

REPUBLIC OF KENYA



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Hon. Owen Baya
(Deputy Majority leader)

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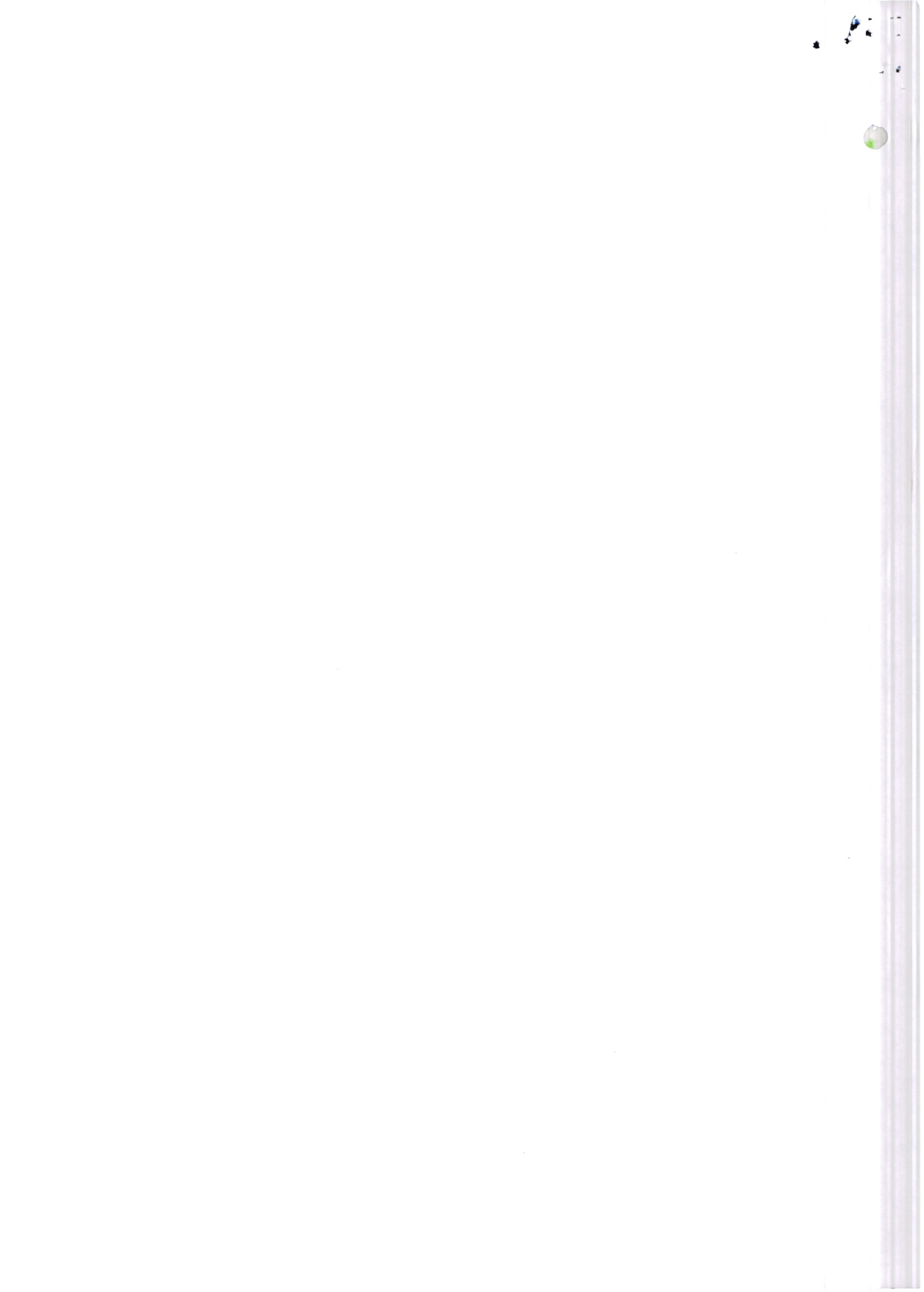
Shiboko

THE AUDITOR-GENERAL

ON

**COMMISSION ON REVENUE ALLOCATION
STAFF CAR LOAN SCHEME FUND**

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





Commission on Revenue Allocation

Promoting and Equitable Society

**COMMISSION ON REVENUE ALLOCATION
STAFF CAR LOAN SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2023

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

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1. Acronyms, Abbreviations and Glossary of terms

(a) Acronyms

No.	Terms	Definition
1	AWAK	Association of Women Accountants of Kenya
2	ADM	Administration
3	CIR	Circular
4	CPA	Certified Public Accountant
5	CPM	Certified Professional Mediator
6	CPS	Certified Public Secretary
7	CRA	Commission on Revenue Allocation
8	FY	Financial Year
9	HAU	Head of Accounting Unit
10	HFU	Head of Finance Unit
11	IPSAS	International Public Sector Accounting Standards
12	KCB	Kenya Commercial Bank
13	MoU	Memorandum of understanding
14	PFM	Public Financial Management
15	PSASB	International Public Sector Accounting Standards
16	SAGA	Semi-Autonomous Government Agency
17	SRC	Salaries and Remuneration Commission

