

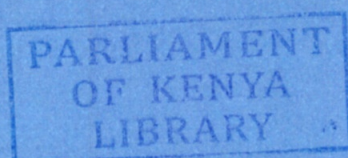
REPUBLIC OF KENYA



Enhancing Accountability

	PAPERS LAID
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COMMITTEE	—
CLERK AT THE TABLE	Mercy

REPORT



OF

THE AUDITOR-GENERAL

ON

**HOMA BAY COUNTY ASSEMBLY
CAR AND MORTGAGE LOAN FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**



**HOMA BAY COUNTY ASSEMBLY
CAR AND MORTGAGE LOAN FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Table Of Content

1. Acronyms And Glossary Of Terms	iii
2. Key Entity Information And Management	iv
3. Loans Management Committee	vii
5. Report Of The Fund Administrator	x
6. Statement Of Performance Against The County Fund's Predetermined Objectives	xi
7. Corporate Governance Statement	xii
8. Management Discussion And Analysis	xiii
9. Environmental And Sustainability Reporting	xiv
10. Report Of The Trustees	xv
11. Statement Of Management's Responsibilities	xvi
12. Report Of The Independent Auditor On The Financial Statements For Homabay Assembly Car And Mortgage Loan Fund	xvii
13. Statement Of Financial Performance For The Year Ended 30 th June 2023	1
14. Statement Of Financial Position As At 30 June 2023	2
15. Statement Of Changes In Net Assets For The Year Ended 30 th June 2023	3
16. Statement Of Cash Flows For The Year Ended 30 June 2023	4
17. Statement Of Comparison Of Budget And Actual Amounts For The Year Ended 30 June 2023	5
18. Notes To The Financial Statements	6
19. Annexes	26

HOMABAY COUNTY ASSEMBLY

Car and Mortgage Loan Fund

Annual Report and Financial Statements for the year ended June 30, 2023

1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
HBCA	Homa Bay County Assembly
CASB	County Assembly Service Board
MCA	Member of County Assembly
LMC	Loans Management Committee

b) Glossary of Terms

Fiduciary Management The key management personnel who had financial responsibility

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

2. Key Entity Information and Management

a) Background information

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

For proper management of the fund and as advised by the SRC in the circular under the reference, Homa Bay County Assembly adopted the PFM regulations 2014 to guide in the operationalization of the fund.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising therefrom, the Homa Bay County Assembly passed a Car Loan and Mortgage Regulations in 2014.

The fund is wholly owned by the County Assembly of Homa Bay and is domiciled in Kenya

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide mortgage and car loans to MCAs and staff.

Vision

“A modern County Assembly that offers excellence in service delivery and leadership for the people of Homa Bay County”

Mission

To ensure that the Assembly exercises its legislative, oversight and representation functions effectively within the framework of the Kenyan Constitution and working with all those committed to building productive and prosperous Homa Bay County.

Strategic Objectives

- To develop and sustain the Homa Bay County assembly institutional capacity to better discharge its constitutional mandate
- To improve the legislative process at Homa Bay County Assembly
- To improve the capacity of Homa Bay County Assembly and to provide effective oversight to county government
- To fully develop the representation and outreach work of the members of county assembly

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

c) Loans Management Committee

Ref	Name	Position
1.	Raphael Ouma Odongo	Chairperson
2.	Tom Adinda	Vice Chairperson
3.	Hon. Paul Odock	Member
4.	Hon. Lilian Kocholla	Member
5.	Hon. Titus Asiago	Member
6.	Hon. Alice Weke	Member
7.	Hon. Bob Obondo	Member
8.	Ms. Faith Adhiambo Apuko	Member
9.	Ms. Jacinter Adede	Member
10.	Mr. Bosstone Ernest Nyang'or	Member
11.	Ms. Wendy Winnie Opar	Member

d) Key Management Team

Ref	Name	Position
1	Faith Adhiambo Apuko	Fund Administrator
2	CPA Jacinter Adede	Fund Accountant

