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## REPORT

OF

**THE AUDITOR-GENERAL**

ON

**BUNGOMA ASSEMBLY - EMPLOYEE  
CAR LOAN AND MORTGAGE FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

PAPERS LAID	
DATE	02/03/2022
TABLED BY	DSMW
COMMITTEE	—
CLERK AT THE TABLE	CHANIA





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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2020**

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Reports and Financial Statements  
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**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Bungoma County Assembly Employees’ Mortgage Scheme Fund is established by and derives its authority and accountability from the Bungoma County Assembly (Employees’ Car Loan Scheme Fund) Regulations, 2017 on 16<sup>th</sup> January 2017 and The Public Finance Management (Bungoma County Assembly) (Employees’ Mortgage Scheme Fund) Regulations, 2018 on 19<sup>th</sup> April 2018. The Fund is wholly owned by the County Assembly of Bungoma. The Fund is wholly owned by the County Assembly 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

**(b) Fund Administration Committee**

Ref	Name	Position
1	Hon Ben Kipkut	Chairman
2	Michael Muthui Kimwele	Vice Chair
3	John Ongwae Mosongo	Fund Administrator
4	Francis Simiyu Tome	Member
5	Ignatius Wangila	Member
6	Ann Nang’oni Wekesa	Member
7	Julia Naliaka Lunani	Member

**(c) Key Management**

Ref	Name	Position
1	John Ongwae Mosongo	Accounting Officer
2	Julia Naliaka Lunani	Senior Accounts Officer
3	Charles Wanjala Wafula	Accountant
4	Ann Nang’oni Wekesa	Human Resource Manager

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**(d) Registered Offices**

P.O. Box 1886 - 50200  
County Assembly of Bungoma Offices  
Moi Street  
Bungoma, KENYA

**(e) Fund Contacts**

Telephone: (254) 722585582  
E-mail: [info@bungomaassembly.go.ke](mailto:info@bungomaassembly.go.ke)  
Website: [www.bungomaassembly.go.ke](http://www.bungomaassembly.go.ke)

**(f) Fund Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, KENYA

Kenya Commercial Bank  
Bungoma Branch  
P.O. BOX 201-50200  
Bungoma, KENYA

**(g) Independent Auditors**

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

**(h) Principal Legal Adviser**

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

Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
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For the year ended June 30, 2020

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II. FUND ADMINISTRATION COMMITTEE AND MANAGEMENT TEAM



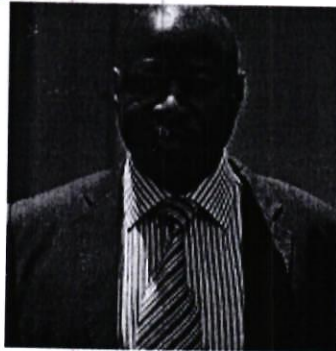
*Hon Ben Kipkaut  
Fund Chairman*



*Michael Muthui Kimwele  
Tico Chair*



*John Ong'wa Masongo  
Fund Administrator*



*Francis Simiyu Tome  
Member*



*Signatius Wangila  
Member*



*Ann Nang'oni Wekesa  
Member*



*Julia Ndiaka Lunani  
Member*



*Charles Wanjala Wafula  
Fund Accountant*

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
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**FUND ADMINISTRATION COMMITTEE AND MANAGEMENT TEAM (Continued)**

**Hon Ben Kipkut – Fund Chairman**

He was elected MCA Chesikaki Ward in August 2017. He was seconded to the County Assembly Service Board by the Minority party in December 2019 where he serves as a member.

**Michael Kimwele – Vice Chair**

He is employed as Deputy Clerk to County Assembly of Bungoma since 2013. He holds a master of Business Administration from Maseno University. He is a certified Human Resource Practitioner and a member of the Institute of Human Resource Management and Kenya Institute of Management. He previously worked with the defunct Local Authority in various capacities.

