

REPUBLIC OF KENYA



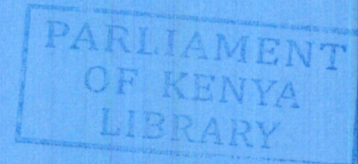
Enhancing Accountability



REPORT

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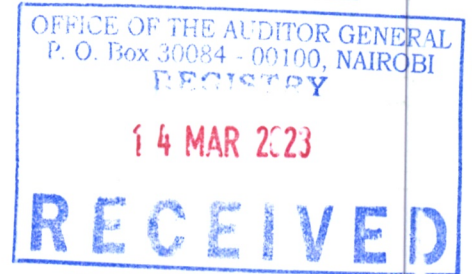


THE AUDITOR-GENERAL

ON

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

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



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

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN 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 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

c) 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

d) Independent Auditors

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

e) Principal Legal Adviser

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

HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
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2. FUND ADMINISTRATIVE (GOVERNING BODY)

Ref	Name	Details of Qualifications
1.	Hon. Elizabeth Ayoo	Speaker/ Chair
2.	Hon. Jeff Ongoro	Vice Chair
3.	Hon. Joseph Okoto	Commissioner
4.	Hon. Lilian Ogono	Commissioner
5.	Hon. Richard Ouma	Commissioner

3. MANAGEMENT TEAM

a)Key Management



MS. FAITH ADHIAMBO APUKO:
Homa Bay County Assembly Clerk
Responsibility: Fund Administrator



MS. JACINTER ADEDE OGWE Principal Finance Officer

Responsibility: Fund Accountant



HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
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b) Fund Administration Committee

Name	Details of qualifications and experience
1. Hon Peter Asoyo Oriema 	Chairperson
2. Hon. Sophie Akinyi Salim 	Vice Chairperson
3. Hon. John Kiasa	Member
4. Hon. Jane Kiche	Member
5. Hon. Paul Wamunga	Member
6. Hon. Joel Mola	Member
7. Hon. Ellyas Orondo	Member
8. Bosstone Ernest Nyang'or	Secretariat
9. Wendy Winnie Opar	Secretariat

4. FUND CHAIRMAN'S REPORT

Income

The fund earned interest amounting to KShs. 4,569,356 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. 2,885.410.

Financial Performance

Revenue

In the year ended 30th June 2022 the fund had projected interest income of Kshs. 4,569,356 Out of the projected revenue, the fund was able to realise Kshs. 4,569,356 in actual interest oncome representing 100% performance.

Loans Disbursed

During the year 2021/2022, the fund disbursed ten additional Mortgages and two new mortgages to staff. While 2 Staff members cleared their Car loan. The total loan beneficiaries to date is 103.

5. FUND ADMINISTRATOR'S REPORT

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 2022. 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

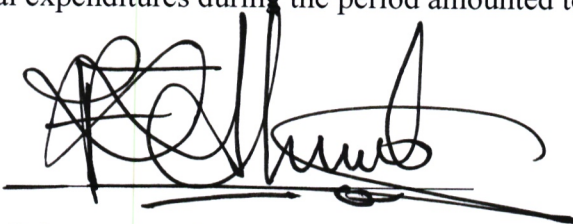
Income

The fund earned interest amounting to KShs. 4,569,356 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. 2,885.410.

Signed:



Faith Adhiambo Apuko
Fund Administrator



HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
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For the year ended June 30, 2022

6. STATEMENT OF PERFORMANCE AGAINST THE HOMABAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN 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 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 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 2021/2022 the Homa Bay County Assembly Car and Mortgage Loan Fund disbursed new loans amounting to Kshs. 28,000,000.
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 by scheme members	Amount of car loans advanced to members	Performance

7. 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 members of Executive 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 on 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 eight meetings during the financial year under review that was attended by all members. There was only one training for the committee members in the financial year held at Panari Hotel Mombasa on Sustainability and Management of County Public Funds attended by all members.