(b) Glossary of Terms

No.	Terms	Definition
1	Debit	An entry recording a sum owed, listed on the left-hand side or column of an account
2	Credit	An entry recording a sum received, listed on the right-hand side or column of an account
3	Trial Balance	A financial report showing the closing balances of all accounts in the general ledger at a point in time
4	Financial Performance	A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues
5	Financial Position	The account status of a firm's or individual's assets, liabilities, and equity positions as reflected on its financial statement.
6	Changes in Net Assets	The equivalent of the net profit figure on an income statement
7	Cash equivalent	Investments that can readily be converted into cash
8	Liabilities	Debts or obligations a person or company owes to someone else
9	Assets	A resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit
10	Asset Register	A detailed list compiled of all your business assets
11	Ledger	An account or record used to store bookkeeping entries for balance-sheet and income-statement transactions
12	Net Profit	The amount of money your business earns after deducting all operating, interest, and tax expenses over a given period of time
13	Surplus	The amount of retained earnings recorded on the balance sheet of a business entity
14	Deficit	Occurs when expenses exceed revenues, imports exceed exports, or liabilities exceed assets
15	Capital outlay	The sum of money spent by the Commission to invest in loan facilities to staff
16	Undisbursed loans	Eligible Loans for which the acquisition of such Eligible Loans has been approved, but such Eligible Loans have not been fully disbursed by the bank
17	Interest Income	Amount paid to an entity for lending its money or letting another entity use its funds.
18	Short term receivables	Loans which take less than 12 months to mature
19	Long term receivables	Loan which take more than 12 months to mature
20	Revolving Fund	Fund or account that remains available to finance an fund's continuing requests without any fiscal year limitation
21	Unutilized funds	Resources not taken up for loans
22	Utilized funds	Resources taken up for loans

2. Car Loan Schemes' Information and Management

Background information

The Commission on Revenue Allocation approved the establishment of a Staff Car Loan Scheme in FY 2019/20. The approval was based on the Salaries & Remuneration Commission's Circular No. SRC/ADM/CIR/1/13 VOL. III (128) dated 17th December 2014 which advised on Car Loan & Staff Mortgage Benefit for all State Officers and other public officers in Kenya.

The CRA Car Loan scheme is expected to facilitate members of staff to benefit from Government funded loans in acquisition of vehicles through low interest loans. It is expected that this benefit will motivate members of staff and immensely contribute towards attraction and retention of requisite skills in the Commission in line with our enabling Act.

The fund was established with an initial capital outlay of **Kshs. 18,776,000/-** paid out from the Commission's budget as seed capital. The fund's capital is enhanced annually from Commission's budget.

The Car Loan scheme is administered by a Committee appointed by the Commission secretary whose terms of reference is to review and consider loan applications for approval from members of staff regarding acquisition of motor vehicles.

Principal Activities.

The principal activity of the Car Loan scheme is to facilitate acquisition of motor vehicles. They could be either:

- i) New vehicles,
- ii) Local second-hand vehicles with a 10 years maximum period since date of manufacture
- iii) Imported second-hand vehicles with an 8 years maximum period since date of manufacture

Vision

No Kenyan Left Behind

Mission

To make reliable recommendations on equitable revenue sharing, revenue enhancement and prudent public financial Management.

Committee Members

The Car Loan Scheme's day-to-day operations are managed by a six-member committee, three of whom serve as secretariat.

No.	Name	Designation
1.	Joseph Kuria	Chairman
2.	CPA Maureen Junge	Treasurer
3.	Caroline Karimi	Secretary
4.	Sheila Yieke	Member
5.	William Birech	Member
6.	Stephen Khadondi	Member

Fiduciary Management

The committee members above served during the financial year ended 30 June, 2023 and they had direct fiduciary responsibility to the Commission and the members of staff.

Headquarters

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E-mail: info@crakenya.org
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KICC Branch
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Tel: (020) 29248501,
Fax: (020) 29248501,

Independent Auditors

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

Principal Legal Adviser

The Attorney General

State Law Office




Harambee Avenue


P.O. Box 40112 - 00200

Nairobi, Kenya

3. The Board of Trustees/ Fund Administration Committee



Name	Profile
 <p>Joseph Kuria Director ICT / Chairman</p>	<p>He holds a Master’s Degree in Business Administration, Strategic Management from the University of Nairobi and a BSc. Degree in Computer Science from Egerton University. He is currently pursuing a PhD in Information Systems.</p> <p>He holds the following professional certifications: MCP, MCSE, MCDBA, CISA, CEH, MCT, PMP and PRINCE2 He is a member of Information Systems Audit and Control Association (ISACA). He has over 16 years working experience in both Public and Private Sector. Mr. Kuria is a leading technology strategist with experience spanning systems and network architecture, business re-engineering, data centre technologies, application development, global vendor management, budgeting and project portfolio management. He is a strategic adviser to both National and County governments of Kenya on the adoption of computer based financial and revenue management systems and deployment of Integrated Shared Services across government.</p>
 <p>CPA Maureen K. Junge Finance Manager / Treasurer</p>	<p>CPA M. Junge is a certified public accountant, certified public secretary (CPSK) having extensive work experience in public finance with emphasis on budgeting, financial management, financial analysis, and reporting.</p> <p>Prior to joining the Commission, CPA Junge served in senior management at Kenya Investment Authority, Africa Investment Bank (AIG) and Reliance General Limited.</p> <p>As the inaugural manager in charge of finance at CRA, Ms. Junge was instrumental in developing finance policies and procedures in line with the PFM reporting framework.</p> <p>Ms. Junge is a member of ICPAK and AWAK and holds a Master of Science degree and a Bachelors of Commerce degree (Finance option) from The University of Nairobi.</p>

