

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

PARLIAMENT  
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LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**HOMA BAY COUNTY EXECUTIVE  
CAR LOAN AND MORTGAGE (MEMBERS)  
SCHEME FUND**

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

PAPERS LAID	
DATE	20/3/2024
TABLED BY	Sen. John Kingua
COMMITTEE	
CLERK AT THE TABLE	Polycarp



*Revised 30 June 2023*



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**HOMA BAY COUNTY EXECUTIVE CAR AND MORTGAGE  
(MEMBERS) SCHEME FUND**

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

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



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***Homa bay County Executive Car and Mortgage (Members) Scheme Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**1. Acronyms and Glossary of Terms**

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management

The key management personnel who had financial responsibility



## **2. Key Entity Information and Management**

### **a) Background information**

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

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

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17<sup>th</sup> December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising there from, the Homa Bay County Executive approved and adopted the Staff Loans Policy Paper on December 2016.

The fund is wholly owned by the county government of Homa Bay Executive and is domiciled in Kenya.

### **b) Principal Activities**

The Fund's principal activities are to:

- Process applications for loans in accordance with the set terms and conditions of borrowing.
- Liaise with the mortgage company, if any, to set up a revolving fund for the disbursement of the loans.

#### **Vision**

“To ensure better housing to Staffs and improved mobility at affordable cost”.

#### **Mission**

“To provide affordable, accessible and sustainable car loans and Mortgage to Homa Bay County Executive staff.”

#### **Core Values**

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and teamwork.

**Homa Bay County Executive Car and Mortgage (Members) Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**c) Board of Trustees/Fund Administration Committee**

Ref	Name	Position
1	Hon. Solomon Obiero	CEC-M Finance
2	Mr George Orego	County Attorney
3	Mr. Laban Ayoo	Fund Administrator
4	Mr. Zedekiah Mwaga	Fund Accountant
5		

**d) Key Management Steam**

Ref	Name	Position
1	Mr. Alphonce Wera	Chief Officer Finance
2	Mr. Laban Ayoo	Fund Administrator
3	Mr. Zedekiah Mwaga	Fund Accountant
4		
5		

**Key Entity and Management (Continued)**

**e) Fiduciary Oversight Arrangements**

*Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):*

SN	Position	Name
1	Directorate Internal Audit	Mr. Dan Anyango
2	Staff car Mortgage and car Loan Advisory Committee	
3		

**f) Registered Offices**

P.O. Box 469-40300  
Council Building/House/Plaza  
Homa Bay-Rongo Road/Highway  
Homa Bay, KENYA

**g) Fund Contacts**

Telephone: +254 20 38617565/55  
E-mail: executive@Homa Bay.go.ke  
Website: www.Homa Baycounty@.go.ke

**h) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Kenya Commercial Bank  
Kencom Building, Moi Avenue  
P.O. Box 19828 - 00100  
Nairobi, Kenya
3. Equity Bank  
Equity Centre, Upper Hill  
P.O. Box 1234 - 00100  
Nairobi, Kenya
4. Diamond Trust Bank  
West End Mall Branch  
Nairobi, Kenya



**Key Entity and Management (Continued)**

**i) Independent Auditors**

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

**j) Principal Legal Adviser**

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

**Homa Bay County Executive Car and Mortgage (Members) Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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**3. Fund Administration Committee**

<b>Ref</b>	<b>Name</b>	<b>Details of qualifications and experience</b>
1	Hon.Solomon O. Obiero	CEC-M Finance
2	Mr.George Illah	County Attorney
3	Mr.Laban Ayoo	Fund Administrator
4	Mr.Zedekiah Mwaga	Fund Accountant

**4. Management Team**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Mr. Alphonse Werah	Chief Officer Finance.
2	Mr.Laban Ayoo	Fund Administrator
3	Mr.Zedekiah Mwaga	Fund Accountant



**Homa Bay County Executive Car and Mortgage (Members) Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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**5. Fund Chairperson's Report**

**Income**

There has not been any income for the for FY 2022-2023.