**John Ongwae Mosongo – Clerk to County Assembly of Bungoma**

Mr Mosongo was seconded by the transition Authority as the Clerk to the Assembly on February 2013. He was later recruited through a competitive process as the Clerk to County Assembly of Bungoma and Secretary to the County Assembly Board on 12<sup>th</sup> January 2014. He is the CEO and the adviser to the Speaker.

Mr Mosongo holds a Bachelor of Arts Degree from University of Nairobi. He has undertaken a Senior Management Course and Strategic Leadership Course offered by the Kenya School of Government. Mr Mosongo is a member of the Labour relations at the Society of Clerks at the Table (SOCATT).

**Francis Tome – Member**

He is employed as a Principal Clerk Assistant at County Assembly of Bungoma. He holds Masters of Arts in communication and media studies from University of Nairobi. He previously worked as a lecturer at Bushangala Technical Training Institute under Teachers Service Commission. He was also a part time lecturer in Communication and Media studies at Mt Kenya University.

**Ignatius Wangila- Member**

He is currently employed by the County Assembly Service Board as the Principal Legal Counsel. He holds a Bachelor of Law from Kampala International University with a post graduate Diploma from the Kenya School of Law. He previously worked as prosecution counsel with the directorate of Public Prosecutions. He also worked with the following Law firms MS J.O. Makali & Co. Advocate – Litigation Counsel, MS Wanyama Wanyonyi Co. Advocate – Associate. He is a member of the Law Society of Kenya.

**Anne Nang'oni Wekesa – Member**

She is employed at the County Assembly of Bungoma as Senior Human Resource Officer, She holds a Bachelor in Business Management (HRM) from Moi University, Higher National Diploma in HRM and Senior Management Course at the Kenya School of Government. She previously worked with the defunct Local Authorities. She is a member of the Institute of Human Resource Management.

**Julia Naliaka Lunani – Member**

She is currently employed at the County Assembly as Senior Accounts Controller in 2014. She holds a Masters of Business Administration (Finance) from Kabarak University and a Certified Public Accountant Part I. She previously worked as Finance and Administration Officer at the Centre for Human Rights and Democracy.

**Charles Wanjala Wafula- Fund Accountant**

He works in the Finance and Accounts department as Accountant I and seconded to the Fund in June 2018. He holds a bachelor in Commerce (Accounting) from KCA University with a Diploma in Accounts and CPA Part I. He has also had training at Kenya School of Government Senior Management Course and Strategic Leadership and Development Program.



**III. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S  
PREDETERMINED OBJECTIVES**

The objectives achieved on the work plan during the financial year included:-

The committee for the fund undertook about 6 ordinary sittings during the period. Capacity building of members and secretariat was undertaken once during the period. A report was generated on status of Employee's Car and Mortgage Loan.

The committee did not manage to undertake benchmarking with Sister County Assembly as per the work plan.

**Introduction**

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

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

**IV. FUND CHAIRPERSON'S REPORT**

It is with great pleasure that I present to you the annual financial report for the Bungoma County Assembly - Employee Car Loan and Mortgage Fund for the financial year 2019/2020.

As at 30<sup>th</sup> June 2020, **Ksh. 125,875,938** had been advanced to the fund to cater for request from employees of the Bungoma County Assembly to finance the car loan and mortgage as shown in Table 1.

Table 1 Transfer Receipts to cater for car and mortgage loan (Ksh.) as at 30 June 2020

<b>Date issued</b>	<b>Car loan</b>	<b>Mortgage loan</b>	<b>Total issues</b>
	A	B	C=A+B
Treasury Receipts	80,911,570	44,964,368	125,875,938
<b>Total</b>	<b>80,911,570</b>	<b>44,964,368</b>	<b>125,875,938</b>

A list of employees who have benefitted either from car loan or mortgage has been annexed to the report.

Analysis of loan details, in terms of amounts and interest charges, advanced to individual employees of County Assembly revealed that there was general compliance with the Salaries and Remuneration Commission directive as per the aforementioned circulars.