Name	Profile
 <p>Caroline Karimi Records Officer / Secretary</p>	<p>She is the Records Management Officer at the Commission on Revenue Allocation and a holder of a bachelor's degree in Information Science from the Kenya Methodist University. A certified member of Kenya Associations of records managers and archivist (KARMA), a member of network of information professionals of Kenya (NIP).</p> <p>She has over 10yrs experience in the area of records and archives management having worked in the office of the president, ministry of Information and communication and Ministry of Forestry and Wildlife.</p>
 <p>Sheila Yieke Director Legal Affairs / Member</p>	<p>She is an Advocate of the High Court of Kenya and holds an MBA, Finance from the United States International University and a Certified Public Secretary (K). In addition, she is alumni of the International Development Law Organization (IDLO) and a member of the Chartered Institute of Purchasing and Supplies (UK). She has worked with Sotik Tea and Sotik Highlands Tea Estates, Kenya Investment Authority and Kosgey and Masese Co. Advocates. Internationally she has worked at the UN, IGAD, NORDIC and UNOPS.</p>
 <p>William Birech Human Resource Manager / Member</p>	<p>Mr William K Birech is Manager HR/Admin at the Commission on Revenue Allocation. He holds MBA from the University of Nairobi, a B. Com (HR) from the Catholic University of Eastern Africa, a Higher National Diploma in Human Resource Management and a Diploma in Personnel Management from the IHRM College.</p> <p>He has over fifteen years' experience in Human Resource Management having worked at the Postbank and the Rural Electrification Authority before joining the Commission on 5th January 2015.</p> <p>He has written and published articles on HR matters in reputable HR journals in Kenya especially The Management and the IHRM journal.</p>


Name	Profile
 <p data-bbox="193 622 580 689">Stephen Khadondi Snr. Analyst Economic Affairs</p>	<p data-bbox="730 226 1428 689">Stephen Khadondi has extensive experience in the fields of research, project management, public policy and analysis, fiscal decentralisation and Institutional theory. His background includes research into subnational revenue enhancement, marginalised and fragile subnational units, equitable resource sharing and sustainable development. Stephen has worked as a research practitioner, teacher and technical advisor. His work includes supporting the 47 subnational governments in Kenya. Stephen has a BSc. (Double Mathematics), MBA (Finance), MSc. (Public Policy and Analysis) and he is currently writing his PhD thesis on “Role of institutions in Development”.</p>

4. Management Team

Name	Profile
 <p data-bbox="172 880 549 947">CPA James Katule Commission Secretary / CEO</p>	<p data-bbox="687 241 1458 394">CPA James Katule is the Chief Executive Officer (CEO) of CRA. Prior to his appointment, James Katule was the Director Fiscal Affairs (2014-2022) and Director Corporate Services (2012-2014) at CRA.</p> <p data-bbox="687 439 1458 703">His experience spans over 32 years, 17 of which have been at various levels of management in public organizations as well as international donor-funded research institutions. These include the International Centre for Insect Physiology and Ecology (ICIPE), The International Livestock Research Institute (ILRI), African Medical and Research Foundation (AMREF), The Capital Markets Authority (CMA) and currently CRA.</p> <p data-bbox="687 748 1458 1128">James Katule is an experienced Certified Public Accountant – CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He holds a Masters of Business Administration from the Eastern and Southern Africa Management Institute (ESAMI) and a Bachelor of Arts in Economics & Business Education from Kenyatta University. He is an alumnus of the Andrew Young School of School of Policy Studies, Georgia State University where he undertook a course on Fiscal Decentralization, Local Governance and Service Delivery.</p>
 <p data-bbox="172 1659 533 1727">Angela Kariuki Director Corporate Services</p>	<p data-bbox="687 1178 1458 1599">She holds a Masters in International Commercial Law (LLM) from the University of Nottingham (UK) and a Bachelor of Laws (LLB) from the University of Sheffield (UK). She is an Advocate of the High Court of Kenya; member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. Mrs. Kariuki has been with the Commission from inception for a period of six years. She has broad professional experience in the areas of human capital management, facilities management, supply chain management, strategic planning and corporate governance, legal compliance with regards to securities law, corporate law, policy formulation and implementation.</p> <p data-bbox="687 1626 1458 1704">She previously worked with the Capital Markets Authority for nine years and Kilonzo & Company Advocates for two years.</p>

Name	Profile
 <p data-bbox="188 566 472 629">Sheila Yieke Director Legal Affairs</p>	<p data-bbox="699 226 1474 566">She is an Advocate of the High Court of Kenya and holds an MBA, Finance from the United States International University and a Certified Public Secretary (K). In addition she is alumni of the International Development Law Organization (IDLO) and a member of the Chartered Institute of Purchasing and Supplies (UK). She has worked with Sotik Tea and Sotik Highlands Tea Estates, Kenya Investment Authority and Kosgey and Masese Co. Advocates. Internationally she has worked at the UN, IGAD, NORDIC and UNOPS.</p>
 <p data-bbox="188 1211 360 1274">Joseph Kuria Director ICT</p>	<p data-bbox="699 636 1461 786">He holds a Master’s Degree in Business Administration, Strategic Management from the University of Nairobi and a BSc. Degree in Computer Science from Egerton University. He is currently pursuing a PhD in Information Systems.</p> <p data-bbox="699 831 1461 1323">He holds the following professional certifications: MCP, MCSE, MCDBA, CISA, CEH, MCT, PMP and PRINCE2 He is a member of Information Systems Audit and Control Association (ISACA). He has over 16 years working experience in both Public and Private Sector. Mr. Kuria is a leading technology strategist with experience spanning systems and network architecture, business re-engineering, data center technologies, application development, global vendor management, budgeting and project portfolio management. He is a strategic adviser to both National and County governments of Kenya on the adoption of computer based financial and revenue management systems and deployment of Integrated Shared Services across government.</p>

