

REPUBLIC OF KENYA



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REPORT

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THE AUDITOR-GENERAL

ON

**BUNGOMA COUNTY ASSEMBLY
MEMBERS' CAR LOAN AND
MORTGAGE SCHEME FUND**

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



**BUNGOMA COUNTY ASSEMBLY – MEMBERS CAR LOAN AND
MORTGAGE FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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**Bungoma County Assembly Members' Car Loan and Mortgage Fund
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1. Acronyms and Glossary of Terms

a) Acronyms

IPSAS	International Public Sector Accounting Standards
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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**Bungoma County Assembly Members' Car Loan and Mortgage Fund
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2. Key Entity Information and Management

a) Background information

The Bungoma County Assembly Member Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) gazette Notice No.9792 of 27th July 2022, 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, Bungoma county adopted the PFM regulations 2014 to guide in the operationalization of the fund. The fund is internally administered in the county assembly by the office of the clerk.

The fund is wholly owned by the county government of Bungoma and is domiciled in Kenya.

b) Principal Activities

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

c) Fund Administration Committee

Ref	Name	Position
1	Hon. Meshack Simiyu Wekesa	Chairperson
2	Hon. Milliah Masungu	Vice Chairperson
3	Mr Charles W. Wafula	Fund Administrator
4	Mr Leonard Momos	Member
5	Mr Ignatius Wangila	Member
6	Mr Symon Walukana	Member

d) Key Management Team

Ref	Name	Position
1	Mr Charles W. Wafula	Fund Administrator
2	Mr Symon Walukana	Principal Finance Officer
3	Mr Elias Taskin	Fund Accountant

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

Audit Committee

The Audit Committee was established through the gazette notice No. 2690; Public Finance Management Act (No. 18 of 2012), Public Finance Management Regulations 2015 and gazette Notice No 2690 on the Audit Committee guidelines for County Governments. The Audit Committee is established to provide assistance to the accounting officer with its responsibilities outlined in its charter with the general feature of ensuring good corporate governance.

S/No.	Name	Position in committee
1	Dr. Destaings N. Nyongesa	Chairman Audit committee
2	Mr. Fred Wasike	Member Audit committee
3	Mr. Murambi Njibwakale	Member Audit committee
4	Ms. Diana Khaemba	Member Audit committee
5	Mr. Alfred Makokha	Secretary Audit committee

Public Accounts and Investment Committee

The Public Accounts Committee is a standing Committee established under standing order No. 218 of the Bungoma County Assembly standing order. The functions of the committee include but not limited to,

- a) pursuant to Article 185 (3) of the Constitution, to exercise oversight over County Executive Committee and any other County Executive Organ;
- b) pursuant to Article 229 (7) and (8), of the Constitution, to examine the reports of the Auditor-General on the annual accounts of the County Government;
- c) to examine special reports, if any, of the Auditor-General on County Government Funds;
- d) to examine the reports, if any, of the Auditor General on the County Public Investments; and
- e) to exercise oversight over County Public Accounts and Investments.

The members of the committee are as shown in the table below,

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
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No.	Name	Position
1	Hon. Everton Nganga	Chairperson
2	Hon. Timothy Chikati	Vice chairperson
3	Hon. Alfred Mukhanya	Member
4	Hon. Anthony Lusenaka	Member
5	Hon. Everlyne Mutiembu	Member
6	Hon. Benard Kikechi	Member
7	Hon. Metrine Nangalama	Member
8	Hon. Stephen Kaiser	Member
9	Hon. John Wanyama	Member
10	Hon. Violet Makhanu	Member
11	Hon. Jerusa Aleu	Member

Budget and Appropriations Committee

The Budget and Appropriations Committee provides guidance in the budgetary process. The Committee's mandate is to,

- a) discuss and review the estimates and make recommendation to the County Assembly;
- b) examine the County Fiscal Strategy Paper presented to the County Assembly;
- c) examine the County Debt Management Strategy management Paper presented to the County Assembly;
- d) examine Bills related to the National Budget, including Appropriations Bills; and
- e) Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

The members of the committee are as shown in the table below,

No.	Name	Position
1	Hon. Jackson Wambulwa	Chairperson
2	Hon. Charles Nangulu	Vice chairperson
3	Hon. Ali Machani	Member
4	Hon. Anthony Lusenaka	Member
5	Hon. Grace Sundukwa	Member
6	Hon. Millia Masungu	Member
7	Hon. Meshack Simiyu	Member
8	Hon. Joan Kirong	Member
9	Hon. Polycarp Wandabusi	Member
10	Hon. Sudi Busolo	Member
11	Hon. Caleb Wanjala	Member

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

f) County Assembly of Bungoma Headquarters

County Assembly of Bungoma
P.O. Box 1886 -50200
Former County Council Building
Moi Avenue
BUNGOMA, KENYA

g) County Assembly of Bungoma Contacts

Telephone: 0202651905 / 0208000663
E-mail: info@bungomaassembly.go.ke
Website: <http://www.bungomaassembly.go.ke>

h) Bungoma County Assembly Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA
2. Kenya Commercial Bank of Kenya
P.O. Box 201- 50200
BUNGOMA, KENYA

i) Independent Auditor




Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, KENYA

j) Principal Legal Adviser



The County Attorney
County Government of Bungoma
P.O. Box 437 - 50200
BUNGOMA, KENYA

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**


3. Fund Administration Committee

Name	Details of qualifications and experience
<p>1. </p>	<p>Hon Meshack Simiyu – Chairman</p> <p>Hon. Meshack Simiyu is currently the Majority Party Chief Whip at the County Assembly. He is serving his second term as MCA for Mukuyuni Ward. He has served on many Committees at the County Assembly as a Vice Chair and a Member. He previously served as a Councillor under the defunct local authority before rising through the ranks to be elected Chairman of the then Bungoma County Council. He has vast knowledge in Governance. He is the Chairman of the Fund.</p>
<p>2. </p>	<p>Hon Milliah Masungu- Vice Chair</p> <p>Hon. Millia Masungu is the Minority Party Chief Whip at the Bungoma County Assembly. She is serving her second term as MCA for Misikhu Ward. She has previously served as the Chairperson of the Education Committee at the County Assembly. Prior to her election as MCA, she served as a Councillor for Bungoma County Council under the defunct local authority, and an Official on Webuye East CDF Board. Hon. Masungu has vast knowledge in Governance. She is the Vice Chair of the Fund.</p>
<p>3. </p>	<p>Charles W. Wafula –Fund Administrator</p> <p>Mr Charles Wafula is the Clerk of the County Assembly. He doubles as the Secretary of the County Assembly Service Board. He is both the Accounting and Authorised Officer. Before rising to the position of Clerk, he has held various positions at the County Assembly as Acting Head of Accounts, and Deputy Head of Accounts. He previously served in various capacities at the defunct Bungoma Municipal Council. He holds an undergraduate Degree in Commerce- Accounting Option from KCA University and a Diploma in Accounts and CPA Part II. Mr Wafula holds a certificate in Strategic Leadership Program and Senior Management Course from the Kenya School of Government. He has vast knowledge in Accounting,</p>