**Expenditures**

No Expenditure has been incurred in the FY 2022-2023

**Financial Performance**

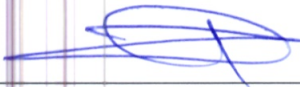
**a) Revenue**

In the F/Y ended 30<sup>th</sup> June 2023, the fund received a total of Kshs.51, 000,000 being Kshs. 44,132,655 towards repayments of outstanding borrowings and Kshs. 6,601,324 unremitted repayments from forfeited gratuities of members in default.

**b) Loans**

During the F/Y ending 30<sup>th</sup> June, 2023 Ksh.7, 554,628 was disbursed.

Signed: \_\_\_\_\_



Hon. Solomon Obiero

**Chairperson of the Fund Management Committee**



## **6. Report of the Fund Administrator**

It is my pleasure to present, on behalf of the Fund Administration Committee, the County Executive car and Mortgage loan fund financial statements for the F/Y ended 31<sup>st</sup> June 2023. The financial statements present the financial performance of the fund over the past year.

### **Sustainability**

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

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

**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 objectives of the Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund are to:

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

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Homa Bay County Executive Mortgage(Members) scheme fund	To provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.	Increased home ownership by the scheme members	Amount of mortgage loans advanced to scheme members	In FY 2022/2023 Homa Bay county executive through the Mortgage scheme fund advanced Ksh. 7,554,628 as new loans to the scheme members
Homa Bay County Executive Car Loan (Members)Scheme fund	To provide a loan scheme for the purchase of vehicles by members of the scheme.	Increased car ownership by the scheme members	Amount of car loans advanced to scheme members	In FY 2022/2023 Homa Bay county executive never advanced car loans to its scheme members

## **8. Corporate Governance Statement**

The Homa Bay County Executive Car Loan and Mortgage(Members) Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 provides for the regulation and administration of the Car and Mortgage Loan Fund.

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

The operations of the fund are governed by a fund administrator and the fund Management committee.



## **9 Management Discussion and Analysis**

The management, from time to time, seeks to have enabling regulations governing the fund's operations and is committed to ensure strict adherence to the set fund regulations in furtherance of compliance with statutory requirements.

**9. Environmental and Sustainability Reporting**

During the financial year under review, the entity did not engage in any corporate social responsibility activity. The fund, however, intends to start engaging in corporate social responsibility activities upon widening the scope of the Scheme to cover more members

## **10. Report of the Trustees**

The Fund Management Committee submits their report together with the audited financial statements for the F/Y ended June 30, 2023, which show the state of the Fund affairs.

### **10.1 Principal activities**

The principal activities of the Fund are to:

- Process applications for loans in accordance with the set terms and conditions of borrowing.
- Liaise with the mortgage company, if any, to set up a revolving fund for the disbursement of the loans.

### **10.2 Performance**

The performance of the Fund for the F/Y ended June 30, 2023, are set out on page 18

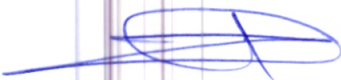
### **10.3 Trustees**

The members of the Fund Management Committee who served during the year are shown on page 5.

### **10.4 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 Fund Management Committee



*for* **CHAIRPERSON - MORTGAGE SCHEME FUND COMMITTEE**

## **11. Statement of Management's Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Public Finance Management (Homa Bay County Executive Mortgage Scheme Fund) Regulations, 2015 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 County Public 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 and Public Finance Management (Homa Bay County Executive Mortgage Scheme Fund) Regulations, 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.



***Homa Bay County Executive Car and Mortgage (Members) Scheme Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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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 committee on 27th September 2023 and signed on its behalf by:

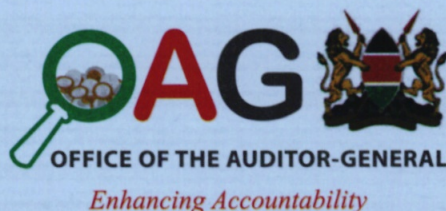
  
for  
**FUND ADMINISTRATOR**





# 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 HOMA BAY COUNTY EXECUTIVE CAR LOAN AND MORTGAGE (MEMBERS) SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund set out on pages 1 to 25, which

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*Report of the Auditor-General on Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund for the year ended 30 June, 2023*



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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the Public Finance (Homa Bay County Executive Car Loan (Members) Scheme Fund) Regulations, 2014 and the Public Finance (Homa Bay County Executive Mortgage (Members) Scheme Fund) Regulations, 2015.