e) Fiduciary Oversight Arrangement

Public Accounts and investments Committee

- The Public Accounts and Investments Committee shall be responsible for the examination of the accounts showing the appropriations of the sum voted by the House to meet the public expenditure and of such other accounts laid before the House as the Committee may think fit.
- Examine the reports and accounts of the public investments;
- Examine the reports, if any, of the auditor general on the public investments; and
- Examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

f) Registered Offices

Homa Bay County Assembly
P.O. Box 20-40300
County Assembly Building
Homabay, KENYA

g) Fund Contacts

Telephone: (254) 706511947
E-mail: info@homabayassembly.go.ke
Website: www.homabayassembly.go.ke

h) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Equity Bank
Equity Centre, Upper Hill
P.O. Box 1234 - 00100
Nairobi, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser

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

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

3. Loans Management Committee



a) **Hon. Raphael Odongo**
Chairperson Loans and Mortgage Committee



b) **Hon. Tom Adinda**
Vice Chairperson Loans and Mortgage Committee

Ref	Name	Position
c)	Hon. Paul Odock	Member
d)	Hon. Lilian Kocholla	Member
e)	Hon. Titus Asiago	Member
f)	Hon. Alice Weke	Member
g)	Hon. Bob Obondo	Member
h)	Ms. Faith Adhiambo Apuko	Member
i)	Ms. Jacinter Adede	Member
j)	Mr. Bosstone Ernest Nyang'or	Member
k)	Ms. Wendy Winnie Opar	Member

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

4. Management Team



Ms. Faith Adhiambo Apuko

Homa Bay County Assembly Clerk
Responsibility: Fund Administrator.
MSc from Jaramogi Oginga Odinga University of
Science and Technology
BSc Information Technology from Makerere
University



Ms. Jacinter Adede

Principal Finance Officer
Responsibility: Fund Accountant.
MBA from University of Nairobi
BBA from Maseno University
Member of ICPAK

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

5. Loans Management Committee's Report

Income

The fund earned interest amounting to KShs. 5,166,883 for the period. Projects implementation during the period were carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to an opening cash balance of Kshs. 2,789,676 as at the beginning the year.

Expenditures

The total expenditures during the period amounted to KShs. 1,256,631.

Financial Performance

Revenue

In the year ended 30th June 2023 the fund had projected interest income of Kshs. 5,166,883. Out of the projected revenue, the fund was able to realise Kshs. 5,166,883 in actual interest income representing 100% performance.

Loans Disbursed

During the year 2022/2023, the fund disbursed fifty seven additional Mortgages and fifty seven car loans to MCAs and Board members. While all former MCAs and board members cleared their Car loans and mortgages. The total loan beneficiaries to date is 82.

Name.....Hon. Raphael Odongo..... Signature.....[Signature]..... Date.....15/11/2023.....
Chairperson of the LMC

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

6. Report of the Fund Administrator

It is my pleasure to present, on behalf of the Fund Administration Committee, the County Assembly Mortgage and Car loan fund financial statements for the year ended 30 June 2023. The financial statements present the financial performance of the fund over the past year.

Sustainability

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

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long-term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

Review of performance

Income

The fund earned interest amounting to KShs. 5,166,883 for the period. Projects implementation during the period were carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to an opening cash balance of Kshs. 16,465,892 as at the beginning the year.

