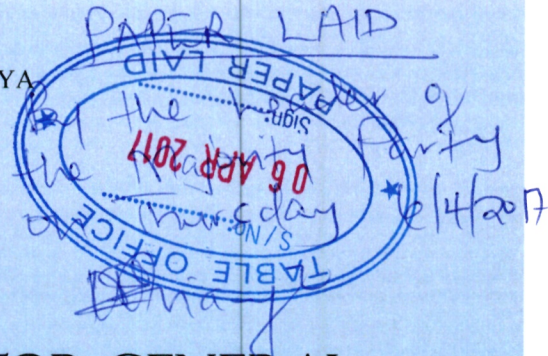


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
STATE OFFICERS AND PUBLIC OFFICERS
MOTOR CAR LOAN SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE 2016**

NATIONAL TREASURY

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI

30 SEP 2016

RECEIVED



THE NATIONAL TREASURY

***STATE OFFICERS' AND PUBLIC OFFICERS MOTOR CAR LOAN
SCHEME FUND***

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2016

**PREPARED IN ACCORDANCE WITH THE ACCRUAL BASIS OF ACCOUNTING METHOD UNDER
THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)**

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KEY ENTITY INFORMATION AND MANAGEMENT

Background information Principal activities

The State Officers' and Public Officers' Motor Car Loan Scheme Fund was established in 2015, through legal notice no. 195 of 25th September, 2015 under the Public Finance Management Act. This was pursuant to guidelines provided by Salaries and Remuneration Commission on Car Loan benefit for State officers and other Public Servants in December, 2014.

The Cabinet Secretary, National Treasury is responsible for the general policy and strategic direction of the Fund while the Chief Executive Officer is the Administrator of the Fund.

(a) Principal Activities

The Salaries and Remuneration Commission on 17th December 2014 set and advised on the car and House mortgage benefits for all State Officers and other Public Officers in Kenya. The objective and purpose for which the Fund was established is to provide a car loan facility to State Officers and Public Officers of the National government to purchase a motor car.

SCHEME MANAGEMENT COMMITTEE

The Fund is administered through the Car Loan Secretariat by the Accounting Officer / Principal Secretary of the Ministry for the time being responsible for matters related to Finance.

Management of the Fund is overseen by an Advisory Board for the reporting period comprising:

- i. Principal Secretary responsible for the National Treasury.
- ii. Principal Secretary responsible for Public Service Management.
- iii. Principal Secretary responsible for Transport
- iv. Chief Executive Officer Salaries and Remuneration Commission
- v. Chief Executive Officer Public Service Commission
- vi. Director General Budget, Fiscal and Economic Affairs, National Treasury
- vii. Director General Administrative Services, National Treasury
- viii. Officer administering the Fund,

(b) Fiduciary Management

During the financial year under focus the Fund operations were undertaken by the Fund Secretariat and administered by "the Officer Administering the Fund. The Officer administering the Fund therefore hereby submits the report of the Fund and the financial statements for the year ended 30 June 2016 which show the state of the Fund affairs. The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	- Dr. Kamau Thugge
2.	Fund Administration	- Mrs. M.W. Muiru

(c) Fiduciary Oversight Arrangements

The overall oversight role of the Fund lies with the Parliamentary Public Accounts Committee. Pursuant to section 18 of the Government Financial Management Act, 2004 and section 9 (e) of the legal notice no. 168 (Legislative Supplement No. 51) of 22nd December 2006, the Fund Auditors remains the Auditor General of the Government of Kenya. Internal audit for the Scheme is carried by the audit section within the National Treasury.

(d) Entity Headquarters

The National Treasury Building, 6th Floor Room 627,
Harambee Avenue
P.O. Box 30007-00100
NAIROBI

(e) Entity Contacts

Telephone: (254) 2252299
Website: www.Treasury.go.ke

(f) Entity Bankers

Central Bank of Kenya,
Address: Haile Selassie Avenue
Mailing Address: P.O Box 60000-00200, Nairobi, Kenya

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

STATEMENT OF FUND ADMINISTRATOR RESPONSIBILITIES

Section 116 (7) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the administrator for a public fund shall prepare financial statements in respect of that fund.