Name	Profile
 <p data-bbox="172 680 512 745">Lineth Oyugi Director Economic Affairs</p>	<p data-bbox="689 300 1455 488">Lineth Oyugi holds a Masters of Arts in Economics from the University of Nairobi and a 4th year Phd student of Economics at University of Nairobi. She has vast knowledge and experience in Research having worked for the Federation of Kenya Employers as the Head of Research and Policy Advocacy.</p> <p data-bbox="689 533 1455 680">Additionally, Lineth has worked with the Institute of Policy Analysis and as a Research Fellow, Macroeconomics programme and also with the Ministry of Finance and Ministry of Planning and National Development as an Economist.</p>
 <p data-bbox="172 1270 461 1335">CPA Roble Said Nuno Director Fiscal Affairs</p>	<p data-bbox="689 822 1455 1010">Roble Nuno holds an MBA (Finance) and Business Administration degree from Kenya University and Methodist University respectively. He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) in good standing.</p> <p data-bbox="689 1014 1455 1126">He has over 30 years' experience in the Public Financial Management and over eight years in Senior Management position in the County Government of Garissa.</p> <p data-bbox="689 1171 1455 1238">He has attended several Courses both locally and Internationally while serving the National and County Governments.</p>

Name	Profile
 <p data-bbox="188 750 438 808">CPA Maureen Junge Finance Manager</p>	<p data-bbox="699 208 1461 353">CPA M. Junge is a certified public accountant, certified public secretary (CPSK) having extensive work experience in public finance with emphasis on budgeting, financial management, financial analysis, and reporting.</p> <p data-bbox="699 398 1461 510">Prior to joining the Commission, CPA Junge served in senior management at Kenya Investment Authority, Africa Investment Bank (AIG) and Reliance General Limited.</p> <p data-bbox="699 555 1461 667">As the inaugural manager in charge of finance at CRA, Ms. Junge was instrumental in developing finance policies and procedures in line with the PFM reporting framework.</p> <p data-bbox="699 712 1461 813">Ms. Junge is a member of ICPAK and AWAK and holds a Master of Science degree and a Bachelors of Commerce degree (Finance option) from The University of Nairobi.</p>

5. Chairman's Report, CRA Staff Car Loan Scheme.

The Commission on Revenue Allocation appointed a Staff Car Loan Committee whose terms of reference is to review and consider loan applications from members of staff regarding acquisition of motor vehicles. The Committee makes loan approval recommendations for consideration by the Accounting Officer.

During the reporting period, a review of the CRA Staff Car loan policy and procedures manual was done. The procedures manual helps to govern the operations of the scheme clearly highlighting the steps to be followed on loan applications and management of the fund. The policy remains binding on all matters relating to the Scheme. The Committee further reviewed all the quarterly and annual financial reports in order to assess the performance progress of the fund. Additionally, six meetings were held to review loan application requests which saw three (3) additional members benefiting from the scheme in line with the scheme's objectives and policy.

In the reporting period, the Scheme's capital was enhanced to Kshs. 29.5 million (2022:Kshs. 28.3million) and earned a cumulative interest of KShs. 306,452 (2022: Kshs. 204,786) both from the utilised and unutilised accounts. Further, the Scheme managed to disburse Kshs. 5.55 million (2022: KShs. 5.3 million) towards loan applications requests that had been presented for consideration by the Committee.

The Committee continues to carry out due diligence in order to minimize the Commission's exposure to risks related to misappropriation of funds or loss of assets.



Mr. Joseph Kuria
Chairman / CRA Staff Car Loan Scheme Committee

Date: 27 / 09 / 2023

6. Report of the Fund Manager / Administrator

The Staff Car Loan Scheme is guided by an internal staff car loan policy and procedures manual. The policy is also anchored on the SRC regulations Ref No: SRC/ADM/CIR/1/13 Vol. III (128), the PFM Act, 2012 and CRA's Human resource policies and procedures manual.

The Commission has continually endeavoured to allocate adequate resources to the Staff Car Loan scheme in order to allow for efficient delivery of its objectives. Additionally, the Commission managed to settle all costs on Fringe benefit which helped to lessen the burden on the scheme's cash outflow.

During the reporting period, a total of Kshs. 3.1 million was allocated to the scheme. However, given the budgetary constraints faced by the Commission then, the allocation was revised downwards to Kshs. 1.3 million. The car loans budget implementation was made within the confines of the law and the governing policy and procedures manual which ensured statutory compliance as required.

Our staff is a key asset who have been sensitized continuously on the importance of taking up such subsidised loan facility to enhance their motivation and commitment to the Commission. In the reporting period, three loan applications of Kshs. 5.55 million were approved hence raising the absorption rate to 51% (2022: 33.2%).

As a Commission we remain committed to supporting the growth and development of our car loan scheme and ensure its sustainability into the future.