Expenditures

The total expenditures during the period amounted to KShs. 1,256,631

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

7. Statement of Performance against the County Fund’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 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 Homa Bay County Assembly Car and Mortgage Loan Fund as per the strategic plan are to:

- a) Provide a loan scheme for purchase, development, renovation or repair of residential property by members of scheme.
- b) Provide a loan scheme for the purchase of vehicles by the members of the scheme

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Homa Bay County Assembly Mortgage Loan Fund	To provide a loan scheme for purchase, development, renovation or repair of residential property by members of scheme	Increased home ownership by scheme members	Amount of mortgage loans advanced to members	In the FY 2022/2023 the HBCA Car and Mortgage Loan Fund disbursed new Mortgages to MCAs amounting to Kshs. 165,003,600.
Homa Bay County Assembly Car Loan Fund	To provide a loan scheme for the purchase of vehicles by the members of the scheme	Increased car ownership and convenient mobility by scheme members	Amount of car loans advanced to members	In the FY 2022/2023 the HBCA Car and Mortgage Loan Fund disbursed new car loans to MCAs amounting to Kshs. 116,000,000

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

8. Corporate Governance Statement

The Homa Bay County Assembly Car and Mortgage Loan Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WHI3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 provides for the regulation and administration of the Car and Mortgage Loan Fund.

Its mandate is to provide car and Mortgage loans to MCAs and members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirement.

The operations of the fund are governed by a fund administrator and the fund Management committee in accordance with the Public Finance Management Act of 2012 and the Homabay County Assembly Mortgage Scheme Regulations 2016. The Homabay County Assembly Mortgage Scheme Regulations 2016 contains the following key areas:

- Process of appointment and removal of committee members
- Roles and Functions of the Committee
- Induction and Training for the members
- Committee Remuneration
- Ethics and Conduct of members
- Governance Audit

The Committee held a total of forty meetings during the financial year under review that was attended by all members. Funds attended by all members.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

9. Management Discussion and Analysis

a) Revenue

In the year ended 30 June 2023, the fund had projected interest income of KShs 5,166,884. Out of the projected revenue, the fund was able to realise actual interest income, representing 100% performance.

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

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
Revenue	KShs	KShs	
Transfers from County Govt.	242,780,461	203,000,000	84%
Interest income	5,166,884	5,166,884	100%
Other income	-	-	-
Total income	247,947,345	208,166,884	84%

b) Loans

During the year 2022/2023, the fund disbursed fifty-seven additional Mortgages and fifty-seven car loans to MCAs and CASB members. While all former MCAs and CASB members cleared their Mortgages and car loans. The total loan beneficiaries to date is eighty seven.

Cash flows

In the year 2022/2023, we had a few liquidity disruptions. This was as a result of late disbursement from the national treasury hence affecting issuance of new loans, deductions and remission of the interest and principal. The cash and cash equivalent were Kshs. 17,055,551 as at 30 June 2023, being an increase from Kshs 16,465,892 as at 30th June 2022.

c) Conclusion

The year 2022/2023 was a good year in general. Good progress was made and the momentum has been created to enable Homa Bay County Assembly car loan fund continue on a trajectory into prosperity.

The loan repayment during the year wasn't 100% realized though. We have identified gaps and areas to improve on in the subsequent years.

10. Environmental and Sustainability Reporting

County Assembly of Homa Bay exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on six pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

a) Employee welfare

Homabay County Assembly ensures that the welfare of all its employees is taken care of by providing them with a private medical insurance cover for all staffs and their family members. The County Assembly ensures that the employees carry out their duties in a safe environment in compliance with the Occupational Safety and Health Act of 2007, (OSHA).

b) Community Engagements/Corporate Social Responsibility

The County Assembly of Homabay does not give cash or any incentive directly to the community but ensures that they carry out their legislative mandate through enacting laws with the aim of changing the community lives. This is evident through the fact finding and public participation held in the communities before a law is passed in the Assembly. By passing environment friendly laws like the Climate change Act, 2022.

c) Others

The County Assembly of Homabay has a Library and Website where information concerning Legislation is available to the Public. There is also a public gallery where members of the public are allowed to follow the proceedings of the Assembly hence enhancing transparency.

d) Market place practices

The HBCA makes efforts in ensuring responsible competition practices by eliminating corruption practices, providing conducive political involvement, fair competition and respect for competitors. Also, by maintaining a good supply chain and supplier relations by maintaining good business practices, like treating suppliers responsibly by honouring contracts and respecting payment practices. HBCA also maintains ethical marketing practices and safeguard consumer rights and interests.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to provide a loan scheme for purchase, development, renovation or repair of residential property by members of scheme and provide a loan scheme for the purchase of vehicles by the members of the scheme.