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

*Jul for*

**Hon. Ben Kipkut Joshua**

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

**V. REPORT OF THE FUND ADMINISTRATOR**

It is with great pleasure that I present to you the annual financial report for the Bungoma County Assembly - Employee Car Loan and Mortgage Fund for the financial year 2019/2020. The financial statements present the financial performance of the fund over the past year.

The fund was established on February 2017 and started with an initial amount of Ksh 80M in the financial year 2017/2018. In the FY 2018/2019, the fund received Ksh.15,000,000. Under the financial year under review the fund has disbursed loans to 18 additional beneficiaries. Funds received during the Financial year amounted to Ksh.29,964,368, with Ksh.15,000,000 being funds received from the previous Financial year budget (2018/2019) and Ksh.14,964,368 relating to the current financial year budget.

**Financial Performance**

**a) Revenue**

The fund earned a total income of Ksh 2,754,200 for the period under review.

<b>Revenue classification</b>	<b>Actual (Ksh)</b>
<b>Revenue</b>	<b>Ksh</b>
Interest income	2,432,442
Other income	321,758
<b>Total income</b>	<b>2,754,200</b>

**b) Loans**

During the financial year 2019/2020, the fund disbursed mortgage of Kshs.34,160,000 bringing the total loan beneficiaries to date to Kshs.162,227,780.

**Cash flows**

In the FY 2019/2020, we have not had many liquidity disruptions. The cash and cash equivalents was Ksh 17,844,993 as at 30<sup>th</sup> June 2020.

**c) Conclusion**

FY 2019/2020 was a good year in general. I take this opportunity to thank the fund committee for their support. I would also want to thank all staff who we have worked hand in hand to ensure that County Assembly of Bungoma Employee Car Loan and Mortgage achieves its mission.

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

**John Ongwae Mosongo**

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**VI. CORPORATE GOVERNANCE STATEMENT**

**THE FUND**

The county assembly of Bungoma Employee Car Loan and Mortgage scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December, 2014 and Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide car loans and mortgage to members of staff. 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 fund administration committee at its apex. The roles and functionality of the fund are drawn from the Bungoma County Assembly (Employees' Car Loan Scheme Fund) regulations, 2017 made on 16<sup>th</sup> January, 2017 and The Public Finance Management (Bungoma County Assembly) (Employees' Mortgage Scheme Fund) Regulations, 2018 on 19<sup>th</sup> April 2018.

**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:

<b>S/No.</b>	<b>Name</b>	<b>Position in committee</b>
1	Mr. Calistus Wekesa Waswa	Chairman Audit committee
2	Dr. Destaings N. Nyongesa	Member Audit committee
3	CPA Jackson Wetosi	Member Audit committee
4	Mrs. Diana Khaemba	Member Audit committee
5	Mr. Alfred Makokha	Secretary Audit committee

**STATEMENT OF COMPLIANCE**

The Fund Administration Committee confirms that the fund has throughout the FY2018/2019 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).

**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

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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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 FY 2019/2020.

**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.

**Auditor**

The fund is audited by the Auditor-General.

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**VII. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 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 Fund for the year ended June 30, 2020 are set out on page 15

**Fund Committee**

The members of the fund committee who served during the year are shown on page 2. The change in the fund during the financial year was the Chairperson which was taken over by Hon Ben Kipkut Joshua from Hon Francis Chemion. This was as a result of reconstitution of the County Assembly Service Board membership.

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

**Ann Nango'oni Wekesa**

**Member of the Board**

Date:           *Ann Nango'oni Wekesa*

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

**VIII. STATEMENT OF MANAGEMENT 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 Bungoma County Assembly (Employees' Car Loan Scheme Fund) regulations, 2017 made on 16<sup>th</sup> January, 2017 and The Public Finance Management (Bungoma County Assembly) (Employees' Mortgage Scheme Fund) Regulations, 2018 on 19<sup>th</sup> April 2018 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