8. MANAGEMENT DISCUSSION AND ANALYSIS

a) Revenue

In the year ended 30 June 2022, the fund had projected interest income of KShs 4,569,356. Out of the projected revenue, the fund was able to realise actual interest income, representing 98.7% 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.	97,525,627	75,000,000	77%
Interest income	4,569,356	4,569,356	100%
Fines, penalties and other levies	-	-	-
Other income	-	-	-
Total income	102,094,485	79,569,357	78%

b) Loans

During the year 2021/2022, the fund disbursed ten additional Mortgages and two new mortgages to staff. While 2 Staff members cleared their Car loan. The total loan beneficiaries to date is 103.

Cash flows

In the year 2021/2022, 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 equivalents was Kshs. 16,465,890.81 as at 30 June 2022, being an increase from Kshs 2,789,676 as at 30th June 2021.

HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
Reports and Financial Statements
For the year ended June 30, 2022

c) Conclusion

The year 2021/2022 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.

9. 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

1. 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).

2. Community Engagements-

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.

3. 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.

10. REPORT OF THE TRUSTEES

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

Principal activities

The principal activities of the Fund are 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, 2022 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

For:  .
.....

Chair of the Board/Fund Administration Committee

Date:

HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
Reports and Financial Statements
For the year ended June 30, 2022

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 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, 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.

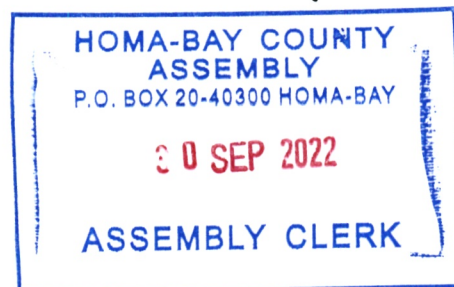
The Administrator of the Homa Bay County Assembly Car Loan and Mortgage Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public 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, 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 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

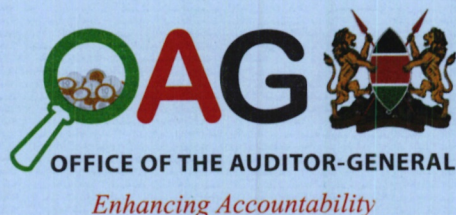
The Fund's financial statements were approved by the Board on 30 Sept 2022 and signed on its behalf by

.....
Administrator of the County Public Fund



REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN 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

Adverse Opinion

I have audited the accompanying financial statements of Homa Bay County Assembly Car and Mortgage Loan Fund set out on pages 1 to 20, which comprise the statement of financial position as at 30 June, 2022 and the statement of financial performance,

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

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Homa Bay County Assembly Car and Mortgage Loan Fund as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Homa Bay County Assembly (Mortgage Scheme Fund) Regulations, 2016, Homa Bay County Assembly (Car Loans Scheme Fund) Regulations, 2016 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0. Unsupported Prior Year Adjustment

The statement of changes in net assets reflects prior year adjustment amount of Kshs.112,175,419 under revolving fund. Although Management has indicated that the adjustment was as a result of prior year understatement of changes in revolving fund, an analysis showing how the revolving fund was previously understated was not provided for audit.

In the circumstances, the accuracy and completeness of the prior year adjustment of Kshs.112,175,419 for the year ended 30 June, 2022 could not be confirmed.

2.0. Unexplained Variance in Use of Goods and Services Amount

The statement of financial performance reflect use of goods and services amount of Kshs.2,885,410 and as disclosed in Note 2 to the financial statements. It was however noted that the balance differs with a corresponding amount of Kshs.2,838,000 recorded in the supporting schedule thus resulting in an unexplained variance of Kshs.47,410.

In the circumstances, the accuracy and completeness of the use of goods and services balance of Kshs.2,885,410 for the year ended 30 June, 2022 could not be confirmed.

3.0. Receivables from HBCA Operations

The statement of financial position reflects receivables from HBCA Operations balance of Kshs.190,961,309 which differs with a balance of Kshs.188,703,309 calculated as shown in the table below, resulting to an unreconciled variance of Kshs.2,258,000:

	Amount (Kshs.)
Balance b/f – reflected in the statement of financial position	97,997,398
Add: Amount borrowed during the year as recorded in cashbook	141,373,270
Less: Amount refunded during the year as recorded in cashbook	(50,667,359)
Calculated receivables from HBCA Operations	188,703,309

Further, the borrowing of funds from the Fund by the County Assembly to fund its operations was 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 member 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 completeness of the receivables from HBCA operations balance of Kshs.190,961,309 could not be confirmed.