Results

The results of the Fund for the year ended June 30, 2023 are set out on Financial Statements Section of the report.

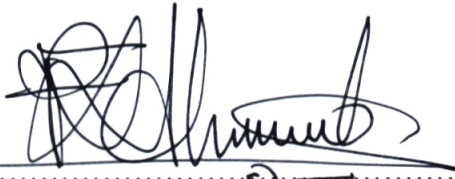
Trustees

The members of the Board of Trustees who served during the year are shown on the key entity information and management page. 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



A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, is written over a dotted line. Below the signature, there are two horizontal arrows pointing outwards from the center of the signature.

Fund Administration Committee

Date: 15 Nov 2023

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by pursuant to Section 167 of the Public Finance Management (PFM) Act 2012 the fund Administrator shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

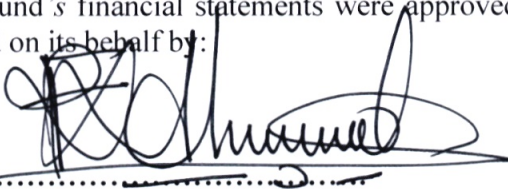
The Administrator of Homa Bay County Assembly Car Loan and Mortgage Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This 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 Homa Bay County Assembly Car Loan and Mortgage Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. 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, 2023, 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 Homa Bay County Assembly Car Loan and Mortgage Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 15 NOV 2023 and signed on its behalf by:



.....
Administrator of the County Public Fund

REPUBLIC OF KENYA

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Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND FOR THE YEAR ENDED 30 JUNE, 2023

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 Homa Bay County Assembly Car and Mortgage Loan Fund set out on pages 1 to 28, which comprise of the statement

of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 Homa Bay County Assembly Car and Mortgage Loan Fund as at 30 June, 2023, 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 Homa Bay County Assembly (Mortgage Scheme Fund) Regulations, 2016, the Homa Bay County Assembly (Car Loan Scheme Fund) Regulations, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Misrepresentation of the Name of the Fund

The financial statements reflect the name of the Fund as Homa Bay County Assembly Car and Mortgage Loan Fund. However, the enabling regulations established two (2) Funds. Homa Bay County Assembly (Mortgage Scheme Fund) Regulations, 2016, established a Fund known as Homa Bay County Assembly Mortgage Scheme Fund, while Homa Bay County Assembly (Car Loans scheme Fund) Regulations, 2016 established a Fund by the name Homa Bay County Assembly Car Loan Scheme Fund. No evidence was provided to confirm the two Funds were ever merged into one.

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

2.0 Receivables from Exchange Transactions - Non-Performing Loans

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.85,681,732 which includes Kshs.42,767,660 due from two (2) former members of staff who stopped servicing their loans. Available information indicated that the borrowers were no longer employees of Homa Bay County Assembly. Management has provided evidence showing that one of the two (2) borrowers refunded Kshs.82,173 on 01 February, 2024, leaving an outstanding balance of Kshs.42,685,487 as at that date.

In the circumstances, the recoverability, and hence the valuation of the loan balances of Kshs.42,685,487 could not be confirmed.

3.0 Receivables from Homa Bay County Assembly Operations Account

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.191,081,172 which, as disclosed in 4 to the financial statements, was due from Homa Bay County Assembly Operations Account. However,

the Fund Management had failed to recover the balance from Homa Bay County Assembly's Operations Account, despite the fact that the amount had accumulated from 2017/2018 to 2022/2023 financial years, a period of six years.