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

	<p>Management and Governance. He is the Fund Administrator.</p>
<p>4.</p> 	<p>Leonard Juma Momos – Member</p> <p>Mr Momos is the Deputy Clerk in charge of Legislative Services at the Bungoma County Assembly. Prior to his appointment, he served as a First Clerk Assistant and Acting Principal Clerk Assistant at the Bungoma County Assembly. He holds a Master Degree in Business Administration (Strategic Management) from Kibabii University. He holds a certificate in Strategic Leadership Program and Senior Management Course from the Kenya School of Government. He is a member of Kenya Institute of Management (KIM). He has vast knowledge in Legislative work and Governance. He is a member of the Committee.</p>
<p>5.</p> 	<p>Symon Walukana – Member</p> <p>Mr Walukana is the Principal Finance Officer at the Bungoma County Assembly. He oversees operations in the Finance, Accounts and Procurement sections. Prior to his appointment to the position, he has worked as a Fiscal Analyst at the County Assembly. He also held various positions at the defunct Kimilili Municipal Council. Mr Walukana has a Bachelor of Commerce in Accounting from Kibabii University. He is a Certified Public Accountant. He holds a Senior Management Course from the Kenya School of Government. He also holds a Diploma in Accountancy (KNEC). He holds a Senior Management Course from the Kenya School of Government. He is a Member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has vast knowledge in Financial Management and Accounts. He is a Member of the Committee.</p>

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

<p>6. </p>	<p>Ignatius Wangila- Member</p> <p>Mr Wangila is the Principal Legal Counsel at the Bungoma County Assembly. He is an Advocate of the High Court of Kenya and commissioner for Oaths. He holds a Bachelors of Law Degree from Kampala International University and a post graduate Diploma from the Kenya School of Law. Prior to his appointment, Mr Wangila worked in various capacities at the Office of Director of Public Prosecutions. He has also practised law privately at various Law firms within the Country. He is a long serving member of the Law Society of Kenya. Mr Wangila holds a Senior Management Course Certificate from the Kenya School of Government. He has vast knowledge in Law and Governance. He is a Member of the Committee.</p>
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**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

4. Management Team



Mr Charles W. Wafula



Mr Symon W. Walukana



Elias Taskin- Fund Accountant

Mr Taskin is an Accountant in the Finance Department. He holds a Bachelor's Degree in Commerce-Finance Option from Kenyatta University. He also has CPA Part II. He does the day to day administration and running of the affairs of the fund. He is appointed to the fund as the Fund Accountant.

5. Fund Chairperson's Report

It is my pleasure to present the Bungoma County Assembly Members Car Loan and Mortgage scheme fund financial statements for the period ended 30th June 2023. The financial statements present the financial performance of the fund over the past year. During the year, the previous fund administrator retired and the new clerk took over the administration of the fund.

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.

Review of performance

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Income

The income from interest income amounted to Kshs. 3,144,956.

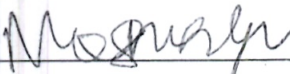
Expenditure

The total expenditures during the period amounted to Kshs.1, 144,640 meant to undertake fund administration expenses with regard to hospitality related activities and bank charges.

Conclusion

I take this opportunity to express my sincere gratitude and appreciation to the county government, development partners, stakeholders, management, staff and fellow members for their continued support which made us achieve these results:

I look forward to your continued support.

Signed:  _____

**Hon. Meshack Simiyu
Fund Administration Chairperson**

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

6. Report of the Fund Administrator

It is my pleasure to present the Bungoma County Assembly Members' Car Loan and Mortgage Scheme financial statements for the year ended 30th June 2023. The financial statements present the financial performance of the fund over the past year.

Financial Performance

a) Revenue

In the year ended 30th June 2023, the fund was able to realise Kshs 3,144,956 in actual interest. There was an increase in interest realised (from Kshs. 581,594 in the prior year as a result of most beneficiaries clearing their loans).

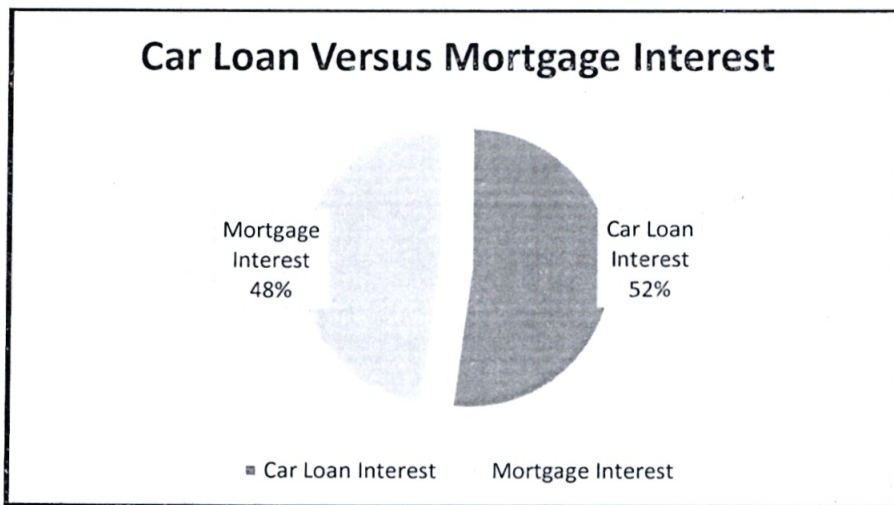


Figure 1: Interest Income

b) Loans

During the financial year 2022/2023, the total loans disbursed amounted to Kshs. 297,560,000 comprising of Car loans of Kshs. 128,000,000 and Mortgage of Kshs.169,560,000.