4.0. Long Term Loan Repayments Due

The statement of financial position, and as disclosed in Note 6 to the financial statements reflect long term loan repayment due balance of Kshs.211,812,037. The following unsatisfactory matters were noted:

4.1. Unexplained Variance in Long Term Loan Repayments Due

The long-term loan repayment due balance of Kshs.211,812,037 includes loan balances from staff car loan of Kshs.2,406,320 which differs with a corresponding balance of Kshs.5,114,882, recorded in the loan amortization schedules, resulting in an unreconciled variance of Kshs.2,708,562.

In the circumstances, the accuracy and completeness of the loan balances from staff car loan of Kshs.2,406,320 as at 30 June, 2022 could not be confirmed.

4.2. Non-Performing Loans

The long-term loan repayment due balance of Kshs.211,812,037 includes loan balances totaling to Kshs.29,785,903 due from three (3) staff and one (1) member of the County Assembly who stopped servicing their loans. Available information indicated that these borrowers were no longer employees of Homa Bay County Assembly. It is also not clear as to whether these loans were insured.

In the circumstances, the propriety and recoverability of the loan balances of Kshs.29,785,903 as at 30 June, 2022 could not be confirmed.

5.0. Unconfirmed Accuracy of Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.16,465,891 which, according to the bank reconciliation statement as at 30 June, 2022, was arrived at after deducting payments in cash book not yet recorded in bank statement (unpresented cheques) of Kshs.13,490,240 which consists of nine (9) payments that have no dates. As a result, it was not possible to establish whether or not the unpresented cheques were stale as at 30 June, 2022.

In the circumstances, the accuracy of the reported cash and cash equivalents balance of Kshs.16,465,891 as ta 30 June, 2022 could not be confirmed.

6.0. 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 Loans Scheme Fund. No evidence was provided to show how these two (2) Funds were merged into one.

In the circumstances, the accuracy and legality of the Fund's name reflected in the financial statements could be confirmed.

7.0. Non-Compliance with the Prescribed Reporting Requirements

Review of the financial statements revealed the following instances of non-compliance with the financial reporting template for County Public Funds and Schemes revised June, 2022, prescribed by the Public Sector Accounting Standards Board. It was noted that the statement of comparison of budget and actual amounts reflects an underutilization of 77% against transfers from County Government, which is not explained in a budget footnote as required.

In addition, the statement of comparison of budget and actual amounts reflects total income of Kshs.79,569,357 which differs with total revenue of Kshs.4,569,356 reflected in the statement of financial performance, resulting to a variance of Kshs.75,000,000. However, no reconciliation was provided as a budget note to explain the variance as required. It was further noted that the statement does not have a row for surplus/deficit.

In the circumstances, the accuracy and validity of the statement of budget and actual amounts for year ended 30 June, 2022 could not be confirmed.

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 adverse opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparative basis of Kshs.102,094,984, and Kshs.79,569,357, resulting to underfunding of Kshs.22,252,627 or 22% of the budget.

In the circumstances, the underfunding constrained execution of planned activities and delivery of services to the members and staff of the Homa Bay County Assembly.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0. Unlawful and Ineffective Management of Loans

Review of records relating to loans advanced revealed the following anomalies:

- i. The loans advanced were not insured, contrary to Regulation 16(1) of Homa Bay County Assembly (Mortgage Scheme Fund) Regulation, 2016.
- ii. During the year under review, an amount of Kshs.102,000,000 was lent to twenty-one (21) staff members who were given a two-month moratorium to start repaying the interest. However, this is not provided for in the Homa Bay County Assembly (Mortgage Scheme fund) Regulations, 2016.
- iii. Official searches of title to the property intended to be purchased, certified copies of the sale agreements relating to the property acquired by the borrowers and copies of designs of the proposed residential property approved by the relevant County Government department within whose area the property was to be situated were not provided for audit.
- iv. No evidence was provided for audit to confirm whether the cars and land purchased by the Fund were co-jointly owned by the Homa Bay County Assembly Service Board.
- v. The cars acquired through the loans were never valued as required by Regulation 11(2) of Homa Bay County Assembly (Car Loan Scheme Fund) Regulation, 2016.