In addition, the borrowings of funds from the Fund by the County Assembly to fund its operations were contrary to Regulation 4 of the Homa Bay County Assembly (Mortgage Scheme Fund) Regulations, 2016, which provides that the object and purpose of the Fund shall be to provide a loan scheme for the purchase, development, renovation, or repair of residential property by members of the scheme. The borrowings were also contrary to Regulation 4 of Homa Bay County Assembly (Car Loans Scheme Fund) Regulations, 2016, which stipulates that the object and purpose of the Fund shall be to provide a loan scheme for the purchase of motor vehicles by members of the scheme.

In the circumstances, the accuracy and recoverability of the long-term receivables from exchange transactions balance of Kshs.191,081,172 as at 30 June, 2023 could not be confirmed. In addition, Management was in breach of the law.

4.0 Non-Compliance with the Prescribed Reporting Requirements

The Loan Management Committee table at page vii does not include dates of birth, key academic and professional qualifications and work experiences of all the eleven (11) Committee members, and passport-size photos of nine (9) out of the eleven (11) Committee members were not inserted as required by the prescribed reporting template. This is contrary to Section 164(1) of the Public Finance Management Act, 2012, which requires Accounting Officer of a County Government entity to prepare financial statements of the entity in a format to be prescribed by the Accounting Standards Board.

In the circumstances, the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board. Also, Management was in breach of the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Homa Bay County Assembly Car and Mortgage Loan 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects capital expenditure final budget and actual on comparable basis amounts of Kshs.242,780,461 and Kshs.203,000,000 respectively, resulting in an under-expenditure of Kshs.39,780,461 (or 16% of the budget). The under-expenditure may have adversely affected the Fund's planned development programmes.

My opinion is not modified in respect of this matter.

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 Matters

In the audit report of the previous year, fourteen (14) audit issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the issues as at 30 June, 2023. No satisfactory reasons have been provided for not resolving the prior year's audit matters.

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 of Conclusion

Non-Compliance with the Law on Loan Disbursements

The statement of cash flows reflects loan disbursements paid out amounting to Kshs.116,000,000 in respect of car Loan and Kshs.165,003,600 for mortgage. However, no evidence was provided to confirm that the motor vehicles and property purchased using the funds were co-jointly owned by the Homa bay County Assembly Service Board and the borrowers, contrary to the provisions of Regulation 9(2) of the Homa Bay County Assembly (Car Loan Scheme Fund) Regulations, 2016, and Regulation 15(1) of the Homa Bay County Assembly (Mortgage Scheme Fund) Regulation, 2016.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain its 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, 2015.

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 March, 2024

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2023

Description	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Revenue From Exchange Transactions			
Interest Income	1	5,166,884	4,569,357
Total Revenue		5,166,884	4,569,357
Expenses			
Use of goods and services	2	1,256,631	2,885,410
Total Expenses		1,256,631	2,885,410
Surplus for the Period		3,910,253	1,683,947

(The notes set out on pages 6 to 27 form an integral part of these Financial Statements)



Name: Faith Adhiambo Apuko
 Administrator of the Fund



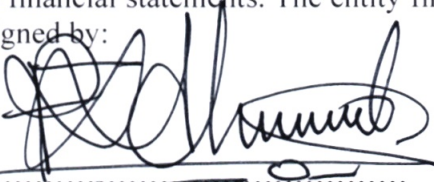
Name: CPA Jacinter Ogwe
 Fund Accountant
 ICPAK Member Number: 13233

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

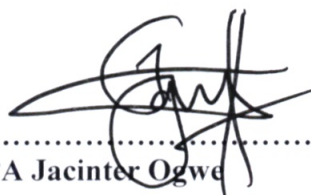
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

Description	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	3	17,055,551	16,465,892
Current Portion of Long- Term Receivables from Exchange Transactions	4a	85,681,732	72,039,702
Total current assets		102,737,282	88,505,594
Non-Current Assets			
Long Term Receivables from Non-Exchange Transactions	5	191,081,172	190,961,309
Long Term Loan Repayment due	4b	404,370,739	211,812,037
Total non- current assets		595,451,911	402,773,346
Total Assets		698,189,193	491,278,940
Total Liabilities		-	-
Net Assets			
Revolving Fund		728,677,285	525,677,285
Accumulated Surplus		(30,488,092)	(34,398,345)
Total Net Assets		698,189,193	491,278,940
Total Net Assets and Liabilities		698,189,193	491,278,940