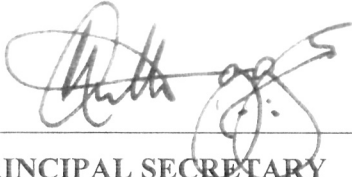
The administrator in charge of the Car Loan Scheme Fund is responsible for the preparation and presentation of the fund's financial statements, which give a true and fair view of the state of affairs of the fund for and as at the end of the financial year ended on June 30, 2016. This responsibility includes:

- (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 entity;
- (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 Car Loan Scheme Fund accepts responsibility for the fund's financial statements, which have been prepared using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Administrator 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, 2016, and of the fund's financial position as at that date. The Administrator of the State Officers and Public Officers Motor Car Loan Scheme Fund further confirms 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.

APPROVAL OF THE FINANCIAL STATEMENTS

The Fund's financial statements were approved and signed by the Accounting Officer and Ag. Chief Executive Officer of the Fund on 26th September 2016



PRINCIPAL SECRETARY

NATIONAL TREASURY



AG. CHIEF EXECUTIVE OFFICER

ADMINISTRATOR OF THE FUND

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE 2016 - NATIONAL TREASURY

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the State Officers and Public Officers Motor Car Loan Scheme Fund set out on pages 6 to 10, which comprise the statement of financial position as at 30 June 2016, and the statement of income and expenditure, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information conducted in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

Management's Responsibility for the Financial Statements

The Accounting Officer-National Treasury and the Administrator of the Fund are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such 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.

The 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, 2015.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

Report of the Auditor-General on the Financial Statements of the State Officers and Public Officers Motor Car Loan Scheme Fund for the year ended 30 June 2016 – National Treasury

presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Treasury's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion Paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Accuracy of the Financial Statements

The State Officers and Public Officers Motor Car Loan Scheme Fund was established through a Legal Notice No. 195 dated 8 September 2015 under the Public Finance Management Act, 2012. Information available indicates that the initial capital of the Fund of Kshs.1,000,000,000.00 appropriated by Parliament in the financial year 2014/2015 and was credited into the Fund account held at the Central Bank of Kenya on 25 August 2015. An additional amount of Kshs.985,000,000.00 was credited into the Fund account on 23 May 2016 bringing the total amount to Kshs.1,985,000,000.00. However, the receipts are not reflected in the statement of income and expenditure which instead reflects nil receipts for the year ended 30 June 2016. Similarly, the statement of changes in equity for the year ended 30 June 2016 reflect a balance brought forward on 1 July 2015 of Kshs.1,000,000,000.00. However, as observed above, this amount was transferred to the Fund account on 25 August 2015. The accuracy of the financial statements prepared and submitted for audit is, therefore, doubtful.

2. Unsupported Bank Balance

The statement of financial position reflects cash and cash equivalents (bank) balance of Kshs.1,985,000,000.00 as at 30 June 2016. However, the balance has not been supported by a bank reconciliation statement and certificate of bank balance as at 30 June 2016. Under the circumstances, completeness, existence and accuracy of the balance of Kshs.1,985,000,000.00 cannot be confirmed.