In the circumstance, the Management was in breach of the law. Also, the Fund risks losing money and not meeting its objective through loan disbursed but not utilized to acquire car or mortgage property.

2.0. Failure to Recover Funds Borrowed by the County Assembly

The statement of financial position reflects receivables from HBCA operations balance of Kshs.190,961,309 in respect of funds borrowed by the Homa Bay County Assembly to finance its operations. The amount had accumulated over a period of five years from 2017/2018 to 2021/2021 financial years.

In the circumstances, the Fund's ability to realize its objectives of providing loans to members of the scheme for purchase of motor vehicles and development, renovation or repair of residential property could not be confirmed.

3.0. Failure to Adhere to the Rules Guiding Administration of a Public Fund

The financial statements for the previous three (3) years show that since it was established in the financial year ended 30 June, 2017, the Fund had depended on annual financing from the County Exchequer as evidenced by the releases of exchequer funds of Kshs.40,000,000, Kshs.98,000,000 and Kshs.75,000,000 in the years 2019/2020, 2020/2021 and 2021/2022 respectively. This was contrary to Regulation 197(1)(e) of the Public Finance Management (County Governments) Regulations, 2015, which requires that the establishment of a County Public Fund and its continued existence will not depend on annual financing from the County Exchequer.

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

4.0 Improperly Presented Non-Financial Information

Review of the non-financial information reflected in the annual report and financial statements revealed the following anomalies:

- i. Under Section 1 on key entity information and management, details of loan management committee, key management, registered offices and Fund contacts are not included.
- ii. Section 2 on fund administrative (governing body) reflects five (5) members comprising chair (speaker), vice chair and three (3) commissioners, implying that the governing body was a commission. However, the commission is not provided for in the enabling legislation.
- iii. The management team at Section 3(a) does not include details of qualifications and experiences of the managers as required.
- iv. The fund administration committee at Section 3(b) does not have passport-size photos of seven (7) of the nine (9) Committee member and details of qualifications and experiences of all Committee members.
- v. The Fund chairman's report at Section 4 is not authentic as it is not signed.
- vi. The corporate governance statement at Section 7 does not include the following information as required: succession plan, existence of a Committee charter, process of appointment and removal of Committee members, Committee and member performance, conflict of interest, Committee remuneration, ethics and conduct as well as governance audit.

Therefore, Management contravened Section 164(1) of the Public Finance Management Act, 2012, which requires accounting officers of county government entities to prepare financial statements in formats that comply with the relevant accounting standards prescribed and published by the Accounting Standards Board:

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

5.0 Improperly Constituted Fund Committee

Section 2(b) of the annual report and financial statements shows that during the year under review, the Fund Administration Committee had nine (9) members, comprising seven (7) members of the County Assembly (including the chairperson and vice chairperson) and two (2) members of staff of the County Assembly. This was contrary to Regulation 6(2) of the Homa Bay County Assembly (Mortgage Scheme Fund) Regulations, 2016, which requires the Loan Management Committee to have seven (7) members of County Assembly, the Clerk of the County Assembly and three (3) members of staff, totaling to eleven (11) members. The composition of the Committee was also contrary to Regulation 6(2) of the Homa Bay County Assembly (Car Loans Scheme Fund) Regulations, 2016, which requires the Loan Management Committee to have eight members of County Assembly, the Clerk of the County Assembly and three (3) members of staff, totaling to twelve (12) members.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 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 controls, risk management and 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 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 controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

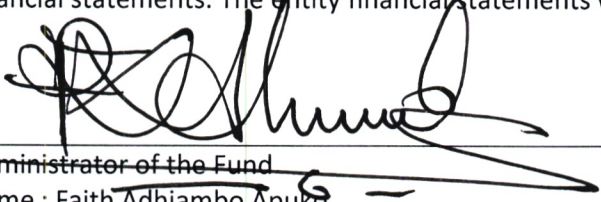
19 April, 2023

HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
Reports and Financial Statements
For the year ended June 30, 2022