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 16 Nov 2023 and signed by:



.....
Name: Faith Adhiambo Apuko
Administrator of the Fund



.....
Name: CPA Jacinter Ogwe
Fund Accountant
ICPAK Member Number: 13233

HOMA BAY COUNTY ASSEMBLY**Car and Mortgage Loan Fund****Annual Report and Financial Statements for the year ended June 30, 2023****16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023**

Description	Revolving Fund	Accumulated surplus	Total
	Kshs	Kshs	Kshs
Balance As At 1 July 2021	338,501,866	(36,082,291)	302,419,575
Surplus/(Deficit) For the Period	-	1,683,946	1,683,946
Funds Received During the Year	187,175,419		187,175,419
Transfers	-	-	-
Revaluation Gain	-	-	-
Balance As At 30 June 2022	525,677,285	(34,398,345)	491,278,940
Balance As At 1 July 2022	525,677,285	(34,398,345)	491,278,940
Surplus/(Deficit) For the Period		3,910,253	3,910,253
Funds Received During the Year	203,000,000	-	203,000,000
Transfers	-	-	-
Revaluation Gain	-	-	-
Balance As At 30 June 2023	728,677,285	(30,488,092)	698,189,193

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest received		5,166,884	4,569,357
Total receipts		5,166,884	4,569,357
Payments			
Use of Goods		1,256,631	2,885,410
Total Payments		1,256,631	2,885,410
Net cash flows from operating activities		3,910,253	1,683,947
Cash flows from investing activities			
Proceeds from loan principal repayments		74,802,869	57,956,179
Loan disbursements paid out-Car		(116,000,000)	-
Loan disbursements paid out-Mortgage		(165,003,600)	(28,000,000)
Net cash flows used in investing activities		(206,200,731)	29,956,179
Cash flows from financing activities			
Proceeds from revolving fund receipts		203,000,000	75,000,000
Additional borrowings to HBCA operations		(119,863)	(92,963,910)
Net cash flows used in financing activities		202,880,137	(17,963,910)
Net increase/(decrease) in cash & cash Equivalents		589,659	13,676,216
Cash and cash equivalents at 1 July 2022	3	16,465,892	2,789,676
Cash and cash equivalents at 30 June 2023		17,055,551	16,465,892

HOMA BAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	%
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Interest Income	5,166,884	-	5,166,884	5,166,884	-	100
Total Income	5,166,884	-	5,166,884	5,166,884	-	100
Expenses						
Use of Goods and services	5,166,884	-	5,166,884	1,256,631	3,910,253	24
Total Expenditure	5,166,884	-	5,166,884	1,256,631	3,910,253	24
Surplus For the Year	-	-	-	3,910,253	(3,910,253)	
Capital Expenditure	230,000,000	12,780,461	242,780,461	203,000,000	39,780,461	84

Budget Notes

1. The utilization of only 24% of use of goods and services expenditure budget was due to saving to reduce the accumulated deficit balance of Kshs. 34,398,345
2. The utilization of only 84% of the capital expenditure budget was due to underfunding by the county executive.
3. The Kshs.12,780,461 increase from the original to final budget was due to underutilization from the previous year 2021/2022

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

19. Notes to the Financial Statements

1. General Information

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

For proper management of the fund and as advised by the SRC in the circular under the reference, Homa Bay County Assembly adopted the PFM regulations 2014 to guide in the operationalization of the fund.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising therefrom, the Homa Bay County Assembly passed a Car Loan and Mortgage Regulations in 2014.