During the financial year, the Fund managed to recover loans from beneficiaries as follows:-

	Interest	Insurance	Principal	Total
Car Loan	1,637,234	370,440	13,102,613	15,110,287
Mortgage	1,507,721	323,144	13,793,824	15,624,690
Total	3,144,956	693,584	26,896,437	30,734,977

Table 1: Loan Recoveries

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

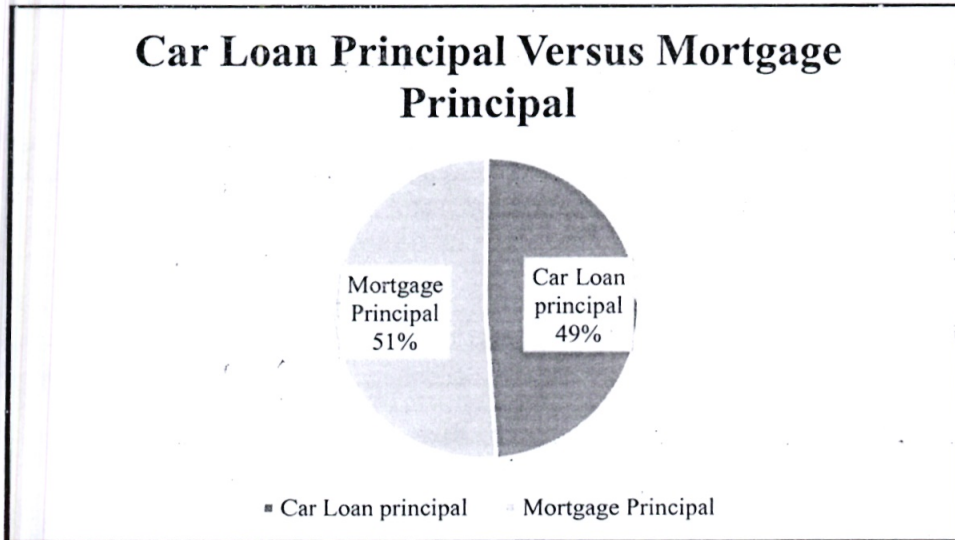


Figure 2: Principal Recovered

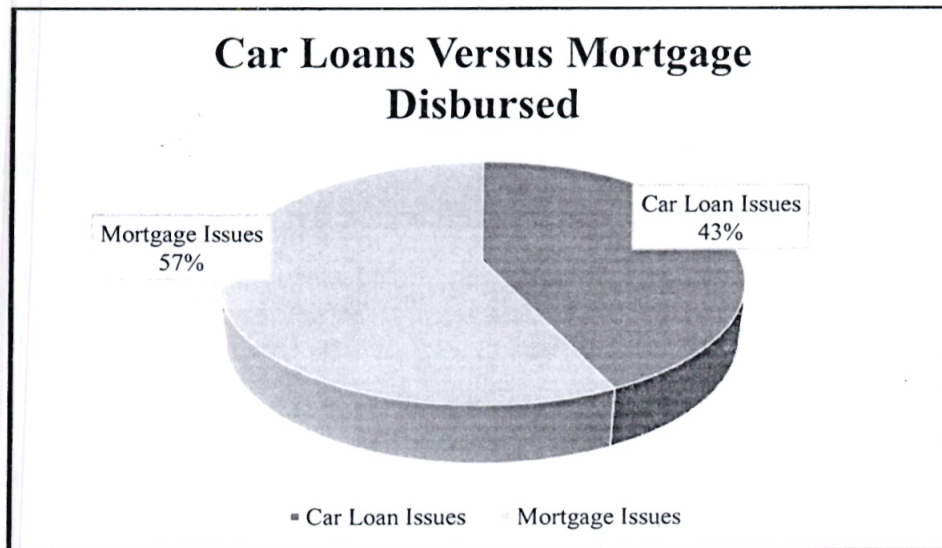


Figure 3: Loans issued

e) Cash flows

In the financial period, we did not have any liquidity disruptions. The cash and cash equivalents was Kshs 5,142,995 as at 30th June 2023.

I take this opportunity to thank the Fund Committee for their support. I would also want to thank all staff who worked hand in hand to ensure that Bungoma County Assembly Members' Car Loan and Mortgage achieves its mission.

Signed: _____
Charles W. Wafula - Fund Administrator

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

7. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

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

The key development objectives of Bungoma County Assembly Members' Car Loan and Mortgage Fund include;

- a) To provide a loan scheme for the purchase, development , renovation or repair of residential houses to members of the scheme
- b) To provide a loan scheme for the purchase of vehicles to members of the scheme
- c) To raise funds for the implementation of the loan scheme.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of County Assembly	To ensure all Members have access to Mortgage facilities	Number mortgages successfully applied	100% of members of County Assembly taking Mortgage facilities	During FY 2022/2023, 100% of Members of County Assembly accessed the facility and were able build their own houses
Provision of Car Loan facilities to all members of County Assembly	To ensure all Members have access to Car Loan facilities	Number Car Loans successfully applied	100% of members of County Assembly taking Car Loan facilities	During FY 2022/2023, 100% of Members of County Assembly accessed the facility and were able to buy their own cars.

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

8. Corporate Governance Statement

The Fund

The Bungoma County Assembly Members Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) gazette Notice No.9792 of 27th July 2022, Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide car loans and mortgage to Members of County Assembly. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the Loans Management Committee at its apex. The operations of the fund are governed by the Members Car Loan and Mortgage regulations made on 7th November 2022. The structure is designed to ensure an informed decision making process based on accurate reporting to the board.

Audit and Risk Committee

In ensuring that corporate governance and integrity is enhanced in between the governance of the fund, the Fund Administration Committee engages an audit and risk committee established by County Assembly Service Board. The members of this committee during the year under review were:

S/No.	Name	Position in committee
1	Dr Destaings N. Nyongesa	Chairman Audit committee
2	Mr Fred Wasike	Member Audit committee
3	Mr Murambi Njibwakale	Member Audit committee
4	Ms Diana Khaemba	Member Audit committee
5	Mr Alfred Makokha	Secretary Audit committee

Table 1: Audit Committee Members

Statement of Compliance

The Fund Administration Committee confirms that the fund has throughout the period complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

The fringe benefit tax is expected to be paid by the employer (County Assembly Service Board).