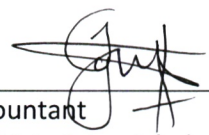
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
Revenue from exchange transactions			
Interest income	1	4,569,356	4,688,858
Total revenue		4,569,356	
Expenses			
Use of Goods and Services	2	2,885,410	6,566,558
Interest Refunded on Car Loan conversion to Car Grant		0	6,936,718
Total expenses		2,885,410	13,503,276
Surplus/(Deficit) for the period		1,683,946	(8,814,418)

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 Sept 30, 2022 and signed by:



Administrator of the Fund
 Name : Faith Adhiambo Apuko



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

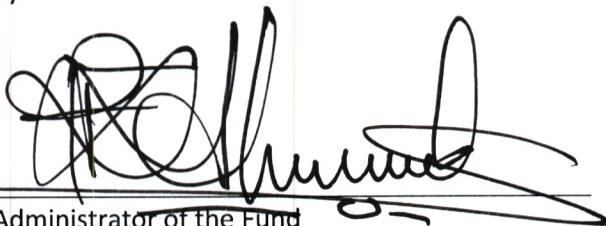


HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
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For the year ended June 30, 2022

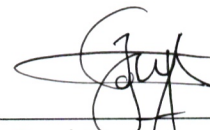
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	3	16,465,891	2,789,676
Receivables from HBCA Operations	4	190,961,309	97,997,398
Current Loan Repayment Due	5	72,039,702	37,968,901
Non-Current assets			
Long term Loan Repayment Due	6	211,812,037	163,663,598
Total assets		491,278,939	302,419,574
Liabilities			
Non-current liabilities			
Long term portion of borrowings		0	0
Total liabilities		0	0
Net assets			
Revolving Fund	7	525,677,285	338,501,866
Accumulated surplus	8	(34,398,346)	(36,082,291)
Total net assets and liabilities		491,278,939	302,419,574

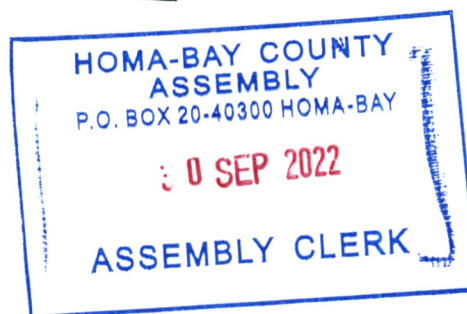
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on Sept 30th 2022 and signed by:



Administrator of the Fund
 Name: Faith Adhiambo Apuko



Fund Accountant
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HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
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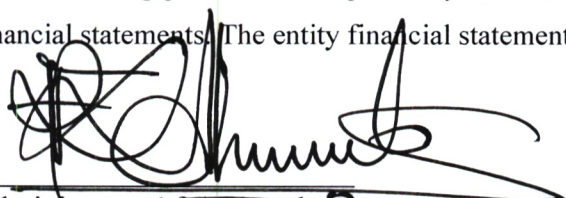
**15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED
30 JUNE 2022**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2020	364,501,866	-	(27,267,874)	337,233,992
Surplus/(deficit) for the period	-	-	(8,814,418)	(8,814,418)
Funds received during the year	98,000,000	-	-	98,000,000
Funds Issued out as Car Grant	(124,000,000)	-	-	(124,000,000)
Balance as at 30 June 2021	338,501,866	-	(36,082,292)	302,419,574
Balance as at 1 July 2021	338,501,866	-	(36,082,292)	302,419,574
Surplus/(deficit) for the period	-	-	1,683,946	1,683,946
Prior Year Adjustments	112,175,419	-	-	112,175,419
Funds received during the year	75,000,000	-	-	75,000,000
Car Grant Issued	0	-	-	0
Balance as at 30 June 2022	525,677,285	-	(34,398,346)	491,278,939

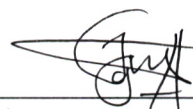
Note

- The adjustment was as a result of prior year understatement of changes in revolving Fund.