CPA James Katule

Commission Secretary / CEO

Date: 27 / 09 / 2023

7. Statement of Performance Vs Predetermined Objectives for FY 2022/23

Sub Programme	Delivery unit	Key Outputs	Key Performance Indicators	Target 2022/23	Achievements FY 2022/23	Remarks	Approved Budget (million)	Revised Budget (million)
A	B	C	D	E	F	G	H	I
Programme: Inter-government transfers and financial matters								
Sub Programme 1: General Administration and Support services								
SP 1: General Administration and Support Services	Car loan Committee	1. Staff Car loan requests processed	No. of Staff Car loan processed	5	3	Based on Staff request	3.10	1.25
		2. Enhanced Compliance	% of compliance of the Car loan scheme for payment of annual comprehensive Insurance and Group credit cover	100	80			
TOTAL BUDGET							3.10	1.25

8. Statement of Corporate Governance

(a) Appointment of Car Loan Committee

The Commission runs a Car Loan Scheme for its staff and is managed by a Committee appointed by the Commission Secretary. The Car Loan Scheme is guided by approved Car Loan guidelines which are anchored on the SRC's regulations Ref No: SRC/ADM/CIR/1/13 Vol. III (128), the PFM Act, 2012 and CRA's Human resource policies and procedures manual.

The Committee consists of 6 members namely;

- i. Chairperson
- ii. Treasurer
- iii. Secretary
- iv. Three additional members

(b) Committee Transactions / Attendance in the reporting period

The meetings of the Committee are convened by the Chairperson or in his absence, a member designated by the Chairperson and are convened at such times as may be necessary for discharge of the committee's functions. The Committee considers and may approve the loan applications as presented by the Treasurer / Officer administering the fund.

Meetings	Joseph Kuria	Maureen Junge	Caroline Karimi	Sheila Yieke	William Birech	Stephen Khadon
19 th Meeting 27/06/2022				*		*
20 th Meeting 06/07/2022		*		*		
21 st Meeting 01/08/2022		*				*
22 nd Meeting 06/12/2022		*				*
23 rd Meeting 16/02/2023				*		
24 th Meeting 15/03/2023					*	
25 th Meeting 08/06/2023		*		*		
26 th Meeting 12/06/2023						*

KEY:

Symbol	Meaning
	Attendance
*	Absent

Staff participation is a common occurrence at the Commission whereby discussions and engagements with the parties are encouraged. Meetings are held every 1st Thursday of the month or on need basis to review and manage issues of the scheme.

The Commission's robust approach has supported a good number of staff accessing loans and hence has boosted their morale at the work place. Staff retention and attraction has been maintained.

9. Management Discussion and Analysis

Operational and Financial Performance

During the year under review, the Fund was reinstated to Kshs. 29.5 million in capital and accumulated Kshs. 306,452 as interest earned from utilised and unutilised accounts. The fund had 3 withdrawals amounting to Kshs.5.55 million and achieved a 51% absorption rate (2022: 33.2%) of its total capital base. The low absorption is mainly attributed to the inability of most members meeting the minimum statutory requirements on net salary.

Funds' compliance with statutory requirements

The Fund's Terms of Reference and Regulations were anchored on the SRC's guidelines on Car Loan Schemes. Further, in the implementation of the scheme, the Commission ensured compliance with HR Policies and Procedures manual 2015 regarding requirements of 1/3 Rule principle and section 12B of the Income Tax on provision of fringe benefit tax.

Key activities the Fund is undertaking

The main reason for setting up the Fund was mainly to provide financial support for staff members in acquisition of low interest car loan facility for acquisition of:

- i. New vehicles,
- ii. Local second-hand vehicles which should not be more than 10 years from date of manufacture
- iii. Imported second-hand vehicles which should not be more than 8 years from date of manufacture

Material arrears in statutory/financial obligation

The Fund had a minimal liability from previous financial year on fringe tax benefit which was fully settled in FY 2022/23.

The Fund's financial probity and governance issues

The Fund runs its operation through a committee appointed by the Commission Secretary.

10. Report of the Trustees/Fund Administration Committee.

The Commission Secretary (officer administering the Commission's Car Loan Scheme) submits his report and financial statements for the year ended 30 June, 2023 which shows the state of the scheme's affairs.

Principal Activities

The principal activity of the Commission's Car Loan scheme is to provide car loan facilities to the staff members.

Results

The results of the Car Loan scheme for the year ended 30 June, 2023 are set out on page 1- 5.

Management

The car loan committee members who served during the year are shown on page (vi-vii). The members are drawn from different directorates of the Commission.

Auditors

The Auditor General is responsible for the statutory audit of the Commission's Staff Car Scheme in accordance with the Section 81(4a) of the Public Financial Management Act, 2012 and Section 35 of the Public Audit Act, 2015.

11. Statement of Management's responsibilities

Section 84(1) of the Public Finance Management Act, 2012 requires the officer administering the scheme to prepare financial statements in respect of that Fund, which give a true and fair view of the scheme at the end of the financial year/period and the operating results of the Fund for that year/period. The Officer is also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. Further, that he is also responsible for safeguarding the assets of the Fund.

The Officer administering the Fund (Commission Secretary) is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year (period) ended on June 30, 2023. Further, his other responsibilities include: (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 Commission; (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 Officer administering the 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 Accrual basis of Accounting method under the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the Commission's Act. He is also of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. He further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Commission Secretary to indicate that the Scheme will not remain a going concern for at least the next 12 months from the date of this statement.

Approval of the financial statements

The Commission's Staff Car Loan Scheme's financial statements were approved by the Commission on 27th September 2023 and signed on its behalf by the Commission Secretary and Chairperson of the Commission.