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Internal Control and Risk Management

Internal Control

The Fund Administration Committee is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an on-going basis. No significant failings or weaknesses were identified during the period.

Management Team

The management team headed by the Fund Administrator implements the Loans Management Committee decisions and policies through committee meetings. The team meets regularly to ensure that the Committee's objectives are achieved effectively and efficiently. During the period, the committee held 5 meetings.

Auditor

The fund is audited by the Auditor-General.

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

9. Management Discussion and Analysis

The fund has continues to grow and the management has put measures in place to safeguard against risks.

The fund's activities expose it to a variety of financial risks including credit and liquidity risks. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to members with an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and seeks to make sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

Business Performance

Revenue

In the year ended 30th June 2023, the fund was able to realise Kshs 3,144,956 in actual interest which is an increase from Kshs. 581,594 Realised in the previous financial year 2021/2022.

Interest Income for FY2021/2022 Versus FY2022/2023

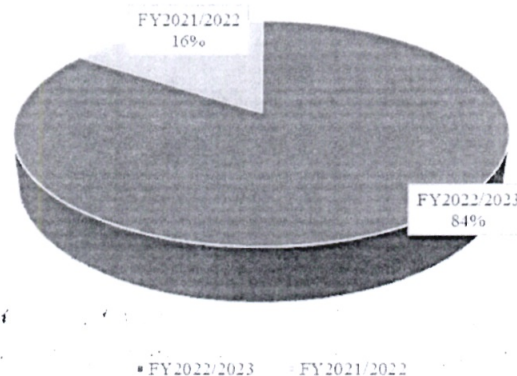


Figure 1: Interest Income

Cash flows

We have not had many liquidity disruptions for the period. The cash and cash equivalents was Kshs. 5,142,995 as at 30th June 2023 which is an increase from the prior year's cash flow of Kshs.2,579,172.

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Loans Disbursements

During the financial year 2022/2023, the Fund disbursed a total of Kshs. 297,560,000 analysed as follows:-

Car Loan Versus Mortgage Interest

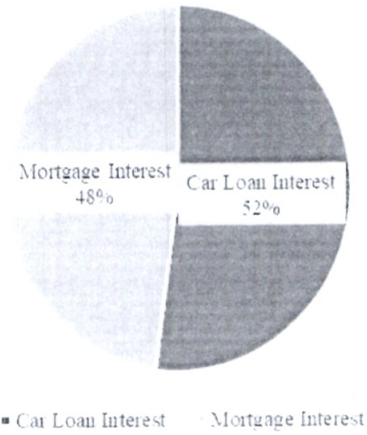


Figure 2: Loan Disbursements

Operational Performance

The fund's core operating activity has been the offering car loans and mortgage to Members of the County Assembly.

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

10. Report of the Fund Committee

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

Principal activities

The principal activities of the Fund are;

- a) Provide a loan scheme for the purchase of vehicles and purchase, development, renovation or repair of residential houses to members of the scheme
- b) Raise funds for the implementation of the objectives contemplated in (a) above

Results

The results of the financial performance of the Fund for the year ended June 30, 2023 are set out from page 1.

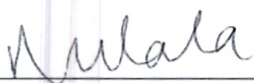
Fund Committee

The members of the Fund Committee who served during the year are shown on page viii to ix.

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 Committee



Hon. Milliah Masungo
Member of the Committee

Date: 29/9/2023

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

11. Statement of Management's Responsibilities

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

The Administrator of the Bungoma County Assembly Car Loan and Mortgage 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, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Loans Management Committee on 26th September, 2023 and signed on its behalf by:



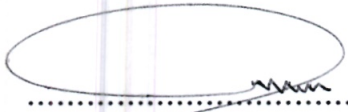
Charles W. Wafula - Fund Administrator

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

13. Statement of Financial Performance for the Year Ended 30th June 2023

	Note	FY2022/2023 KShs	FY2021/2022 KShs
Revenue from exchange transactions			
Interest income	1	3,144,956	581,594
Total revenue		3,144,956	581,594
Expenses			
Use of goods and Services	2	1,144,640	5,468,972
Total expenses		1,144,640	5,468,972
Surplus/(deficit) for the period		2,000,316	(4,887,378)

(The notes set out on pages 16 to 19 form an integral part of these Financial Statements)



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Name: Charles W. Wafula
Administrator of the Fund

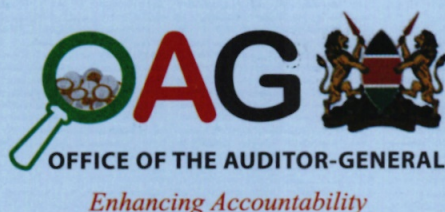


.....

Name: Elias Taskin
Fund Accountant
ICPAK Member Number:

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON BUNGOMA COUNTY ASSEMBLY MEMBERS' CAR LOAN AND MORTGAGE 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 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 control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Bungoma County Assembly Members' Car Loan and Mortgage Scheme Fund set out on pages 1 to 27, which

Report of the Auditor-General on Bungoma County Assembly Members' Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2023

comprise of the statement of financial position as at 30 June, 2023, statement of financial performance, statement in changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Bungoma County Assembly Members' Car Loan and Mortgage Scheme Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Public Finance Management (Bungoma County Assembly Members' Mortgage Scheme Fund) Regulations, 2018.

Basis for Qualified Opinion

1. Unsupported Prior Year Adjustment

The statement of financial position reflects a Kshs.Nil balance in respect of prior year adjustment which, as disclosed in Note 7 to the financial statements, is as a result of the balance brought forward of Kshs.45,625,458 less two balances of Kshs.36,600,000 and Kshs.9,025,458 for the year under review in respect to reversal of entry of tax on car grant paid by County Assembly Service Board and variations in interest on loans from the first Assembly respectively. However, no documentary evidence was provided to support the amounts.

In the circumstances, the accuracy and completeness of the Kshs.Nil on prior year adjustment could not be confirmed.