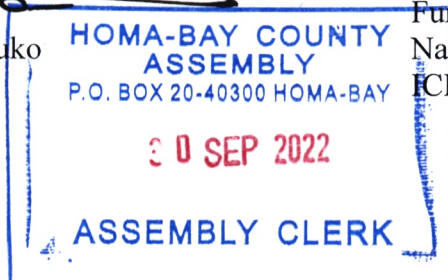
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Administrator of the Fund
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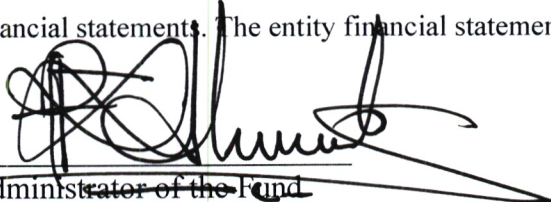


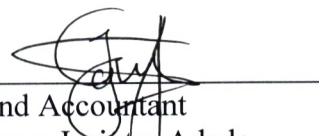
HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
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For the year ended June 30, 2022

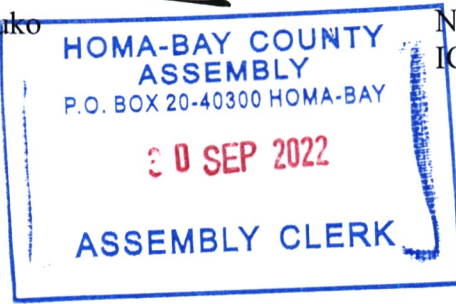
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
Cash flows from operating activities			
Receipts			
Interest received	1	4,569,356	4,688,858
Total Receipts		4,569,356	4,688,858
Payments			
Use of Goods and services	2	2,885,410	6,566,558
Transfer to HBCA Operations	4	92,963,910	9,459,679
Car Grant		0	91,582,400
Total Payments		95,849,320	107,608,637
Net cash flows from operating activities		(91,279,964)	(4,919,778)
Cash flows from investing activities			
Loan Principal Repayment		57,956,179	59,520,097
Loan disbursements paid out		(28,000,000)	(112,000,000)
Net cash flows used in investing activities		29,956,179	(52,479,903)
Cash flows from financing activities			
Exchequer Received		75,000,000	98,000,000
Net cash flows used in financing activities		75,000,000	98,000,000
Net increase/(decrease) in cash and cash equivalents		13,676,215	(57,399,682)
Cash and cash equivalents at 1 JULY 2021	3	2,789,676	60,189,358
Cash and cash equivalents at 30 JUNE 2022		16,465,891	2,789,676

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 Sept 30, 2022 and signed by:


 Administrator of the Fund
 Name: Faith Adhiambo Apuko


 Fund Accountant
 Name: Jacinter Adede
 ICPAK Member Number: 13233

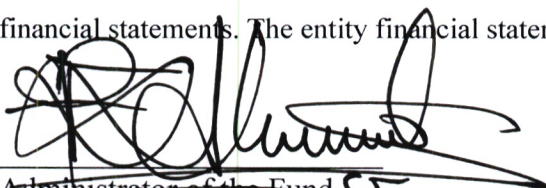


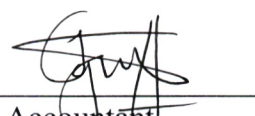
HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022	2022	2022	2022	2022	2022
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Transfers from County Govt.	97,525,627	0	97,525,627	75,000,000	22,525,627	77%
Interest income	4,569,357	-	4,569,356	4,569,357	0	100%
Total income	102,094,984	0	102,094,984	79,569,357	22,525,627	78%
Expenses						
Fund administration expenses	2,885,410	-	2,885,410	2,885,410	-	100%
General expenses	-	-	-	-	-	0%
Total expenditure	2,885,410	-	2,885,410	2,885,410	-	100%

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 Sept 30, 2022 and signed by:


 Administrator of the Fund
 Name: Faith Adhiambo Apuko


 Fund Accountant
 Name: Jacinter Adede
 ICPAK Member Number: 13233



HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
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18. Notes to the Financial Statements

1) Statement of compliance and basis of preparation

1. General Information

Homa Bay County Assembly Car and Mortgage Loan Fund is established by and derives its authority and accountability from Public Finance Management (PFM) Act 2012. The entity is wholly owned by the Homabay County Government and is domiciled in Kenya. The entity's principal activity is Legislation and Oversight.

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.