CPA James Katule

Commission Secretary / CEO

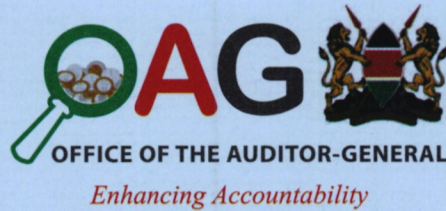


CPA Mary Wanyonyi

Chairperson of the Commission

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COMMISSION ON REVENUE ALLOCATION STAFF CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Commission on Revenue Allocation Staff Car Loan Scheme Fund set out on pages 1 to 15 which comprise the

Report of the Auditor-General on Commission of Revenue Allocation Staff Car Loan Scheme Fund for the year ended 30 June, 2023

statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, and the statement of cash flows, 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, the financial statements present fairly, in all material respects, the financial position of the Commission on Revenue Allocation Staff Car Loan Scheme Fund as at 30 June, 2023 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 comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing Scheme's ability to continue 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 abolish the Scheme or 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 Scheme'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 overall 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 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 Scheme'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 Scheme to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 December, 2023

13. Statement of Financial Performance for the year ended 30th June 2023.

Description	Note	2022/23	2021/22
		Kshs	Kshs
Revenue from exchange transactions			
Other income	6	306,452	204,786
Total revenue		306,452	204,786
Expenses			
General expenses	7	3,645	1,680
Total expenses		3,645	1,680
Surplus for the period		302,807	203,106
Other gains/losses		-	-
Gain/Loss on disposal of assets		-	-
Surplus/(deficit) before tax		302,807	203,106
Taxation		-	-
Surplus/(deficit) after tax		302,807	203,106

The notes set out on pages 6 to 15 form an integral part of the Financial Statements.
The Fund's financial statements were approved on 27th September 2023 and signed by:



CPA James Katule
Commission Secretary / CEO



CPA Maureen K. Junge
Finance Manager
ICPAK M/No. 9883



CPA Mary Wanyonyi
Chairperson of the Commission

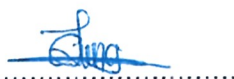
14. Statement of Financial Position as at 30th June 2023

Description	Note	2022/23	2021/22
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	8	19,853,726	20,522,956
Receivables from exchange transactions (ST)	9 (a)	2,699,657	1,766,512
		22,553,383	22,289,468
Non-current assets			
Receivables from exchange transactions (LT)	9 (b)	7,497,081	6,208,189
		7,497,081	6,208,189
Total assets		30,050,464	28,497,657
Liabilities			
Current liabilities		-	-
Non-current liabilities		-	-
Total liabilities		-	-
Net Assets		30,050,464	28,497,657
Car loan revolving fund	10	29,519,000	28,269,000
Accumulated surplus (Reserves)		531,464	228,657
Total net assets and liabilities		30,050,464	28,497,657

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 27th September 2023 and signed by:



CPA James Katule
Commission Secretary / CEO



CPA Maureen K. Junge
Finance Manager
ICPAK M/No. 9883



CPA Mary Wanyonyi
Chairperson of the Commission

15. Statement of Changes in Net Assets for the year ended 30th June 2023

Particulars	Notes	Car Loan Fund	Accumulated surplus	Total
		Kshs	Kshs	Kshs
As at July 1, 2021		18,776,000	25,551	18,801,551
Surplus for the year			203,106	203,106
Funds received during the year		9,493,000		9,493,000
As at June 30, 2022		28,269,000	228,657	28,497,657
As at July 1, 2022		28,269,000	228,657	28,497,657
Surplus for the year			302,807	302,807
Funds received during the year		1,250,000		1,250,000
As at June 30, 2023		29,519,000	531,464	30,050,464



CPA James Katule
Commission Secretary / CEO



CPA Maureen K. Junge
Finance Manager
ICPAK M/No. 9883



CPA Mary Wanyonyi
Chairperson of the Commission

16. Statement of Cash Flows for the year ended 30th June 2023.

Description	Note	2022-2023 Kshs.	2021-2022 Kshs.
Cash flows from operating activities			
Surplus/Deficit for the year before tax		302,807	203,106
Adjusted for:			
Depreciation and Amortisation			
(Non-cash grants received)			
(Contributed assets)			
Impairment			
(Gains and losses on disposal of assets)			
Contribution to provisions			
Contribution to impairment allowance			
(Finance income)			
Finance cost			
Working capital adjustments:			
(Increase in inventory)			
(Increase)/Decrease in receivables	9	(2,222,036)	(3,941,368)
Increase in deferred income			
Decrease in payables			-
Increase in payments received in advance			
Net cash flows from operating activities		(1,919,229)	(3,738,262)
Cash flows from investing activities			
(Increase)/Decrease in accounts receivable			
Decrease in accounts payable			
Net cash flows used in investing activities			
Cash flows from financing activities			
Additional Capital	10	1,250,000	9,493,000
Net cash flows used in financing activities		1,250,000	9,493,000
Net increase/(decrease) in cash and cash equivalents		(669,229)	5,754,738
Cash and cash equivalents at 1 July 2022		20,522,956	14,768,218
Cash and cash equivalents at 30 June 2023	8	19,853,726	20,522,956

17. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023.

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization	Notes
	Kshs. a	Kshs. b	Kshs. c = (a+b)	Kshs. d	Kshs. e = (c-d)	f = d/c	
Income							
Transfers from other Parent Ministry	3,094,649	(1,844,649)	1,250,000	1,250,000	-	100%	a
Interest income		306,452	306,452	306,452	-	100%	b
Other income							
Total Income	3,094,649	(1,538,197)	1,556,452	1,556,452	-		
Expenses							
Employee cost							
Finance cost		3,645	3,645	3,645	-	100%	c
Expenditure	-	3,645	3,645	3,645	-		
Surplus before CAPEX	3,094,649	(1,541,842)	1,552,807	1,552,807	-		
Capital Expenditure	3,094,649	(1,844,649)	1,250,000	1,250,000		100%	d
Surplus for the period	-	302,807	302,807	302,807	-	-	

Budget notes: Explanation of differences between budgeted and actual amounts

- The Commission received full disbursements for the Scheme according to the revised budget as of the close of the financial year.
- Accrued Interest income for the year stood at Kshs. 306,452.
- The scheme incurred bank charges of Kshs. 3,645
- Capital Expenditure is the amount invested in the scheme and also relates to the uptake of loan facilities by the members of staff. An absorption of 100% of revised annual budget was achieved.