2. Doubtful Long-Term Receivables

The statement of financial position reflects a balance of Kshs.292,379,746 in respect of long-term receivables from exchange transactions which, as disclosed in Note 4B to the financial statements, includes balance brought forward of Kshs.21,457,620 relating to loans advanced to members of the first and second County Assemblies who were not subsequently re-elected. No explanation was provided on why the former members were advanced loans that were not confined to the lives of their respective office tenure of five years.

In the circumstances, the accuracy and recoverability of the long outstanding loans of Kshs.21,457,620 issued to the former Members of County Assembly is doubtful.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bungoma County Assembly Members' Car

Loan and Mortgage Scheme Fund Management in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.5,000,000 and Kshs.3,144,956 respectively, resulting to under-funding of Kshs.1,855,044, or 37% of the budget. Similarly, the Fund expended Kshs.1,144,640 against an approved budget of Kshs.4,000,000, resulting to under-performance of Kshs.2,855,360, or 71% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit of the previous financial year, two issues were raised under Report on the Financial Statements. However, Management had not resolved the issues as at 30 June, 2023 or given explanation on the failure to resolve them as required by the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Provide Jointly Registered Ownership Documents

The statement of financial position reflects a balance of Kshs.292,379,747 in respect of long term receivables from exchange transactions on loan repayments due. As disclosed in Note 4B to the financial statements, the balance includes Kshs.128,000,000 and Kshs.169,560,000, totalling Kshs.297,560,000, relating to car loan and mortgage disbursements respectively during the year under review. However, Management did not provide log books and title deeds jointly registered under the Fund and the loanees as required by Regulation 8(2) of the Public Finance Management (Bungoma County Assembly Members' Car Loan Scheme Fund) Regulations, 2022, which provides that, jointly registered ownership documents of property financed by the Fund should be kept in the custody of the officer administering the Fund.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAI) 4000. The Standard requires that I comply with the ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, 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 effective.

Basis for Conclusion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs) 2315 and ISSAI 2330. The Standards requires 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 Fund Administration Committee

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

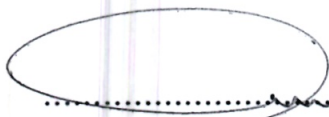
13 February, 2024

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

14. Statement of Financial Position as at 30 June 2023

	Note	FY2022/2023 KShs	FY2021/2022 KShs
Assets			
Current assets			
Cash and cash equivalents	3	5,142,995	2,579,172
Current portion of long term receivables from exchange transactions	4A	68,814,526	100,005,321
Non-current assets			
Long term receivables from exchange transactions	4B	292,379,746	21,457,620
Other Long term Receivables	4C	19,949,987	20,643,571
Total assets		386,287,254	144,685,685
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	5	75,001,254	-
Total Liabilities		75,001,254	-
Net assets		311,286,000	144,685,685
Revolving Fund		314,606,924	191,000,000
Prior year adjustment	7	-	45,625,458
Accumulated surplus	-	3,320,924	688,857
Total net assets and liabilities		311,286,000	144,685,685

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 26th September 2023 and signed by:



Name: Charles W. Wafula



Name: Elias Taskin

Fund Accountant

ICPAK Member Number:

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

15. Statement of Changes in Net Assets for the Year Ended 30th June 2023

	Revolving Fund KShs	Accumulated surplus KShs	Total KShs
Balance as at 1 July 2021	193,500,000	4,198,521	197,698,521
Less:- Principal Car Loan Amount Refunded as Car Grant	(2,500,000)	-	(2,500,000)
Surplus/(deficit) for the period	-	(4,887,378)	(4,887,378)
Balance as at 30 June 2022	191,000,000	(688,857)	190,311,143
 Balance as at 1 July 2022	 191,000,000	 (688,857)	 190,311,143
Funds received during the year	128,000,000	-	128,000,000
Adjustment from first Assembly	(4,393,076)	(4,632,382)	(9,025,458)
Surplus/(deficit) for the period	-	2,000,316	2,000,316
Balance as at 30 June 2023	314,606,924	(3,320,924)	311,286,000



Name: Charles W. Wafula

Administrator of the Fund



Name: Elias Taskin

Fund Accountant

ICPAK Member Number:

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

16. Statement of Cash Flows for the Year Ended 30 June 2023

	Note	FY2022/2023 KShs	FY2021/2022 KShs
Cash flows from operating activities			
Receipts			
Interest received	1	3,144,956	581,594
Total Receipts		3,144,956	581,594
Payments			
General expenses	2	1,144,640	5,468,972
Total Payments		1,144,640	5,468,972
Cash flows from operating activities		2,000,316	(4,887,378)
Adjustments;			
Creditors Borrowings	5	75,001,254	-
Debtors Borrowings	4A	(317,380)	(59,736,858)
Debtors Repayments (Refund by CASB)	4A	45,000,000	21,068,337
Debtors Repayments (Refund by Employee Car Loan & Mortgage)	4A	23,108,175	-
Insurance Repayments	4C	693,584	42,650
		143,485,633	(38,625,871)
Net Cash flows from Operating Activities		145,485,949	(43,513,249)
Cash flows from investing activities			
Proceeds from loan principal repayments	4B	26,896,437	41,368,858
Proceeds from revolving fund receipts		128,000,000	-
Car Grant		-	(2,500,000)
Loan disbursements paid out	4B	(297,818,563)	(1,100,000)
Net cash flows used in investing activities		(142,922,126)	37,768,858
Net increase/(decrease) in cash and cash equivalents		2,563,823	(5,744,391)
Cash and cash equivalents at 1 JULY	3	2,579,172	8,323,563
Cash and cash equivalents at 30 JUNE	3	5,142,995	2,579,172

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

17. Statement of Comparison of Budget and Actual amounts for the Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2023	2023	2023	2023	2023	2023
Revenue	KShs	KShs	KShs	KShs	KShs	
Interest income	5,000,000	-	5,000,000	3,144,956	1,855,044	63%
Total income	5,000,000	-	5,000,000	3,144,956	1,855,044	63%
Expenses						
General expenses	4,000,000	-	4,000,000	1,144,640	2,855,360	29%
Total expenditure	4,000,000	-	4,000,000	1,144,640	2,855,360	29%
Surplus for the period	1,000,000	-	1,000,000	2,000,316	(1,000,316)	

Budget notes

The target was not met on Interest earned as a result of less loan disbursed than budgeted for.