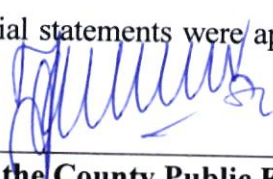
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) 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 Bungoma County Assembly (Employees' Car Loan Scheme Fund) regulations, 2017 made on 16<sup>th</sup> January, 2017 and The Public Finance Management (Bungoma County Assembly) (Employees' Mortgage Scheme Fund) Regulations, 2018 on 19<sup>th</sup> April 2018. 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, 2020, 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**

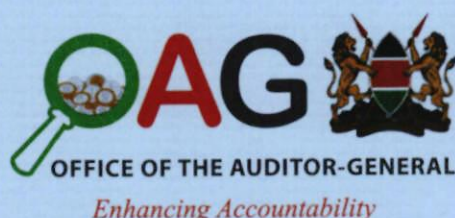
The Fund's financial statements were approved by the Board on 30.9 2020 and signed on its behalf by:



**Administrator of the County Public Fund**

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON BUNGOMA COUNTY ASSEMBLY - EMPLOYEE CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2020

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Bungoma County Assembly - Employee Car Loan and Mortgage Fund set out on pages 3 to 19, which comprise the statement of financial position as at 30 June, 2020, the statement of financial performance, statement of 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 - Employee Car Loan and Mortgage Fund as at 30 June, 2020, 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.

#### Basis for Qualified Opinion

##### 1.0 Misstated Opening Balances

The financial statements submitted for audit reflect the following variances between balances reflected in the audit certificate for 2018/2019 and comparative balances reflected in financial statements for 2019/2020 which have not been reconciled;

Financial Statement Component	Comparative Balance (Kshs)	Balance as per Audit Certificate for 2018/2019 (Kshs)	Variance (Kshs)
Other Income	853,039	Nil	853,039
Cash and Cash Equivalent	2,880,889	869,186	2,011,703



<b>Financial Statement Component</b>	<b>Comparative Balance (Kshs)</b>	<b>Balance as per Audit Certificate for 2018/2019 (Kshs)</b>	<b>Variance (Kshs)</b>
Current portion of Long-Term Receivable from Exchange Transaction	17,190,318	17,402,830	212,512
Trade and Other Payables from Exchange Transaction	Nil	158,885	158,885

Consequently, the accuracy of comparative balances reflected in the financial statements for the year ended 30 June, 2020 could not be confirmed.

## **2.0 Accuracy of Cash and Cash Equivalents Balance**

The statement of financial position also reflects cash and cash equivalents balance of Kshs.17,844,993 as disclosed in Note 5 to the financial statements. A scrutiny of the bank reconciliation statements for the two (2) bank accounts held by the Fund revealed that items totalling Kshs.994,491 had been outstanding for periods longer than seven (7) months. It is not clear why the Management of the Fund has not ensured that the discrepancies noted during bank reconciliation exercise are investigated immediately and appropriate action taken including updating the relevant cash books in line with Regulation 90 (3) of the Public Finance Management (County Governments) Regulations, 2015.

Consequently, the accuracy of cash and cash equivalents balance of Kshs.17,844,993 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bungoma County Assembly - Employee Car Loan and Mortgage 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.

### **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 are no key audit matters to communicate in my report.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the 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**

### **1.0 Lack of Requisite Application Documents and Registered Charges on Mortgages Disbursed to Staff**

The statement of financial position as at 30 June, 2020 reflects long term receivables from exchange transactions balance of Kshs.97,985,508 as disclosed in Note 6B and 6C to the financial statements. Included in the balance is Kshs.91,390,435 which further, includes Kshs.34,160,000 in respect of mortgages disbursed to members during the period under review. However, it was noted that the Management has not finalized charging the acquired properties with the Ministry of Land to take care of the interest of the County Assembly in line with Regulation 16(1) of the Bungoma County Assembly (Employees' Mortgage Scheme Fund) Regulations, 2018 which stipulates that the Committee shall have a charge registered on the property financed through a loan granted and shall be entitled to have its name entered in all documents of title for such property.