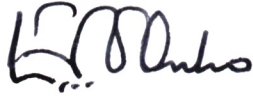
3. Failure to adhere to the Guidelines

The statement of financial position submitted does not bear the signatures of the Accounting Officer and the Administrator of the Fund. This is contrary to the guidelines issued by the Public Sector Accounting Standards Board pursuant to the provisions of Section 194 of the Public Finance Management Act, 2012.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion Paragraph, I have not been able to obtain sufficient appropriate audit evidence

to provide a basis for an audit opinion on the financial statements. Accordingly, I do not express an opinion on the financial statements.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

13 March 2017

**STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30TH JUNE 2016**

		2015-2016	2014-15
	Notes	Ksh. '000'	Ksh. '000'
<u>Income</u>			
Loan Interest receivable	4	-	-
Interest Accrued in the fund	3	-	-
Total Receipts		-	-
<u>Expenditure</u>			
Administrative Fees Paid		-	-
Bank Charges		-	-
Total Payments		-	-
Surplus/ (Deficit)		-	-
Surplus/ (Deficit) B/F		-	-
Surplus/ (Deficit) C/F		-	-

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016

	Notes	2015- 2016 Ksh	2014- 2015 Ksh.
<u>Non-Current Assets</u>	1	-	-
<u>Current Assets</u>			
Cash and Cash Equivalents		1,985,000,000	1,000,000,000
Total Assets		<u>1, 985,000,000</u>	<u>1,000,,000,000</u>
<u>Financed By</u>			
Car Loan Fund Account	6	1,985,000,000	1000,000,000
Income and Expenditure Account		-	-
(Accumulated Surplus/ (Deficit)	4	<u>-</u>	<u>-</u>
Net Value of the Fund		<u>1,985,000,000</u>	<u>1,000,000,000</u>

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016**

	Notes	2015- 2016 Ksh.	2014- 2015 Ksh.
<u>Cash Flows from Operating Activities</u>			
Cash Receipts		985,000,000	1,000,000,000
Loan Interest Paid by Members	4	-	-
Interest paid into the fund		-	-
Total cash received from Operating Activities 'a'		985,000,000	1,000,000,000
=			
Cash Payments			
Administrative Fees Paid		-	-
Bank Charges paid		-	-
Total Payments 'b'		-	-
Net Cash from Operating Activities 'a'- 'b' = 'c'		<u>0</u>	<u>0</u>
<u>Cash Flows from Investing Activities</u>			
Loans Paid by Members		-	-
Loans advanced to Members		-	-
Net Cash flows from Investing Activities 'd'		-	-
Cash Flows from Investing Activities			
Cash Receipts from County Treasury		-	-
Cash paid to the County Revenue Fund		-	-
Net Cash flows from Financing Activities 'e'		<u>-</u>	<u>-</u>
Cash at the beginning of the period 'f'		<u>1,000,000,000</u>	<u>0</u>
Cash at the end of the period (c + d + e)	5	<u>1,985,000,000</u>	<u>1,000,000,000</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016**

	Car Loan Fund Account	Accumulated Surplus/Deficit	Total
	KSH (000')	KSH (000')	KSH (000')
Balance b/f 1st July 2015	1, 000,000,000	-	1,000,000,000
Transfers into the fund	985,000,000	-	985,000,000
Surplus for the year	-	-	-
Balance as at 30 June 2016	1,985,000,000,	-	1,985,000,000

SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statement will be prepared in accordance and comply with International Public Sector Accounting Standards (IPSAS) accrual basis. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements shall be presented in Kenya Shillings, which is the functional and reporting currency of the fund and all values are rounded to the nearest one thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

2. Budget

The fund operates as revolving fund and therefore the amounts deposited therein are available for borrowing at any time provided it is for the purpose of the fund. The fund however receives transfers from the National Treasury which are budgeted for in any financial year. The amounts received in the year under reporting was budgeted and approved as required by Law and as detailed in the National Treasury Printed Estimates.

3. Subsequent events

This fund has not started its operations as mandated by its legal framework

NOTES TO FINANCIAL STATEMENTS

1. The Fund does not have fixed assets since it is yet to start operations and therefore did not have any as at the reporting date.
2. The interest accrued in the fund is nil for the period under reporting since its funds are in Central Bank of Kenya
3. Cash and cash equivalents represent cashbook and bank balance.