CPA James Katule
Commission Secretary / CEO



CPA Maureen K. Junge
Finance Manager
ICPAK M/No. 9883



CPA Mary Wanyonyi
Chairperson of the Commission

18. Notes to the Financial statements

1. General Information

The Commission on Revenue Allocation (CRA) was established under Article 215 of the Constitution of Kenya. The Commission's principle responsibility is to provide an objective and independent framework for equitable sharing of nationally raised revenues. The Commission also plays a key role in ensuring that the county governments adhere to prudent financial management principles, enhance revenues for both national and county government. Further, the Commission plays a critical role in addressing regional disparities by proposing recommendations aimed at accelerating balanced development in the country, especially marginalized areas.

2. Statement of Compliance basis of preparation – IPSAS 1

The Financial Statements of the CRA Staff Car Loan scheme have been prepared in accordance to and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Accrual Basis Financial Reporting under the Accrual basis of Accounting and the PFM Act 2012. The financial statement complies with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya (PSASB).

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The accounting policies adopted will be applied consistently over the years. The financial statements have been prepared on the accrual basis following the Government's standard chart of accounts. The accrual basis of accounting recognizes transactions and events whenever they are incurred.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in 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 30th June 2022.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of a Fund's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: a. 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;

	<p>b. Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</p> <p>c. Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between a Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</p> <p><i>The changes have been assessed and have no effect on the operations of the CRA Car Loan scheme fund.</i></p>
<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 Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> The nature of such social benefits provided by the Fund; The key features of the operation of those social benefit schemes; and The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows. <p><i>The management has assessed the impact of IPSAS 42 on Social Benefits as insignificant since it is not involved in alleviating social problems through transfers.</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ol style="list-style-type: none"> Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>The changes have been assessed and have no effect on the operations of the CRA Car Loan scheme fund.</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ol style="list-style-type: none"> IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS. IPSAS 29: Financial instruments: Recognition and Measurement

	<p>f. 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> <p><i>The changes have been assessed and have no effect on the operations of the CRA Car Loan scheme fund.</i></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 cash flows of the Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The changes have been assessed and have no effect on the operations of the Mortgage scheme fund.</i></p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation on 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> <p><i>The changes have been assessed and at the moment they have no effect on the operations of the Mortgage scheme fund. Where the scheme identifies assets for sale, they shall be classified separately from PPE in the year such decision is made</i></p>

iii. Early adoption of standards

The Fund did not early – adopt any new or amended standards in the year 2022/23.

4. Summary of Significant Accounting policies

i. Non-Current Assets

The fund does not maintain any non-current assets

ii. Recognition of Revenue and Expenses

Income is recognized in the period in which it's earned. Income is not accrued if its recoverability is doubtful. The Revenue constitutes all incomes accruing to the Fund in the form of interest earned both on the Utilized fund (3%) and Unutilized fund (bank deposit). All interest is recouped back to the revolving account on a quarterly basis.

a. 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 Fund and can be measured reliably.

b. Revenue from exchange transactions

Interest income

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

iii. Budget information

The original budget for FY 2022/23 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations were added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget.

The Fund's budget is prepared on a different basis from 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.

iv. Contingent liabilities

The Fund 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.

v. Contingent assets

The Fund 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 Fund 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.

vi. Comparative figures

Prior year comparative information has been presented in the current financial year.

vii. Subsequent Events

There have been no events subsequent to the financial year end with significant impact on the financial statements for the reporting period.

viii. Ultimate and Holding Fund

The Commission on Revenue Allocation approved the establishment of a Staff Car Loan Scheme in FY 2019/20. The approval was based on the Salaries & Remuneration Commission's Circular No. SRC/ADM/CIR/1/13 VOL. III (128) dated 17th December 2014 which advised on Car Loan & Staff Mortgage Benefit for all State Officers and other public officers in Kenya.

ix. Currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

x. Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. The fund maintains reserves in relation to car loan requests that are still in process pending disbursements (Undisbursed loans)

xi. Changes in accounting policies and estimates

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

xii. Cash and cash equivalents

Cash and cash equivalents comprise cash book balance and undisbursed loans which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents comprise Cash book balance as at 30th June 2023.

xiii. Fund Account

The fund is enhanced gradually on an annual basis through annual appropriations from the Commission's Budget. Further, all accrued interest is recouped back to the fund since its managed internally. The Fund was mainly established to enable members of staff members acquire loans for acquisition of personal vehicles. The facility is extended to applicants at an interest rate of 3%

xiv. Related parties – IPSAS 20

The Commission regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Commission or vice versa. Management are regarded as related parties and comprise the Commission Secretary and directors.

xv. Public Sector Combinations – IPSAS 40

The standard which has been applicable since January 2019 covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. This standard is however not relevant to the CRA staff car loan scheme.

5. Significant Judgements and Sources of information uncertainty

The preparation of the CRA Car loan'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.

The Car loan scheme's fringe benefit tax is payable by the sponsor. The fringe benefit tax is based on loan interest payable by the staff against the market rate.

