodic updates to the Service Board of the performance of the Fund;
- (vi) Cause to be prepared reports and accounts to be submitted to the Auditor General and Controller of Budget as may be prescribed by the law;

Meetings are held quarterly or as the need may arise. During the quarterly meetings, the committee reviews quarterly loan reports presented by the fund administrator. Other meetings are held depending on loan applications received.

8. MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE

Income

The fund earned revenues amounting to Kshs. **2,777,855** from the interest earned on the loan disbursed to Honourable Members of County Assembly and Staff.

Expenditures

The total expenditures during the period amounted to Kshs **9,957** which represent Bank charges for the period under review. There were no major expenses apart from the Insurance premium paid which was treated as part of loan disbursed and being recovered from the insured members.

Cash flow

The cash and cash equivalents increased from **132,899,653** as at 1st July 2021 to Kshs **159,793,684** as at 30th June 2022. There was significant disbursement of Kshs. **113,000,000** to Members of Staff as Car loan and Mortgage fund during the year ended 30th June, 2022.

OPERATIONAL PERFORMANCE

The fund's core operating activity has been the offering car loans and Mortgage to honourable members of County Assembly and staff.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Employees

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

Conclusion

We appreciate the unrelenting support from the board of trustees, management, staff, the SCASB and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2022/2023.

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
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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.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORT

1. Sustainability Strategy and Profile

The Assembly strives to achieve its core mandates of oversight, representation and legislation through mainstreaming ICT, development of policies, development and improvement of infrastructure and reporting their performance to statutory bodies.

2. Environmental performance

The Assembly initiative towards environmental protection and conservation are numerous and include waste management, waste water disposal, drainages landscaping and tree planting. Waste disposal points have been provided in the Assembly and wards. The County Waste Transport Services are also engaged in the collection and disposal of the waste. Within the Assembly and wards there are green spaces maintained and trees planted. The Assembly is connected to the main County sewer system and various drainage channel have been constructed to manage storm water.

3. Employee welfare

The employees of the Assembly welfare have been taken into consideration by the County Assembly Service Board. The staff enjoy a medical cover, they can apply and benefit from the staff car and mortgage loans for improvement of housing, health, social and economic welfare. Further the staff together with the MCAs do attend County Assembly Sports Association games that are always organized annually.

4. Market place practices

Core values in the procurement process in the Assembly are key when undertaking any provision of services and goods. Fairness, competition, youth, women and people with disabilities are among the things put into consideration in the Assembly to promote and enhance the procurement process in the Assembly.

5. Community engagement

The Assembly endeavors to involve the communities in matters that concern them in decision making. They are always informed of all the activities taking place through social media, radio, and the newspaper and their involvement is key through public participation.

The Assembly provides attachment opportunity to college students and the institutions within Siaya County are given priority.

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
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The Assembly has drilled boreholes in the ward offices that will make water available and accessible to the community. Further the Assembly has initiated the development of ward halls that will be used by the community to conduct their meeting and promote public engagements.

10) REPORT OF THE TRUSTEES

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

Principal activities

The principal activity of the Fund is to advance Car and Mortgage loans to Members of the County Assembly and staff as may be prescribed by Salaries and Remuneration Commission.

Results

The results of the Fund for the year ended June 30th, 2022 are set out on page 52.

Trustees

The members of the Committee who served during the year are shown on page 4. There were no changes in the Board during the financial year.

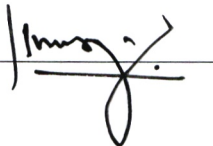
Auditors

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

By Order of the Board

Member of the Board 23-09-2022.

Date: _____



11) 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 County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the year ended on June 30th, 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 year ended June 30th, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 22-09- 2022 and signed on its behalf by:

Mr. Eric Ogenga



The Siaya County Assembly Car Loan and Mortgage Fund Administrator

REPUBLIC OF KENYA



Enhancing Accountability

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Siaya County Assembly Car Loan and Mortgage Fund set out on pages 1 to 32, which comprises 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

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

of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Siaya County Assembly Car Loan and Mortgage 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 Siaya County Assembly Car Loan and Mortgage Fund Act, 2014.

Basis for Qualified Opinion

Irregular Withdrawal

The statement of financial position and as disclosed in Note 8 to the financial statements reflects an amount of Kshs.1,667,410 disclosed as irregular withdrawals. The irregular withdrawal relates to a loan advanced to a former Clerk of the County Assembly which was never repaid. The disclosure Note indicates that the amount owing from the former clerk is awaiting court determination. However, a review of documents on the case show that the case in court is a civil case where the former clerk has sued the County Assembly for wrongful dismissal in labour court.