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

18. Notes to the Financial Statements

1. General Information

The Bungoma County Assembly Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) gazette Notice No.9792 of 27th July 2022, 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, Bungoma county adopted the PFM regulations 2014 to guide in the operationalization of the fund. The fund is internally administered in the county assembly by the office of the clerk.

The fund is wholly owned by the county government of Bungoma and is domiciled in Kenya, the fund's objective is to;

- a) Provide a loan scheme for the purchase of vehicles and purchase, development, renovation or repair of residential houses to members of the scheme
- b) Raise funds for the implementation of the objectives contemplated in (a) above.

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.

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 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:
<p>IPSAS 41: Financial Instruments</p>	<p>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 the Fund's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Fund'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 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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Fund; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023 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> <p>(a) The nature of such social benefits provided by the Fund; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector</i> . Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

<p>IPSAS 43</p>	<p><i>Applicable 1st January 2025</i> 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 an Fund. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i> The Standard requires, 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: 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 Fund did not early – adopt any new or amended standards in year 2022.

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund 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 2022-2023 was approved by the County Assembly on 18th April 2023. 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 Fund upon receiving the respective approvals in order to conclude the final budget.

The Fund'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.

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 Fund 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.

b) 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 Fund 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.

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

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 Fund 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 Fund assesses at each reporting date whether there is objective evidence that a financial asset or the Fund of financial assets is impaired. A financial asset or a Fund 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 Fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i. The debtors or an entity of debtors are experiencing significant financial difficulty
- ii. Default or delinquency in interest or principal payments
- iii. The probability that debtors will enter bankruptcy or other financial reorganization
- iv. 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 Fund 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.

Summary of Significant Accounting Policies (Continued)

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

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.

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.

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.

b) Nature and purpose of reserves

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

c) Changes in accounting policies and estimates

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

d) Members benefits – Retirement benefit plans

The Fund doesn't provide retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Fund pays fixed contributions into a separate Fund (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.

Summary of Significant Accounting Policies (Continued)

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

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.

e) 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.

f) Related parties

The Fund 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 Fund, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

g) 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.

h) Comparative figures

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

i) Events after the reporting period

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

Summary of Significant Accounting Policies (Continued)

j) Ultimate and Holding Entity

The Bungoma County Assembly Member Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) gazette Notice No.9792 of 27th July 2022, Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

k) Currency

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

5. Significant judgments and sources of estimation uncertainty

The preparation of the Fund'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 Fund 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 Fund. 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:

- i. The condition of the asset based on the assessment of experts employed by the Fund
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii. The nature of the processes in which the asset is deployed
- iv. Availability of funding to replace the asset
- v. Changes in the market in relation to the asset.

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Notes to the Financial Statements

1. Interest income

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Interest income from Car Loan	1,637,234	-
Interest income from Mortgage Loan	1,507,721	581,594
Total interest income	3,144,956	581,594

2. Use of Goods and Services

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Hospitality (Allowances)	1,130,000	5,444,800
Other expenses-Bank Charges	14,640	24,172
Total	1,144,640	5,468,972

3. Cash and cash equivalents

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Current account	5,142,995	2,579,172
Total cash and cash equivalents	5,142,995	2,579,172

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

Financial institution	Account number	FY2022/2023	FY2021/2022
		KShs	KShs
Current account			
Kenya Commercial bank .	1220563730	5,036,142	2,466,214
Kenya Commercial bank Collection	1265050945	106,853	112,958
Total		5,142,995	2,579,172

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

4. Receivables from exchange transactions

Description	FY2022/2023	FY2021/2022
	KShs	KShs
4A Current Receivables		
Balance b/f	100,005,321	100,329,485
Add:- Additional borrowings	317,380	59,736,858
	100,322,701	160,066,343
Less:-Borrowings repayment by CASB	45,000,000	21,068,337
Less: other borrowings adjustment	-	2,252,431
Less:- Tax on Car grant paid by CASB	-	36,600,000
Less:-Staff Deductions Credited to MCA A/c	-	1,960,254
Less:- Refunds from Employee Car Loan & Mortgage Borrowings	23,108,175	-
Add:- Reversal of tax on Car grant paid by CASB	36,600,000	
	68,814,526	98,185,321
Payroll Deductions receivable	-	1,820,000
Total current Receivables	68,814,526	100,005,321
4B Non Current receivables		
Balance b/f	21,457,620	70,277,703
Less:- Old Loan repayments adjustment		(11,341,705)
Add:- Outstanding loans adjustment		2,358,048
Adjusted Balance b/f	21,457,620	61,294,047
Add:- Car Loan disbursements	128,000,000	1,100,000
Add:- Mortgage disbursements	169,560,000	2,252,431
Add:- Refunds to overdeduction	258,563	-
	297,818,563	3,352,431
Less:- Car Loan repayments	13,102,613	43,188,858
Less:- Mortgage repayments	13,793,824	
	26,896,437	43,188,858
Long term loan repayments due	292,379,746	21,457,620
4C Other exchange debtors-Insurance Receivable		
Balance b/f	20,643,571	20,686,221
Less:-Insurance received	(693,584)	(42,650)
Other Exchange Debtors	19,949,987	20,643,571
Total Non current receivables	312,329,733	42,101,191
Total receivables from exchange transactions	381,144,259	142,106,512

5. Trade and other payables from exchange transactions

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Balance b/f	-	36,600,000
Additional Borrowings from Employee Fund	75,391,254	
Less:-Payment of tax by CASB		-36,600,000
Less:-Borrowings Refund	-390,000	
	75,001,254	-

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

6. Borrowings

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Balance At Beginning of The Period	-	-
Domestic Borrowings During the Year	75,391,254	-
Repayments Of Domestic Borrowings During the	- 390,000	-
Balance At End of The Period	75,001,254	-

The table below shows the classification of borrowings

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Borrowings From Other Government Institutions	75,391,254	
Total Balance at End of The Year	75,391,254	

The table below shows the classification of borrowings long-term and current borrowings:

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Short Term Borrowings (Current Portion)	75,391,254	-
Long Term Borrowings	-	-
Total	75,391,254	-

During the financial year, the fund borrowed Kshs.75,391,254 from Employee Car Loan and Mortgage Fund.