6. Revenue from exchange transactions

Description	2022-23	2021-2022
	Kshs.	Kshs.
Other Income		
3% administration fee -Utilized fund	306,452	204,786
	306,452	204,786

Other income relates to loan administration fees accrued from the monthly loan repayments.

7. General Expenses

Description	2022-23	2021-2022
	Kshs.	Kshs.
Bank Charges	3,645	1,680
	3,645	1,680

8. Cash and cash equivalent

Description	2022-23	2021-2022
	Kshs.	Kshs.
Cash and cash equivalents		
Cash book balance	19,328,726	20,522,956
Undisbursed Loans	525,000	-
	19,853,726	20,522,956

Cash and cash equivalents comprise cash book balance and undisbursed loans which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents comprise Cash book balance as at 30th June 2023.

8 (a) Detailed analysis of the cash and cash equivalents

Financial Institution	Account number	2022-23	2021-2022
		Kshs.	Kshs.
Car Loan Scheme Fund			
Cash book balance	1258514540	19,328,726	20,522,956
Undisbursed Loans	1258514540	525,000	-
Grand Total		19,853,726	20,522,956

9. Receivables from Exchange Transactions

(a) Short term receivables

Description	2022/23	2021/22
	Kshs.	Kshs.
Short term receivables (Current receivables)		
Short Term Outstanding Loans advanced as at 30th June 23	2,699,657	1,766,512
	2,699,657	1,766,512

Short term receivables relate to outstanding loan balances payable within the next one (1) year

(b) Long term receivables

Description	2022/23	2021/22
	Kshs.	Kshs.
Long term receivables (Non- Current receivables)		
Long Term Outstanding Loans advanced as at 30th June 23	7,497,081	6,208,189
	7,497,081	6,208,189

Long term receivables relate to outstanding loan balances payable beyond one (1) year

10. Fund Account

Description	2022/23	2021/22
	Kshs.	Kshs.
Fund Account		
Capital Fund	28,269,000	18,776,000
Additional Capital	1,250,000	9,493,000
	29,519,000	28,269,000

Note:

The staff car loan fund account comprises of **Kshs. 1,000** which was transferred from CRA Staff Mortgage scheme in FY 2018/19 for account opening.

11. Financial Risk Management

The scheme being fairly new will endeavor to regularly review its risk management policies once in place to reflect changes in markets and emerging best practices. Risk management will be carried out by the administering staff car loan committee under the direct supervision of the Commission secretary.

i. Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the staff car loan scheme.

Credit Risk arises from bank balances, receivables and amounts due from related parties. Although this risk is unlikely to occur in the short term, it is mitigated as follows; (a) Cash and short-term deposits are placed with well-established financial institutions of high credit standing, (b) The CRA staff car loan scheme does not raise debtors in its ordinary course of business apart from those arising from related parties or members of staff which can easily be recovered. Credit risk with respect to accounts receivable is limited due to the nature of the car loan scheme business and its reliance on government grant and CRA as the main source of funding.

The amount that best describes the staff car loan's scheme exposure to credit at the end of the financial year is made up of;

- a) Cash and bank balances
- b) Outstanding loan balances
- c) Undisbursed loans

Description	Total amount	Fully performing
	KShs	KShs
As at 30th June 2023		
Receivables from exchange transactions	10,196,738	10,196,738
Bank balances	19,853,726	19,853,726
Total	30,050,464	30,050,464
As at 30 June 2022		
Receivables from exchange transactions	7,974,701	7,974,701
Bank balances	20,522,956	20,522,956
Total	28,497,657	28,497,657

ii. Liquidity Risk

Liquidity risk is the risk that the CRA staff car loan scheme will not be able to meet its financial obligations when they fall due. The scheme manages this risk by always ensuring that it has sufficient liquidity to meet its liabilities when due, under both normal and constrained conditions, without incurring unexpected losses.

The scheme ensures availability of sufficient cash on demand to meet expected operational expenses including servicing of financial obligations.

iii. Market risk

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

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

The CRA Staff Car Loan Scheme's Committee is responsible for the development of detailed risk management policies (*subject to review and approval by the Audit and Risk Management Committee*) and for the day-to-day implementation of those policies.

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

iv. Interest rate risk

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

a) Management of interest rate risk

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

v. Capital risk management.

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

Description	2022/23	2021/22
	Kshs.	Kshs.
Revolving fund	29,519,000	28,269,000
Accumulated surplus (<i>Reserves</i>)	531,464	228,657
Total funds	30,050,464	28,497,657
Less: cash and bank balances	22,553,383	22,289,468
Net debt/(excess cash and cash equivalents)	7,497,081	6,208,189
Gearing	33%	28%

19. Appendices

Annex I: Progress on Follow up of Prior Year Auditor's Recommendations

Reference No. on external audit report	Issue / Observation from Auditor	Management Comments	Focal point person to resolve the issue	Status:	Time frame:
N/A	Unqualified opinion	N/A	N/A	N/A	N/A



CPA James Katulc

Commission Secretary / CEO

Annex II: Staff Mortgage Scheme's beneficiaries movement schedule

The table below presents the scheme's beneficiaries movement during the year.

No.	Cadre	2022/23	2021/22
2	Directors	1	1
3	Deputy Directors	-	-
4(a)	Managers	4	2
4(b)	Assistant Managers	3	3
5	Officers	2	1
6	Assistant Officers	-	-
7	Logistic Staff	-	-
8	Support Staff	-	-
	Total	10	7