### **Basis for Qualified Opinion**

#### **1. Doubtful Current Portion of Long-Term Receivables from Exchange Transactions**

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.2,807,464 as disclosed in Note 5A to the financial statements. However, Management did not provide documentary evidence to confirm that the loan balances that relate to members whose services were terminated was properly secured.

In the circumstances, the accuracy, validity and recoverability of current portion of long-term receivables from exchange transactions balance of Kshs.2,807,464 as at 30 June, 2023 could not be confirmed.

#### **2. Unsupported Long-Term Receivables from Exchange Transactions**

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.100,861,364 as disclosed in Note 5B to the financial statements. However, the balance was not supported with appropriate schedules and ledgers.

In the circumstances, the accuracy and completeness of the outstanding loans balance of Kshs.100,861,364 as at 30 June, 2023 could not be confirmed.

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



## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2023 reflects total budgeted receipts of Kshs.157,210,271 and actual receipts of Kshs.51,000,000 resulting to under collection of Kshs.106,210,271 or 68% of the budget. The reason for the shortfall in receipts was not provided.

Similarly, the Fund expended Kshs.7,561,202 against budgeted payments of Kshs.51,006,574 resulting to under absorption of Kshs.43,445,372 or 85% of the budget.

The under receipt and under expenditure may have impacted negatively on the planned activities of the Fund.

My opinion is however not modified in respect of the above 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.

## **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 matters 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**

#### **1. Failure to Register Charges on Mortgaged Properties and Jointly Register Log Books on Car Loans to Members**

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.100,861,364 as disclosed in Note 5B to the financial statements. However, as previously reported, audit review revealed that Management did not have a charge registered on the financed properties as required by Regulation 20(b) of the Public Finance (Homa Bay County Executive Mortgage (Members) Scheme Fund) Regulations, 2015 which requires a charge on security on the property acquired through from loan from the Fund to protect the interests of the Fund.

In addition, the log books of the vehicles subject to the loans were not jointly registered in line with the requirement of Regulation 9(2) of the Public Finance (Homa County Executive Car Loan (Members) Scheme Fund) Regulations, 2014 which provides that the log book of a vehicle subject to a loan from the Fund shall be issued jointly between



the Board and the member of the Scheme and shall be kept in custody of the officer administering the Fund until the loan is repaid in full by the member of the Scheme.

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

## **2. Failure to Insure Mortgaged Properties and Motor Vehicles on Car Loans**

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.100,861,364 as disclosed in Note 5B to the financial statements. However, as previously reported, audit review revealed that Management did not enforce mortgage insurance as required by Regulation 17(1) of the Public Finance (Homa Bay County Executive Mortgage (Members) Scheme Fund) Regulations, 2015 which requires a borrower to take out and maintain a Mortgage Protection Policy and a Fire Policy with an insurance firm approved by the Committee, the cost of which shall be paid by the borrower or out of the Fund and debited in such borrower's account.

In addition, motor vehicles on car loans were not insured in line with the provision of Regulation 13(1) of the Public Finance (Homa County Executive Car Loan (Members) Scheme Fund) Regulations, 2014 which states that a member of the scheme shall comprehensively insure any vehicle purchased through the scheme with an approved insurer by the Board and shall submit evidence of the cover to the administrator.

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

## **3. Unbalanced Fund Budget**

The statement of comparison of budget and actual amounts revealed that the Fund had a final revenue budget of Kshs.157,210,271 while the final expenditure budget was Kshs.51,006,574 resulting to budgeted surplus of Kshs.106,203,697. This is contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which provides that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, the budget revenue and expenditure appropriations shall be balanced.