7. Prior year Adjustment

Description	FY2022/2023
	KShs
Balance b/f	45,625,458
Less:- Reversal of entry of tax on Car grant paid by CASB	-36,600,000
Less:- Variations in Interest on Loans from first Assembly	-9,025,458
Balance c/d	-

8. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

b) Due from related parties

	FY2022/2023	FY2021/2022
	KShs	KShs
Due from the County Assembly Board	66,677,146	98,185,321
Due from Payroll deductions	2,137,380	1,820,000
Total	68,814,526	100,005,321

c) Due to related parties

	FY2022/2023	FY2021/2022
	KShs	KShs
Due to Employee Car Loan & Mortgage Fund	75,001,254	-
Total	75,001,254	-

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Notes to the Financial Statements (Continued)

9. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Fund's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Receivables From	381,144,259	364,864,211	16,280,048	-
Bank Balances	2,579,172	2,579,172	-	-
Total	2,579,172	2,579,172	-	-
At 30 June 2022				
Receivables From	142,106,512	125,826,464	16,280,048	-
Bank Balances	5,142,995	5,142,995	-	-
Total	5,142,995	5,142,995	-	-

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

b) Liquidity risk management

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

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an on-going 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 Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

d) Interest rate risk

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

Management of interest rate risk

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

e) Capital risk management

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

**Bungoma County Assembly Members Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Revolving fund	319,000,000	191,000,000
Accumulated surplus	-7,714,000	-688,857
Total funds	311,286,000	190,311,143
Total borrowings	75,391,254	-
Less: cash and bank balances	5,142,995	2,579,172
Net debt/(excess cash and cash equivalents)	70,248,259	- 2,579,172
Gearing	23%	-1%

10. Events after the reporting period

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

11. Currency

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

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

19. Annexes

Annex 1: Progress on follow up of Prior Year Auditor's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe
1. Cash and Cash Equivalents	It was noted the cash and cash equivalents balance of Kshs.4,973,973 which is detailed under note 4 to the financial statements reflects a bank balance of Kshs.4,973,973 as at 30 June, 2019. However, review of the bank reconciliation statements revealed that the management used the bank certificates of balance for the three (3) bank accounts instead of the reconciled cash book balances totalling Kshs.10,598,566, resulting into an un-reconciled variance of Kshs.5,624,893	Adjustments have been made in the current Financial year statements (FY2019/2020) to reflect the Bank reconciliation statement and cash book. For the Bank of Africa Accounts, The Bank certificate balance is equal to the Cash book balance i.e. there are no un-reconciled effects. See also attached Bank reconciliation statements for reference.		Resolved	
2. Non-Current Receivables	Included in the figure of non-current receivables of Kshs.276,955,516 under note 5B is long term loan repayments due of Kshs.255,155,516. However, recasting of the reported long term loan repayments balance yielded a figure of Kshs.255,137,120 leading to an unexplained variance of Kshs.18,396. As a result, the accuracy of the long term loan repayments balance of Kshs.255,155,516 could not be confirmed	The figures agree to the supporting schedules. See the summary, recasted plus schedules attached.		Resolved	

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

<p>2. Non-Current Receivables</p>	<p>Included in the figure of non-current receivables of Kshs.276,955,516 under note 5B is long term loan repayments due of Kshs.255,155,516. However, recasting of the reported long term loan repayments balance yielded a figure of Kshs.255,137,120 leading to an unexplained variance of Kshs.18,396. As a result, the accuracy of the long term loan repayments balance of Kshs.255,155,516 could not be confirmed</p>	<p>The figures agree to the supporting schedules. See the summary, recasted plus schedules attached</p>		<p>Resolved</p>	
<p>3. Lack of Security on Loan Disbursed to Members</p>	<p>It was noted that the long term loan repayments due totalling Kshs.276,955,516 under note 5(b) to the financial statements, include a balance of Kshs.255,155,516 for both car loan and mortgages which are not secured with registration of logbooks and title deeds on joint ownership of the acquired assets contrary to regulations which require joint registration of ownership and placing the title document in custody of fund administration.</p> <p>In the circumstances, the Fund contravened Regulation 8(2) of the Public Finance (County Assembly Car Loan (Members) Scheme Fund) Regulations, 2018 that requires the log-book of a vehicle subject to a loan from the Fund to be issued jointly between the County Assembly and the member of the Scheme and be kept in the custody of the officer administering the Fund until the loan is repaid in full by the member of the Scheme.</p> <p>Further, the Fund failed to adhere to Regulation 15(1) of the Public Finance Management (County Assembly Mortgage (Members) Scheme Fund) Regulations, 2018,</p>	<p>The management is facing challenges in the implementation of the recommendation due to budgetary constraints. The titles have been submitted to the fund and the request to charge through an advocate has been launched. However, there has been delay in implementation of the instructions at the lands office due to management instability and COVID 19.</p>		<p>On-going</p>	

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

	<p>which requires the Fund to have a charge registered on the property financed through a loan granted and its name entered in all documents of title for such property.</p>				
4.	<p>Un-collected Loans Arrears</p> <p>It was noted that included in the long term loan repayments due of Kshs.276,955,516 under note 5(b) in the financial statements is a non-recovered amount of Kshs.33,900,825 relating to loans advanced to members of the first county assembly who did not make it to the current parliament. It was noted that no progress had been made to initiate recovery of the outstanding loans held by former members in absence of formal security documentation.</p> <p>Consequently, the Fund was not in compliance with Regulation 12 of the Public Finance (County Assembly Car Loan (Members) Scheme Fund) Regulations, 2018 states that a loan advanced shall be repaid in full over a maximum period of sixty (60) months and Regulation 13 (1) of the Public Finance Management (County Assembly Mortgage (Members) Scheme Fund) Regulations, 2018 which states that a loan granted shall be fully repaid at the end of the term of that Assembly.</p> <p>In the circumstances, it was not possible to ascertain the recoverability of the loan balance of Kshs.33,900,825 reported as at 30 June, 2019.</p>	<p>The Fund administrator noted this and gave demand notices to affected members.</p> <p>Attached herewith are copies of cash deposits to the fund accounts which show effort by members towards repayment. And further the delayed recoveries were largely occasioned by delayed exchequer releases</p> <p>Today the current reason for uncollected loan arrears is because the members of the Assembly term came to an end eight months earlier and this was not foreseen during disbursement</p>	<p>Fund Administration Committee</p>	<p>On-going</p>	