(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:
IPSAS 41: Financial Instruments	<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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

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Standard	Effective date and impact:
	<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 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

HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
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Standard	Effective date and impact:
	<p>hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <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. 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	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p>

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Standard	Effective date and impact:
for Sale and Discontinued Operations	<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.

HOMA BAY COUNTY ASSEMBLY CAR AND MORTGAGE LOAN FUND
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1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on xxxx. 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 xxxxx on the FY 2021-2022 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.

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 of these financial statements.

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Summary Of Significant Accounting Policies (Continued)

c) Property, plant and equipment

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

d) Intangible Assets

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

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

a) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

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Summary Of Significant Accounting Policies (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

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Summary Of Significant Accounting Policies (Continued)

b) 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.

c) 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.

d) 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.*

e) 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.

f) 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.

g) 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)

h) 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.

i) 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.

j) 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.

k) Comparative figures

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

l) Events after the reporting period

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

m) Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Management (PFM) Act 2012 Act under the Ministry of Devolution. Its ultimate parent is the County Government of Homabay.

n) 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
- 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. Additional disclosure of these estimates of provisions is included.

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. Notes To The Financial Statements

1. Interest income

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Interest income from loans (mortgage or car loans)	4,569,357	4,688,858
Total interest income	4,569,357	4,688,858

2. Use of Goods and Services

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Insurance Expenses	0	0
Domestic Travel and subsistence	390,000	0
Sitting Allowances	2,448,000	6,302,400
Bank Charges	720	27,790
Other Expenses	46,690	236,368
Total	2,885,410	6,566,558

3. Cash and cash equivalent

		FY2021/2022	FY2020/2021
Financial institution	Account number	KShs	KShs
a) Current account			
Equity Bank	0980162413604	16,465,891	2,789,676
Sub- total		16,465,891	2,789,676
Grand total		16,465,891	2,789,676

4. Receivables from HBCA Operations

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Current Receivables		
2018 Bal c/f	35,564,115	35,564,115
2019 Bal c/f	6,245,758	6,245,758
2020 Bal c/f	46,727,846	46,727,846
2021 Bal c/f	9,459,679	9,459,679
2022 Bal c/f	92,963,910	-
Total Current receivables	190,961,309	97,997,398

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5. Current Loan Repayment Due

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Sept 2019 repayment	8,345,593	7,778,397
Feb 2021 repayment	5,389,579	5,389,579
Mar 2021 repayment	5,293,676	5,293,676
Apr 2021 repayment	5,293,676	5,293,676
May 2021 repayment	5,230,915	5,230,915
January 2022 repayment	5,734,832	5,156,145
February 2022 repayment	5,817,675	-
Repayment due from loan defaulters	30,933,756	
Total	72,039,702	37,968,901

6. Long Term Repayment Due

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Loan Balances from CASB Car Loan	498,894	-
Loan Balances from MCAs Mortgage	3,992,573	53,881,682
Loan Balances from Staff Car Loan	2,406,320	6,636,104
Loan Balances from Staff Mortgage	204,914,250	103,145,811
Total	211,812,037	163,663,598

7. Revolving fund

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Revolving Fund	525,677,284	338,501,866
Total	525,677,284	338,501,866

8. Accumulated surplus

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Surplus from Previous year	(36,082,292)	(27,267,874)
Surplus for the year	1,683,946	(8,814,417)
Total	(34,398,346)	(36,082,292)

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**19. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S
RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Trial Balance not provided	Already provided with the latest responses	Resolved	Sept 2021
2	Unreconciled Cashflow Statement	Issue is being resolved by Management	Unresolved	Dec 2021
3	Dormant Bank Account	The Bank Balances had been disclosed and Erroneous credit of Kshs. 269,225 reversed.	Resolved	Sept 2021
4	Irregular Borrowing	The Management is yet to refund the borrowed funds from Mortgage Account	Unresolved	Dec 2021
5	Unsupported cash withdrawals	The support documents had already been provided by the	Resolved	Sept 2021

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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)
		Management		
6	Unsupported Cash Transfer	Management had already provided the details of the transfer	Resolved	Sept 2021
7	Loan Defaulters	The Management is resolving the matter with the defaulters	Unresolved	Dec 2021