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

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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



## **Basis for Conclusion**

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

## **Responsibilities of Management and those Charged with Governance**

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

## **Auditor-General's Responsibilities for the Audit**

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



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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

04 January, 2024




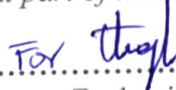
*Homa bay County Executive Car and Mortgage (Members) Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

	Note	2022/2023	2021/2022
		KShs	Kshs
<b>Revenue from exchange transactions</b>			
Interest income	1	-	282,264
<b>Total revenue</b>			
<b>Expenses</b>			
Fund administration expenses	2	-	1,970,000
Finance costs	3	6,574	6,502
<b>Total expenses</b>		<b>6,574</b>	<b>1,971,560</b>
<b>Surplus/(deficit) for the period</b>		<b>(6,574)</b>	<b>(1,689,296)</b>

*(The notes set out on pages 16 to 18 form an integral part of these Financial Statements)*

For   
 Name: Laban Ayoo  
 Administrator of the Fund

For   
 Name: Zephaniah Sita  
 Head of Accounts and Treasury.  
 ICPAK NO. 30278




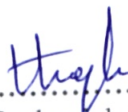
**Homa Bay County Executive Car and Mortgage (Members) Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	45,304,411	2,131,632
Current portion of long-term receivables from exchange transactions	5A	2,807,464	9,408,788
Receivables from Non-Exchange Transactions	6	-	44,132,655
<b>Total Current Assets</b>		<b>48,111,875</b>	<b>55,673,075</b>
<b>Non-Current Assets</b>			
Long term receivables from exchange transactions	5B	100,861,364	52,304,153
<b>Total assets</b>		<b>148,973,239</b>	<b>107,977,230</b>
<b>Represented By</b>			
Revolving Fund		147,500,000	147,500,000
Reserves		-	(41,002,583)
Accumulated surplus		1,473,239	1,479,813
<b>Total Equity</b>		<b>148,973,239</b>	<b>107,977,230</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2023 and signed by:

For   
Name: Laban Ayoo  
Administrator of the Fund

For   
Name: Zephaniah Sita  
Head of Accounts and Treasury.  
ICPAK NO. 30278



*Homa bay County Executive Car and Mortgage (Members) Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

	<b>Revolving Fund</b>	<b>Reserve Fund</b>	<b>Accumulated surplus</b>	<b>Total</b>
	<b>Kshs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Balance as at 1 July 2021</b>	<b>147,500,000</b>	<b>(41,002,583)</b>	<b>3,169,109</b>	<b>109,666,526</b>
Deficit for the period	-	-	(1,689,296)	(1,689,296)
<b>Balance as at 30 June 2022</b>	<b>147,500,000</b>	<b>(41,002,583)</b>	<b>1,479,813</b>	<b>107,977,230</b>
<b>Balance as at 1 July 2023</b>	<b>147,500,000</b>	<b>(41,002,583)</b>	<b>1,479,813</b>	<b>107,977,230</b>
Deficit for the period		-	(6,574)	(6,574)
Transfers to Long Term Borrowings		41,002,583	-	41,002,583
<b>Balance as at 30 June 2023</b>	<b>147,500,000</b>	<b>-</b>	<b>1,473,239</b>	<b>148,973,239</b>



**Homa Bay County Executive Car and Mortgage (Members) Scheme 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	2022/2023	2021/2022
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received	1	-	282,264
<b>Total Receipts</b>		-	<b>282,264</b>
<b>Payments</b>			
General expenses	2	-	1,970,000
Finance Costs	3	6,574	1,560
<b>Total Payments</b>		<b>6,574</b>	<b>1,971,560</b>
<b>Cash flows from operating activities</b>		<b>(6,574)</b>	<b>(1,689,296)</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments	5A	6,601,324	10,306,399
Loan disbursements paid out	5B	(7,554,628)	(3,000,000)
<b>Net cash flows used in investing activities</b>		<b>(953,304)</b>	<b>7,309,399</b>
<b>Cash flows from financing activities</b>			
Refund of Borrowings by County Treasury	6	44,132,655	(5,802,640)
<b>Net cash flows used in financing activities</b>		<b>44,132,655</b>	<b>(5,802,640)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>43,172,777</b>	<b>(185,537)</b>
Cash and cash equivalents at 1 <sup>st</sup> July	4	2,131,632	2,317,170
<b>Cash and cash equivalents at 30 June</b>		<b>45,304,410</b>	<b>2,131,632</b>