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

5.	<p>Lack of an Approved Budget</p> <p>Review of the Fund's loan management committee minutes and financial statements for the year under review revealed that operation of the Fund were not guided by an approved budget. Therefore, administration of the Fund was not conducted in compliance with Section 149(2h) of the Public Finance Management Act 2012, which requires the accounting officer to prepare estimates of expenditure of the Fund in conformity with the strategic plan.</p> <p>In the circumstances, the Fund conducted its business during the year under review in breach of the law.</p>		Fund Administrator	Resolved	
6.	<p>Outstanding Borrowings by County Assembly Service Board</p> <p>The statement of the financial position of the Fund reported a figure of Kshs.36,722,914 in respect of un-refunded borrowings by the County Assembly Service Board under note 5(a) in contravention of Regulation 4 of both the Public Finance Management (County Assembly Members Car Loan Scheme Fund) Regulations, 2018 and the Public Finance Management (County Assembly Members Mortgage Fund) Regulations, 2018 which states that the object and purpose of the fund is to provide a loan scheme for the purchase of vehicles by members of the scheme and for the purchase, development, renovation or repair of residential property by members of the scheme, respectively</p>	We wish to confirm that re-imbursments of the borrowings is on-going and please find attached schedule of repayment (bank statement).The entire Service Board borrowings were occasioned by delayed exchequer releases. Attached is the commitment letter from the County Assembly Service Board.	Fund Committee	On-going	
7.	<p>Non-Recovery and Remittance of Fringe Benefit Tax</p>	The management has been unable to remit the fringe benefit tax due to			

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

	<p>It was noted that the Fund did not remit to Kenya Revenue Authority (KRA) fringe benefit tax accrued from the low interest loans extended to its members during the year amounting to Kshs.2,947,592.</p> <p>Thus, the management of the Fund did not comply with the Section 12(B1) of the Income Tax Act, 2010 that requires an employer to pay fringe benefit tax in respect of a loan provided to an employee or director at an interest rate lower than the market interest rate. Further, the administrator was in contravention of Section 12(3) of the Act which requires that fringe benefit tax to be charged on the total taxable value of a fringe benefit provided by an employer in a month and remitted on or before the tenth day of the following month to KRA.</p> <p>Consequently, the Fund is exposed to penalties and interest due to non-compliance with provisions of the Income Tax Act.</p>	<p>limitation of fund and the committee has written to the County Assembly Board to pay the related tax on its behalf. The previous amounts due has so far been remitted.</p>			
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**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Annex 2: Bank Reconciliation Statements

**REPUBLIC OF KENYA
COUNTY GOVERNMENT OF BUNGOMA
COUNTY ASSEMBLY OF BUNGOMA**

COUNTY ASSEMBLY OF BUNGOMA CAR LOAN COLLECTION

ACCOUNT NO:1265050945


FO 30


BANK RECONCILIATION STATEMENT

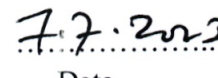
AS AT 30TH JUNE 2023

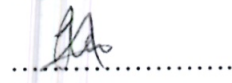
	AMOUNT
Balance as per Bank Certificate	106,853.00
LESS:	
COLUMN I:	
Payment in the Cash Book not yet presented for payment	
COLUMN II:	
Receipt in the Bank Statement not yet recorded in the Cash Book	-
ADD:	
COLUMN III:	
Payment in the Bank Statement not yet recorded in the Cash Book	-
COLUMN IV:	
Receipt in the Cash Book not yet recorded in the Bank Statement	-
Balance as per The Cash Book	106,853.00
Cash book Balance	106,853.00
Difference	-


I Certify that I have verified the Bank Balance in the cash Book with the Bank Statement and that the above reconciliation is correct.

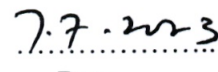

Signature


Designation


Date


Signature


Designation


Date

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

FO 30

COLUMN I

Date	Details	Cheque No.	Amount
------	---------	------------	--------

-

COLUMN II

Date	Details	Cheque No.	Amount
------	---------	------------	--------

-

COLUMN III

Date	Details	Cheque No.	Amount
------	---------	------------	--------

-

COLUMN IV

Date	Details	Cheque No.	Amount
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-

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

**REPUBLIC OF KENYA
COUNTY GOVERNMENT OF BUNGOMA
COUNTY ASSEMBLY OF BUNGOMA**

COUNTY ASSEMBLY OF BUNGOMA CAR LOAN OPERATION

ACCOUNT NO:1220563730

FO 30

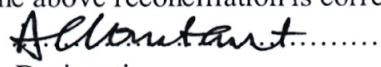
BANK RECONCILIATION STATEMENT

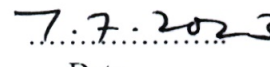
AS AT 30TH JUNE 2023

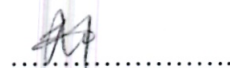
	AMOUNT
Balance as per Bank Certificate	36,142.39
LESS:	
COLUMN I:	
Payment in the Cash Book not yet presented for payment	
COLUMN II:	
Receipt in the Bank Statement not yet recorded in the Cash Book	-
ADD:	
COLUMN III:	
Payment in the Bank Statement not yet recorded in the Cash Book	-
COLUMN IV:	
Receipt in the Cash Book not yet recorded in the Bank Statement	5,000,000.00
Balance as per The Cash Book	5,036,142.39
Cash book Balance	5,036,142.39
Difference	-

I Certify that I have verified the Bank Balance in the cash Book with the Bank Statement and that the above reconciliation is correct.

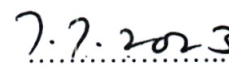

Signature


Designation


Date


Signature


Designation


Date

**Bungoma County Assembly Members' Car Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

FO 30

COLUMN I

Date	Details	Cheque No.	Amount
			-

COLUMN II

Date	Details	Cheque No.	Amount
			-

COLUMN III

Date	Details	Cheque No.	Amount
			-

COLUMN IV

Date	Details	Cheque No.	Amount
23/6/2023	CASB REFUNDS		5,000,000.00
			<u>5,000,000.00</u>