Further, there was no evidence that the borrowers had taken out an insurance cover on the mortgage protection policy and a fire policy with a reputable underwriter as per Regulation 17 of Bungoma County Assembly (Employees' Mortgage Scheme Fund) Regulations, 2018.

In addition, it was noted that the applications for the advanced mortgages totalling Kshs.34,160,000 as reflected under Note 6 to the financial statements were not supported with copies of the designs of the proposed residential property duly approved by relevant Government agency and bills of quantities in respect of the proposed development, renovation or repair. as prescribed by Regulation 10(1) of the Bungoma County Assembly (Employees' Mortgage Scheme Fund) Regulations, 2018.

In the circumstances, it was not possible to ascertain security of the additional long-term receivables balance of Kshs.34,160,000 during the year under review.

### **2.0 Outstanding Borrowings by County Assembly Service Board**

The statement of financial position also reflects current portion of long-term receivables from exchange transactions balance of Kshs.12,565,725 as disclosed in Note 6(a) to the financial statements. The balance is in respect of un-refunded borrowings by the County Assembly Service Board in contravention of Regulation 4 of both the Public Finance Management (County Assembly Employee Car Loan Scheme Fund) Regulations, 2017 and the Public Finance Management (County Assembly Employee 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 staff of the scheme and for the purchase, development, renovation or repair of residential property by staff of the scheme, respectively.

Further, the Management did not provide records on the applications for borrowings, loans management committee approval minutes and executed loans agreement relevant to the borrowings.

### **3.0 Non-Compliance with the Law on Fringe Benefit Tax**

It was noted that the Fund did not remit to Kenya Revenue Authority (KRA) fringe benefit tax accrued from the low interest loans, totalling Kshs.972,977 extended to its members during the year under review contrary to

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 to KRA, on or before the tenth day of the following month.

Consequently, the County Assembly is in breach of the law and is exposed to penalties and interest due to non-compliance with provisions of the Income Tax Act.

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 of Conclusion**

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

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

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

Basis) and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain 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 abolish 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 the entity 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control 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 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

11 February, 2022

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2020**

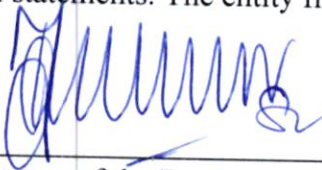
**X. FINANCIAL STATEMENTS**

**1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020**

	Note	FY 2019/2020 KSh	FY 2018/2019 KSh
<b>Revenue from exchange transactions</b>			
Interest income	1	2,432,442	1,956,545
Other income	2	321,759	853,039
<b>Total revenue</b>		<b>2,754,200</b>	<b>2,809,584</b>
<b>Expenses</b>			
Fund Administration expenses	3	915,608	171,860
General expenses	4	1,890,254	355,008
<b>Total expenses</b>		<b>2,805,862</b>	<b>526,868</b>
<b>Surplus for the period</b>		<b>(51,662)</b>	<b>2,282,716</b>

The notes set out on pages 28 to 30 form an integral part of these Financial Statements

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 30.9 2020 and signed by:



\_\_\_\_\_  
 Administrator of the Fund  
 Name: JOHN ONGWAE MOSONGO



\_\_\_\_\_  
 Fund Accountant  
 Name: CHARLES WANJALA WAFULA

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund**

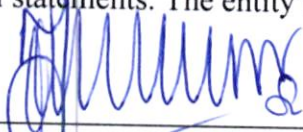
**Reports and Financial Statements**

**For the year ended June 30, 2020**

**2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	FY 2019/2020	FY 2018/2019
		KSh	KSh
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	17,844,993	2,880,889
Current portion of long term receivables from exchange transactions	6A	12,565,725	17,190,318
<b>Non-current assets</b>			
Long term receivables from exchange transactions	6B,6C	97,985,508	78,412,312
<b>Total assets</b>		<b>128,396,226</b>	<b>98,483,519</b>
<b>Net assets</b>			
Revolving Fund		125,875,938	95,911,570
Accumulated surplus		2,520,288	2,571,950
<b>Total net assets and liabilities</b>		<b>128,396,226</b>	<b>98,483,520</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 30.7 2020 and signed by:



\_\_\_\_\_  
 Administrator of the Fund  
 Name: JOHN ONGWAE MOSONGO



\_\_\_\_\_  
 Fund Accountant  
 Name: CHARLES WANJALA WAFULA

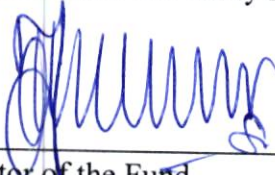


**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

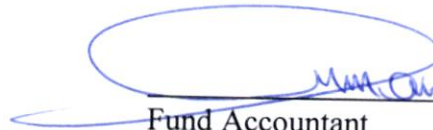
**3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

	Revolving Fund	Accumulated surplus	Total
		KShs	KShs
<b>Balance as at 1 July 2018</b>	<b>80,911,570</b>	<b>289,234</b>	<b>81,200,804</b>
Surplus/(deficit) for the period	-	2,282,716	2,282,716
Funds received during the year	15,000,000	-	15,000,000
<b>Balance as at 30 June 2019</b>	<b>95,911,570</b>	<b>2,571,950</b>	<b>98,483,520</b>
<b>Balance as at 1 July 2019</b>	<b>95,911,570</b>	<b>2,571,950</b>	<b>98,483,520</b>
Surplus/(deficit) for the period	- -	51,662 -	51,662
Funds received during the year	29,964,368	-	29,964,368
<b>Balance as at 30 June 2020</b>	<b>125,875,938</b>	<b>2,520,288</b>	<b>128,396,226</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 30.9 2020 and signed by:



\_\_\_\_\_  
Administrator of the Fund  
Name: JOHN ONGWAE MOSONGO



\_\_\_\_\_  
Fund Accountant  
Name: CHARLES WANJALA WAFULA

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

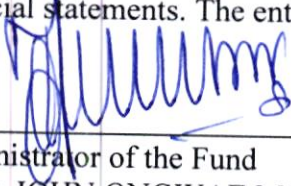
**4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Note	FY 2019/2020	FY 2018/2019
		KSh	KSh
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received	1	2,432,442	2,118,751
Other Income	2	321,759	-
<i>Adjustment</i>			
<i>Other Income</i>			853,039
<b>Total Receipts</b>		<b>2,754,200</b>	<b>2,971,790</b>
<b>Payments</b>			
Fund Administration expenses	3	915,608	171,860
General expenses	4	1,890,254	355,008
<b>Total Payments</b>		<b>2,805,862</b>	<b>526,868</b>
<b>Cash flows from operating activities</b>		<b>(51,662)</b>	<b>2,444,922</b>
<b>Adjustments;</b>			
Debtors Borrowings	6A	(4,966,431)	(21,027,300)
Debtors Repayments	6A	9,591,024	11,436,276
Interest Receivable			(172,211)
<i>Adjustment</i>			
Adjustment-Interest for June 2019 included in 'Interest received'			172,211
Adjustment of Interest from loan offset			(415)
Changes from Other exchange debtors-MCA'S Car Loan			40,301
Other payables-Recoveries not classified			158,885
<i>Adjustment</i>			
<i>Adjustment-Already captured under 'other income'</i>			(158,885)
		<b>4,624,593</b>	<b>(9,551,138)</b>
<b>Net Cash flows from operating activities</b>		<b>4,572,931</b>	<b>(7,106,216)</b>
<b>Cash flows from investing activities</b>			
Insurance Premium Recovered	6C	408,392	357,190
<i>Adjustment</i>			
<i>Insurance Premium Recovered for June 2019</i>	6C		31,513
Proceeds from loan principal repayments	6B	14,178,412	14,616,407
<i>Adjustment</i>			
<i>Proceeds from loan principal repayments for June 2019</i>	6B		1,073,525
Loan disbursements paid out	6B	(34,160,000)	(21,100,000)
<b>Net cash flows used in investing activities</b>		<b>(19,573,196)</b>	<b>(5,021,365)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		29,964,368	15,000,000
<b>Net cash flows used in financing activities</b>		<b>29,964,368</b>	<b>15,000,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>14,964,103</b>	<b>2,872,418</b>
Cash and cash equivalents at 30TH JUNE 2018	5	2,880,889	8,471
<b>Cash and cash equivalents at 30 JUNE</b>	5	<b>17,844,993</b>	<b>2,880,889</b>