*Homa bay County Executive Car and Mortgage (Members) Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2023**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% utilisation</b>
	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
<b>Revenue</b>						
Repayments from County Treasury	44,132,655	-	44,132,655	44,132,655	-	-
Principal Loan Repayments	113,077,616		113,077,616	6,867,345	(106,210,271)	
<b>Total income</b>	<b>157,210,271</b>	<b>-</b>	<b>157,210,271</b>	<b>51,000,000</b>	<b>(106,210,271)</b>	<b>-</b>
<b>Expenses</b>						
Finance cost	6,574	0	6,574	6,574	0	0
Loan Disbursements	51,000,000		51,000,000	7,554,628	43,445,372	15
<b>Total expenditure</b>	<b>51,006,574</b>	<b>0</b>	<b>51,006,574</b>	<b>7,561,202</b>	<b>(43,445,372)</b>	<b>0</b>
<b>Deficit for the period</b>	<b>(106,203,697 )</b>	<b>0</b>	<b>(106,203,697 )</b>	<b>(43,438,798)</b>	<b>(62,764,899)</b>	

**Budget notes**

*The Fund did not advance loans to most members due to delayed transfers of funds from the County Treasury*

**18. Notes to the Financial Statements**

**1. 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.

**2. Adoption of new and revised standards**

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

**(i) Early adoption of standards**

The fund did not early – adopt any new or amended standards in year 2018.



**1. Summary of Significant Accounting Policies**

**i. Revenue recognition**

**Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii. Revenue from exchange transactions**

**Interest income**

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

**Budget information**

The Homa Bay County budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in page 22 of these financial statements.

**Summary of Significant Accounting Policies (Continued)**

**2. Property, plant and equipment**

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

**3. 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.

**4. Financial instruments**

**Financial assets**

**Initial recognition and measurement**

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

***Loans and receivables***

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



**Summary of Significant Accounting Policies (Continued)**

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

## **Summary of Significant Accounting Policies (Continued)**

### ***Held-to-maturity***

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

### ***Impairment of financial assets***

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

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

### ***Financial liabilities***

#### ***Initial recognition and measurement***

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

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

#### ***Loans and borrowing***

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

*Contingent assets*

The Homa Bay County Executive Car and Mortgage 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 Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**1. Nature and purpose of reserves**

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

**2. 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.

**3. Employee benefits– Retirement benefit plans**

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.

**4. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.



**Summary of Significant Accounting Policies (Continued)**

**1. 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.

**2. 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the Fund Administrator and the Fund Accountant.

**3. 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.

**4. Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. There is a change in the comparative figure of total assets due to change in the reporting template.

**5. Events after the reporting period**

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

**6. Ultimate and Holding Entity**

The Homa Bay County Executive Car Loan and Mortgage(Members) Scheme Fund is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the Homa Bay County Executive.

**7. Currency**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Significant judgments and sources of estimation uncertainty**

The preparation of the Homa Bay Executive Car Loan and Mortgage(Members) Scheme Fund 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.

**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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

**Provisions**

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.



**Summary of Significant Accounting Policies (Continued)**

**a) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**b) 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.

**c) Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**d) 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.

**e) Comparative figures**

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



**Summary of Significant Accounting Policies (Continued)**

**5. Significant judgments and sources of estimation uncertainty**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made e.g.

**a) Estimates and assumptions –**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**b) Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

*(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)*

**Homa Bay County Executive Car and Mortgage (Members) Scheme Fund  
Annual Report and Financial Statements for the year ended 30 June 2023**

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**6. Notes to The Financial Statements Continued**

**1. Interest income**

<b>Description</b>	<b>2022/2023</b>	<b>2021/2022</b>
	<b>KShs</b>	<b>KShs</b>
Interest income from loans(mortgage /car loans)	0	282,264
<b>Total interest income</b>	<b>0</b>	<b>282,264</b>

*Interest income is calculated at 3% of the gross repayments received during the year.*

**2. Fund Administrative Expenses**

<b>Description</b>	<b>2022/2023</b>	<b>2021/2022</b>
		<b>KShs</b>
Administrative expenses	0	1,970,000
<b>Total</b>	<b>0</b>	<b>1,970,000</b>