The fund is wholly owned by the County Assembly of Homa Bay and is domiciled in Kenya

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

- 1. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

Standard	Effective date and impact
IPSAS 41:	
Financial Instruments	Applicable: 1st January 2023 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
IPSAS 42: Social Benefits	<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>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <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.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	Applicable 1st January 2023

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	<ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
2. <i>New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.</i>	

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

3. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022/2023 was approved by the County Assembly on 30th June 2022. 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. Accordingly, the Fund recorded additional appropriations of Kshs 12,780,461 on the FY 2022/2023 budget following the governing body's approval.

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.

HOMABAY COUNTY ASSEMBLY

Car and Mortgage Loan Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

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 section xxx of these financial statements.

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.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an 5-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

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.

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.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

j) 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.

k) Nature and purpose of reserves

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

l) 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.

m) 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.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) 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.

q) 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.

r) Comparative figures

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

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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.

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

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.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

6. Notes to the Financial Statements

1. Interest income

Description	2022/2023	2021/2022
	Kshs	Kshs
Interest Income from Car and Mortgage Loans	5,166,884	4,569,357
Total Interest Income	5,166,884	4,569,357

2. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
General Office Expenses	36,151	46,690
Committee Allowances	1,080,000	2,448,000
Bank Charges	140,480	720
Domestic Travel and subsistence	-	390,000
Total	1,256,631	2,885,410

3. Cash and cash equivalents

Description	2022/2023	2021/2022
	Ksh	Ksh
Car and Mortgage Loan Account	17,055,550	16,465,892
Total Cash And Cash Equivalents	17,055,550	16,465,892

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

Financial Institution	Account number	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
c) Current Account			
Equity Bank	0980162413604	17,055,550	16,465,892
		-	-
Sub- Total		17,055,550	16,465,892
Grand Total		17,055,550	16,465,892

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

4. Receivables from exchange transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Current Receivables		
Current Loan Repayments Due	85,681,732	72,039,702
Total Current Receivables	85,681,732	72,039,702
Non-Current Receivables		
Long Term Loan Repayments Due	404,370,739	211,812,037
Total Non- Current Receivables	404,370,739	211,812,037
Total Receivables From Exchange Transactions	490,052,471	283,851,739

4(a) Current Loan Repayment Due

Description	2022/2023	2021/2022
	Kshs	Kshs
Balance At Beginning of The Period	72,039,702	37,968,901
Current loan During the Year	13,642,030	34,070,801
Balance At End of The Period	85,681,732	72,039,702

4(b) Long Term Loan Repayment Due

Description	2022/2023	2021/2022
	Kshs	Kshs
Loan Balance from MCAs Car Loan	103,212,163	498,894
Loan Balances from MCAs Mortgage	165,501,128	3,992,573
Loan Balances from Staff Car Loan	1,684,968	2,406,320
Loan Balances from Staff Mortgage	211,125,293	204,914,250
Total	404,778,743	211,812,037

5. Receivables from Non-exchange Transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Long Term receivables from Main operation account	191,081,172	190,961,309
Total	191,081,172	190,961,309

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

5(a) Long Term Receivables from HBCA Operations Account

Description	2022/2023	2021/2022
	Kshs	Kshs
Balance At Beginning of The Period	190,961,309	97,997,398
Domestic Borrowings During the Year	119,863	92,963,910
Balance At End of The Period	191,081,172	190,961,308

6. Accumulated Surplus

Description	2022/2023	2021/2022
	Kshs	Kshs
Surplus/ (Deficit) From Previous Year	(34,398,346)	(36,082,292)
Surplus/Deficit for the year	3,910,253	1,683,946
Total	(30,488,092)	(34,398,346)

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

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) Board of Trustees; etc.

b) Related party transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Transfers From Related Parties'	203,000,000	75,000,000
Transfers To Related Parties	-	-

c) Due from related parties

Description	2022/2023	2021/2022
	Kshs	Kshs
Due From Parent HBCA Main Operations Account	191,081,172	190,961,309
Total	191,081,172	190,961,309