It was noted that the issue of irregular withdrawal occurred in the year 2015 where Kshs.2,000,000 was withdrawn from the bank and Kshs.1,200,000 treated as refund but to date the issue has not been fully resolved. Management has not explained how the outstanding amount is reported as Kshs.1,667,410 yet the records show an outstanding amount of Kshs.800,000. The difference of Kshs.867,410 has not been supported.

In the circumstances, the accuracy, completeness and recoverability of Kshs.1,667,410 disclosed as irregular withdrawals could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

Various prior year audit issues remained unresolved as at 30 June, 2022. Although the issues were indicated as either resolved or work in progress, Management did not provide evidence of the status.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Performing Loans

The statement of financial position and as disclosed in Note 8 to the financial statements reflects an amount of Kshs.13,303,904 relating to non-performing loans of members of the first Assembly. A review of the loan records revealed that Management has taken no measures towards recovery of the non-performing loans. It was also noted that the Fund administration is holding the securities which have not been valued, have not been charged and/or not jointly registered between the Fund and the beneficiary thus not legally binding.

In the circumstances, the securities cannot be realized or claimed against the non-performing loans and the loans recoverability is doubtful.

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 1315 and ISSAI 1330. 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 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 Fund Administration Committee

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 Management.
- Conclude on the appropriateness of 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 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, 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


09 May, 2023

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the Year ended June 30, 2022

13) STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th June 2022

| | Notes | 2021/2022 | 2020/2021 |
|-----------------------------|-------|------------------|------------------|
| Income | | Kshs | Kshs |
| Interest Earned | 6 | 2,777,855 | 3,044,094 |
| Insurance compensation | | - | 100,000 |
| Total Income | | 2,777,855 | 3,144,094 |
| Expenditure | | | |
| Insurance | | - | 100,000 |
| Bank Charges | | 9,957 | 8,097 |
| Total Expenditure | | 9,957 | 108,097 |
| Surplus for the year | | 2,767,898 | 3,035,997 |

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23-09- 2022 and signed by:



 Ag. Clerk of the Assembly



 Director Finance and Accounting Services - County Assembly

Name: Mr. Erick Ogenga

Name: CPA David Ouma Okumu
 MBR NO. 8170

The Siaya County Assembly Car Loan and Mortgage Fund Administrator

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
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14) STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

| | Notes | 2021/2022 | 2020/2021 |
|--|--------|--------------------|--------------------|
| | | Kshs | Kshs |
| Current Assets | | | |
| Cash and Cash Equivalents | 7 | 159,793,684 | 132,899,652 |
| Loans and mortgages (performing outstanding loan) | 8(i) | 128,674,782 | 72,192,803 |
| Irregular withdrawal | 8(ii) | 1,667,410 | 1,667,410 |
| Non-performing Loan | 8(iii) | 13,303,904 | 13,911,965 |
| Current Assets | | 303,439,780 | 220,671,830 |
| Current Liabilities | | | |
| Payables | | - | - |
| Net Assets | | 303,439,780 | 220,671,830 |
| Financed By | | | |
| Car Loan Fund Account | 9 | 277,000,000 | 197,000,000 |
| Accumulated Surplus | 10 | 26,439,780 | 23,671,830 |
| Net Value of the Fund | | 303,439,780 | 220,671,830 |

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23-09-2022 and signed by:


 Ag. Clerk of the Assembly


 Director Finance and Accounting Services- County Assembly

Name: Mr. Erick Ogenga

Name: CPA David Ouma Okumu
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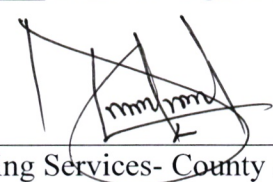
THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
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15) STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2022

| | Revolving Fund | Revaluation | Accumulated surplus | Total |
|-------------------------------------|--------------------|-------------|---------------------|---------------------|
| | | Reserve | | |
| | | KShs | KShs | KShs |
| Balance as at 1 July 2020 | 285,000,000 | - | 20,635,833 | 305,635,833 |
| Surplus/(deficit) for the period | - | - | 3,036,049 | 3,035,997 |
| Funds received during the period | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Car Grant | (88,000,000) | | | (88,000,000) |
| Balance as at 30 June 2021 | 197,000,000 | - | 23,671,882 | 220,671,830 |
| Balance as at 1st July 2021 | 197,000,000 | - | 23,671,882 | 220,671,830 |
| Surplus/(deficit) for the year | - | - | 2,767,898 | 2,767,898 |
| Funds received during the year | 80,000,000 | - | - | 80,000,000 |
| Revaluation gain | - | - | - | - |
| Balance as at 30th June 2022 | 277,000,000 | - | 26,439,780 | 303,439,780 |

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23-09- 2022 and signed by:


 Ag. Clerk of the Assembly


 Director Finance and Accounting Services- County Assembly

Name: Mr. Erick Ogenga

Name: CPA David Ouma Okumu
 MBR NO. 8170

The Siaya County Assembly Car Loan and Mortgage Fund Administrator

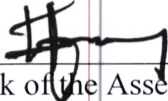
THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND
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For the Year ended June 30, 2022

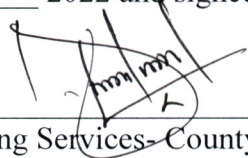
16) STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022

| | Notes | 2021/2022 | 2020/2021 |
|---|-------|---------------------|---------------------|
| <u>Cash Flows from Operating Activities</u> | | Kshs | Kshs |
| Cash Receipts | | | |
| Loan Interest Earned | 6 | 2,777,855 | 3,044,094 |
| Insurance Compensation | | - | 100,000 |
| Total cash received from Operating Activities 'a' | | 2,777,855 | 3,144,094 |
| Cash Payments | | | |
| Bank Charges paid | | 9,957 | 8,097 |
| Insurance (Last Expense for the late Hon Augo) | | - | 100,000 |
| Total Payments 'b' | | 9,957 | 108,097 |
| Net Cash from Operating Activities 'a' - 'b' = 'c' | | 2,767,898 | 3,035,997 |
| <u>Cash Flows from Investing Activities</u> | | | |
| Principal Loans Paid by Members | 8 | 57,126,134 | 54,618,651 |
| Loans/Grants advanced to Members | | (113,000,000) | (89,153,655) |
| Net Cash flows from Investing Activities 'd' | | (55,873,866) | (34,535,004) |
| <u>Cash Flows from Investing Activities</u> | | | |
| Cash Receipts from County Treasury | | 80,000,000 | - |
| Cash paid to the County Revenue Fund | | - | - |
| Net Cash flows from Financing Activities 'e' | | 80,000,000 | - |
| Net Cash flow | | 26,894,032 | (31,499,007) |
| Cash at the beginning of the period 'f' | 7 | 132,899,652 | 164,398,660 |
| Cash at the end of the period (c + d + e) | | 159,793,684 | 132,899,652 |
| Cash at the end of the year (c+d+e+f) | | 159,793,684 | 132,899,652 |

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The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23-09- 2022 and signed by:

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Ag. Clerk of the Assembly

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Director Finance and Accounting Services- County Assembly

Name: Mr. Erick Ogenga

Name: CPA David Ouma Okumu
MBR NO. 8170

The Siaya County Assembly Car Loan and Mortgage Fund Administrator

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**17) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE PERIOD ENDED 30th JUNE 2022**

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | utilisation |
|------------------------------------|----------------------|-------------|----------------------|----------------------------|------------------------|-------------|
| | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 |
| Revenue | KShs | KShs | KShs | KShs | KShs | |
| Public contributions and donations | - | - | - | - | - | 0 |
| Transfers from County Govt. | 80,000,000 | - | 80,000,000 | 80,000,000 | - | 0 |
| Interest income | 2,777,855 | - | 2,777,855 | 2,777,855 | - | 100 |
| Other income | - | - | - | - | - | 0 |
| Total income | 82,777,855 | - | 82,777,855 | 82,777,855 | - | 100 |
| Expenses | | | | | | |
| Fund administration expenses | 80,000,000.00 | - | 80,000,000.00 | 80,000,000.00 | - | 0 |
| Finance cost | 10,000.00 | - | 10,000.00 | 9,957.00 | - | 99.5 |
| Total expenditure | 80,010,000.00 | - | 80,010,000.00 | 80,009,957.00 | 43.0 | 100 |
| Surplus for the period | 2,767,855 | - | 2,767,855 | 2,767,898 | (43) | 100 |

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The County Assembly of Siaya Car Loan and Mortgage Committee had a budget of Kshs. 80,000,000 for the Car loan and Mortgage fund which was received during the year under review and disbursed to the members of staff. The Kshs 9,957 represent the total bank charges for the year ended 30th June, 2022.

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE LOAN FUND
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18) NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Siaya County Assembly Car Loan and Mortgage Loan Fund is established by and derives its authority and accountability from Public Finance Management Act 2012. The entity is wholly owned by the Siaya County Assembly and is domiciled in Kenya. The principal activity/mission/mandate of the fund is to provide car loans and Mortgage to Hon. Members of the County Assembly and staff.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

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

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

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| Standard | Effective date and impact: |
|---|--|
| | <p>information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows. |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |
| <p>Other improvements to IPSAS</p> | <p><i>Applicable 1st January 2023</i></p> |

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE LOAN FUND
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| Standard | Effective date and impact: |
|---|--|
| | <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> |
| IPSAS 43 | <p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | <p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> |

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE LOAN FUND
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| Standard | Effective date and impact: |
|----------|---|
| | <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.