**Homa Bay County Executive Car and Mortgage (Members) Scheme Fund  
Annual Report and Financial Statements for the year ended 30 June 2023**

**3. Finance Costs**

Description	2022/2023	2021/2022
	KShs	KShs
Bank Charges	6,574	1,560
<b>Total</b>	<b>6,574</b>	<b>1,560</b>

**4. Cash and Cash Equivalents**

Description	2022/2023	2021/2022
	KShs	KShs
Current account	45,304,411	2,131,632
<b>Total cash and cash equivalents</b>	<b>45,304,411</b>	<b>2,131,632</b>

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

		2022/2023	2021/2022
Financial institution	Account number	KShs	KShs
<b>Current account</b>			
Equity Bank	0980265695510	1,860,861	2,131,632
Diamond	0912819001	43,443,550	
<b>Total</b>		<b>45,304,411</b>	<b>2,749,218</b>

**5. Receivables from exchange transactions**

Description	2022/2023	2021/2022
	KShs	
<b>5A. Current Portion of loans due</b>		
Current Portion of Outstanding Loans	9,408,788	9,408,788
Less Repayments	(6,601,324)	
<b>Sub-Total</b>	<b>2,807,464</b>	<b>9,408,788</b>
<b>5B. Non-Current receivables</b>		
Long term loan repayments due b/f	52,304,153	52,306,674
Loans Disbursed During the year	7,554,628	
Transfers from Reserves Fund	41,002,583	
Prior Year Adjustment		(2,519)
<b>Sub-Total</b>	<b>100,861,364</b>	<b>52,304,153</b>
<b>Total receivables from exchange transactions</b>	<b>103,668,828</b>	<b>61,712,943</b>



**6. Receivables from non-exchange transactions**

Description	2022/2023	2021/2022
	KShs	
<b>6A. Current Receivables</b>		
Borrowings by County Treasury		40,302,640
Unremitted repayments from County Treasury	-	3,830,015
<b>Total receivables from non-exchange transactions</b>	-	<b>44,132,655</b>

**7. Loan Disbursed**

Description	2022/2023	2021/2022
	KShs	KShs
Loan Disbursed	7,554,628	3,000,000

**8. Events after the reporting period**

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

**9. Ultimate and Holding Entity**

The Homa Bay County Executive Car Loan and Mortgage (Members) Scheme Fund is a County Public Fund established by Public Finance Management Act, 2012 under the Ministry of Finance and Economic Planning. Its ultimate parent is the County Government of Homa Bay.

**10. Currency**

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

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**19. Annexure**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Unsupported Current Portion of Long Term Receivables from Exchange Transactions</p>	<p>The statement of financial position reflects current portion of long term receivables from exchange transactions of Kshs.9,408,788 as disclosed in Note 5A to the financial statements. However, audit review of records revealed that Management terminated the services of five members of staff with a total outstanding balance of Kshs.9,581,007 in the month of January 2022 before adequate clearance resulting to an unexplained and unreconciled variance of Kshs.172,219. In addition, Management did not provide documentary evidence to confirm that the loan balances were properly secured.</p> <p>In the circumstances, the accuracy, validity and recoverability of current portion of long term receivables from exchange transactions as at 30 June, 2022 could not be confirmed.</p>	<p>Management has so far remitted an amount of Kshs.6,601,324 being forfeited/withe d gratuity from the defaulters. Annual budgetary allocation shall be made to ensure all the withheld are disbursed to clear the outstanding balance of</p>	<p>Partially Resolved</p>	<p>June 2024</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Kshs. 2,807,464		
Unsupported Receivables from Non Exchange Transactions	<p>The statement of financial position reflects receivables from non-exchange transactions of Kshs.44,132,655 comprised of borrowings and unremitted repayments by County Treasury amounting to Kshs. 40,302,640 and Kshs. 3,830,015 respectively as disclosed in Note 6 to the financial statements.</p> <p>However, the supporting documentation of the borrowing such as the loans committee approval minutes and lending agreement setting out the terms and conditions for release of the funds were not provided for audit verification. In addition, the details of the payroll deductions indicating the officer name and dates in respect of the unremitted repayments were provided for audit review.</p> <p>Further, Management did not provide proof of any efforts towards recovery the outstanding balances. In the circumstances, the validity, accuracy and recoverability of the receivables from non-exchange transactions as at 30 June, 2022 could not be confirmed.</p>	Management has disbursed the entire balance to the Fund Account	Resolved	