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

8. 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 carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables From Exchange Transactions	283,851,739	211,812,037	72,039,702	
Receivables From Non-Exchange Transactions	190,961,309	92,963,911	97,997,398	
Bank Balances	16,465,892			
Total	491,278,940	397,739,859	268,034,498	
At 30 June 2022				
Receivables From Exchange Transactions	490,460,475	404,778,743	85,681,732	
Receivables From Non-Exchange Transactions	191,081,172	119,863	190,961,309	
Bank Balances	17,055,550			
Total	698,597,197	497,862,517	374,640,439	

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

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

The entity has significant concentration of credit risk on amounts due from loan beneficiaries

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

b) Liquidity risk management

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

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

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 ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

i. Foreign currency risk

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

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

ii. 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.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

d) Capital risk management.

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

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Revaluation reserve		
Revolving fund	728,627,285	525,677,285
Accumulated surplus	(30,488,092)	(34,398,345)
Total funds	698,189,193	491,278,940
Total borrowings	191,081,172	190,961,309
Less: cash and bank balances	(17,055,550)	(16,465,892)
Net debt/(excess cash and cash equivalents)	174,025,622	174,495,417
Gearing	25%	35%

9. Events after the reporting period

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

10. Ultimate and Holding Entity

The entity is a County Public Fund established by Homa Bay County Assembly (Mortgage Scheme) Regulations, 2016 Act and Homa Bay County Assembly (Car Loan Scheme) Regulations, 2016) under the Ministry of Devolution. Its ultimate parent is the County Government of Homa Bay.

11. Currency

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

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

20. Annexes

Annex I: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for Adverse Opinion				
1.0.	Unsupported Prior Year Adjustments	The management is in consultation with the auditor to support the adjustments	Not Resolved	June 2024
2.0.	Unexplained Variance in Use of Goods and Services Amount	The management is in consultation with the auditor	Not Resolved	June 2024
3.0.	Receivables from HBCA Operations	The management has made a payment plan to clear all the receivables from min account	Not Resolved	June 2024
4.0.	Long Term Repayments Due	The management has put measures in place to ensure full repayment of the loans disbursed	Not Resolved	June 2024
4.1.	Unexplained Variance in Long Term Loan Repayments Due	The management has put measures in place to ensure full repayment of the loans disbursed	Not Resolved	June 2024

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.2.	Non-Performing Loans	The management has put measure in place to ensure recovery	Not resolved	30 th Dec. 2023
5.0.	Unconfirmed Accuracy of Cash and Cash Equivalents	The management has confirmed the misstatement and corrected the cash book.	Resolved	Cleared June 2023
6.0.	Misrepresentation of the Name of the Fund	The management is in the process of making amendments to the regulation and correct the name of the fund.	Not resolved	30 th Dec. 2023
7.0.	Non-Compliance with the Prescribed Reporting Requirements	The management has used the latest recommended reporting template.	Resolved	Cleared June 2023
Other Matter				
	Budgetary Control and Performance	The management is in consultation with the Parent County executive.	Not Resolved	June 2024
Report on Lawfulness and Effectiveness in Use of Public Resources				
1.0.	Unlawful and Ineffective Management of Loans	The management has committed to adhere to the regulations governing the fund	Not Resolved	June 2024

HOMABAY COUNTY ASSEMBLY
Car and Mortgage Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.0.	Failure to Recover Funds Borrowed by the County Assembly	The management has made a payment plan to clear all the receivables from min account	Not Resolved	June 2024
3.0.	Failure to Adhere to the Rules Guiding Administration of a Public Fund	The management has now adhered to the mortgage regulations	Resolved	Cleared
4.0.	Improperly Presented Non-Financial Information	The management is amending the financial statement	Not resolved	June 2024
5.0.	Improperly Constituted Fund Committee	The management has now followed the due procedures of appointment	Resolved	Cleared

Fund Administrator

Apuko Faith Alhiambo



Date..... 15 Nov 2023