THE SIAYA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE LOAN FUND
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4. 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 30.6. 2020. 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

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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.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 29 of these financial statements.

d) 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.

e) 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

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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.

f) 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.

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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 an 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

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- 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.

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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
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- 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

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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.

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Summary Of Significant Accounting Policies (Continued)

g) Inventories

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

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

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

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

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

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

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h) 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.

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Summary Of Significant Accounting Policies (Continued)

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.

i) Nature and purpose of reserves

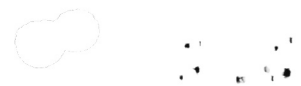
The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

j) 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.

k) 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



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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.

1) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

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Summary Of Significant Accounting Policies (Continued)

m) 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.

n) 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.

o) 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.

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p) Comparative figures

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

q) Events after the reporting period

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

r) Ultimate and Holding Entity

The entity is a County Public Fund established by The Siaya County Assembly Car Loan and Mortgage Act (*state the legislation establishing the Fund*). Its ultimate parent is the County Government of Siaya.

s) Currency

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

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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

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- 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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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6. Interest income

| | | FY2021/2022 | FY2020/2021 |
|---------------------|--|--------------------|--------------------|
| | | Jun-22 | Jun-21 |
| Income | | KSHS | KSHS |
| Interest Earned | | 2,777,855 | 3,044,094 |
| Total Income | | 2,777,855 | 3,044,094 |

7. Cash and Cash equivalents balances

| YEAR | FY2021/2022 | FY2020/2021 |
|--|--------------------|--------------------|
| BANK | KSHS | KSHS |
| Cooperative Bank a/c no.01141257509900 | 159,696,933 | 109,820,899 |
| KCB A/c no.1273638182 | 96,751 | 23,078,753 |
| Total | 159,793,684 | 132,899,652 |

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8. Analysis of Outstanding Loan balance

| | FY2020/2021 | FY2020/2021 |
|-----------------|--------------------|--------------------|
| | Jun-21 | Jun-21 |
| Category | AMOUNT-KSHS | AMOUNT-KSHS |
| Balance b/d | 87,772,230 | 141,237,225 |
| Loans Disbursed | 113,000,000 | 1,153,655 |
| Loan repayments | (59,903,989) | (57,662,744) |
| Earned Interest | 2,777,855 | 3,044,094 |
| Total | 143,646,096 | 87,772,230 |

Details of Outstanding Loans

| | |
|---|--------------------|
| 8(i) Performing outstanding loan | 131,937,960 |
| Less insurance cost previously treated as part of Loans | 3,263,178 |
| Reconciled balance | 128,674,782 |
| 8(ii) Irregular withdrawn amount | 1,667,410 |
| 8(iii) Non-performing Loans of members of the first assembly | 13,303,904 |

Included in the outstanding Loan balance is an amount of Kshs. 1,667,410 which was an irregular withdrawal by a former Clerk of the Assembly. The issue is in Court awaiting determination.

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9. Car Loan and Mortgage Fund Account

| | FY 2021/2022 | FY 2020/2021 |
|-------------------------|---------------------|---------------------|
| | KSHS. | KSHS. |
| Balance b/d | 197,000,000 | 285,000,000 |
| Car Grants to Hon. MCAs | 80,000,000 | (88,000,000) |
| TOTAL | 277,000,000 | 197,000,000 |

10. Accumulated surplus

| | FY2021/2022 | FY2020/2021 |
|-----------------------------|--------------------|--------------------|
| | Jun-22 | Jun-21 |
| | KSHS | KSHS |
| Balance b/d | 23,671,830 | 20,635,833 |
| Surplus for the year | 2,767,898 | 3,035,997 |
| Total c/d | 26,439,780 | 23,671,830 |

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19) PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--|--|-----------------------------------|--|
| | Unreconciled opening balance of outstanding loans | The loan loan balance has been reconciled and status established to be kshs 15,937,270.40 as at 30 th April 2020. | Mr. Danish C. Okuthe (Principal Finance Officer) | Resolved | N/A |
| | Unsupported loan balance | The loans have been reconciled and supportive schedule prepared. | Mr. Danish C. Okuthe (Principal Finance Officer) | Resolved | N/A |
| | Non establishment of loans and mortgage board | The SCASB has established a committee for the management of the Car Loan & Mortgage Fund and was gazetted on 17 th May 2019 | Mr. Eric O. Ogenga (Ag County Assembly Clerk) | Resolved | N/A |
| | Overdue outstanding loan balance | The defaulters have signed a commitment repayment plan. | Ms Mercy Ooga (Senior Legal Counsel) | Work in progress | 4 years plan |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|----------------------------------|---|-----------------------------------|--|
| | Unsecured loan disbursement | The security have been submitted | Ms Roselinda Baraza (Director Human Resources & Administration) | Resolved | N/A |