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Unsupported Long Term Receivables from Exchange Transactions	<p>The statement of financial position reflects long term receivables from exchange transactions of Kshs. 52,304,155 as disclosed in Note 5B to the financial statements. However, the balance was has not supported by appropriate schedules and ledgers.</p> <p>In the circumstances, the accuracy and completeness of the outstanding loans as at 30 June, 2022 could not be confirmed.</p>	<p>Annual budgetary allocation shall be made to ensure all the withheld are disbursed to clear the outstanding balance.</p>	Not Resolved	June 2025
Unsupported Reserve Fund Balance	<p>As previously reported, the statement of changes in equity reflects a negative reserve fund balance of Kshs 41,002,583 as at 30 June 2021. However, the Management did not provide documents to support the balance.</p> <p>In the circumstances, the accuracy and validity of the reserve fund balance could not be confirmed</p>	<p>The balance relates to long term outstanding loan balances. It has now been categorised as such. Management shall annually commit funds to ensure that</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		unremitted forfeitures of gratuity payments are disbursed to the Fund		
Budgetary Control and Performance	<p>The summary statement of comparison of budget and actuals reflects a receipt budget of Kshs.50,282,264 and an actual receipt of Kshs.282,264 resulting to a shortfall of Kshs.50,000,000 as a result of failure to disburse the allocated funds by the County Treasury.</p> <p>Similarly, the statement of comparison of budget and actual amounts: for the year ended 30 June, 2022 reflects expenditure budget of Kshs.2,005,000 and an actual expenditure of Kshs.1,971,560 resulting to an under expenditure of Kshs.33,440</p> <p>Revenue shortfall of Kshs.50,000,000 is equivalent to services budgeted for but not delivered to the staff of Homa Bay County.</p>			
Failure to Register	The statement of financial position reflects long term receivables from exchange transactions totalling to			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
Charges on Mortgaged Properties and Jointly Register Log Books on Car Loans to Members	<p>Kshs.52,304,155 as disclosed in Note 6 to the financial statements. However, audit review revealed that Management did not have a charge registered on the financed properties as required by Regulation 20(b) of the Public Finance (Homa Bay County Executive Mortgage (Members) Scheme Fund) Regulations, 2015 which requires a charge on security on the property acquired through from loan from the Fund to protect the interests of the Fund.</p> <p>In addition, the log books of the vehicles subject to the loans were not jointly registered in line with the requirement of Regulation 9(2) of the Public Finance (Homa Bay County Executive Car Loan(Members) Scheme Fund) Regulations, 2014 which provides that the log book of a vehicle subject to a loan from the Fund shall be issued jointly between the Board and the member of the scheme and shall be kept in custody of the officer administering the Fund until the loan is repaid in full by the member of the scheme.</p> <p>In the circumstances, Management was in breach of the law.</p>			



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
Failure to Insure Mortgaged Properties and Motor Vehicles on Car Loans	<p>The statement of financial position reflects long term receivables from exchange transactions totalling to Kshs.52,304,155 as disclosed in Note 6 to the financial statements.</p> <p>However, audit review revealed that Management did not enforce mortgage insurance as required by Regulation 17(1) of the Public Finance (Homa Bay County Executive Mortgage (Members) Scheme Fund) Regulations, 2015 which requires a borrower to take out and maintain a mortgage protection policy and a fire policy with an insurance firm approved by the committee, the cost of which shall be paid by the borrower or out of the Fund and debited in such borrower's account.</p> <p>In addition, motor vehicles on car loans were not insured in line with the provision of Regulation 13(1) of the Public Finance (Homa Bay County Executive Car Loan (Members) Scheme Fund) Regulations, 2014 which states that a member of the scheme shall comprehensively insure any vehicle purchased through the scheme with an approved insurer by the Board and shall submit evidence of the cover to the administrator.</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	In the circumstances, Management was in breach of the law.			

  
**Name:** Laban Ayoo  
**Administrator of the Fund**