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

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 30.9 2020 and signed by:



\_\_\_\_\_  
Administrator of the Fund  
Name: JOHN ONGWAE MOSONGO



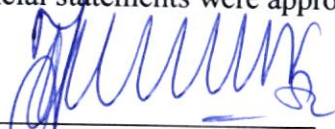
\_\_\_\_\_  
Fund Accountant  
Name: CHARLES WANJALA WAFULA

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

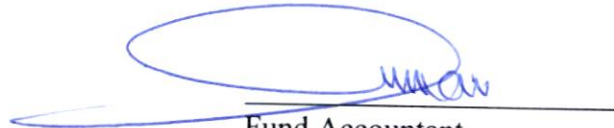
**5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2020**

	Budget	Actuals	Actual on	Performance	%
			comparable basis	difference	utilization
	Ksh	Ksh	Ksh	Ksh	
<b>Revenue</b>					
Interest income	3,135,500	-	3,135,500	2,432,442	78%
<b>Total income</b>	<b>3,135,500</b>	<b>-</b>	<b>3,135,500</b>	<b>2,432,442</b>	<b>78%</b>
<b>Expenses</b>					
General expenses	3,135,500	-	3,135,500	2,805,862	89%
<b>Total expenditure</b>	<b>3,135,500</b>	<b>-</b>	<b>3,135,500</b>	<b>2,805,862</b>	<b>89%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>373,420</b>	<b>373,420</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 30.9 2020 and signed by:



Administrator of the Fund  
 Name: JOHN ONGWAE MOSONGO



Fund Accountant  
 Name: CHARLES WANJALA WAFULA

**XI. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**3. Budget information**

The original budget for FY 2019/2020 was approved by the County Assembly on 4<sup>th</sup> July 2019. Subsequent revisions or additional appropriations were approved on February 2020 and June 2020. were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Ksh 15,000,000 on the FY 2019/2020 budget following the governing body's approval.

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

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.

## **Bungoma County Assembly – Employee Car Loan And Mortgage Fund**

### **Reports and Financial Statements**

**For the year ended June 30, 2020**

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 9.5 of these financial statements.

#### **4. Nature and purpose of reserves**

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

#### **5. Changes in accounting policies and estimates**

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

#### **6. 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.

#### **7. 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.

#### **8. 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.

#### **9. Comparative figures**

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

#### **10. Events after the reporting period**

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

#### **11. Ultimate and Holding Entity**

The entity is a County Public Fund established The Bungoma County Assembly (Employees' Car Loan Scheme Fund) Regulations, 2017 on 16<sup>th</sup> January 2017 and The Public Finance Management (Bungoma County Assembly) (Employees' Mortgage Scheme Fund) Regulations, 2018 on 19<sup>th</sup> April 2018. Its ultimate parent is the County Assembly of Bungoma.

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**12. Currency**

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

**13. 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.

**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.

**14. 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.

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

**XII. NOTES TO THE FINANCIAL STATEMENTS**

**1. Interest income**

Interest income from loans	2,432,442	1,946,125
Interest income from loans-from June 2019 recoveries		172,211
Interest income from loans-Loan Offset		415
<b>Total interest income</b>	<b>2,432,442</b>	<b>2,118,751</b>
<i>Adjustments</i>		
Interest Receivable F/Y 2017-18)		(162,206)
	<b>2,432,442</b>	<b>1,956,545</b>

**2. Other income**

Other income for 2018/2019		-
<i>Adjustments</i>		
<i>Loan Recoveries receivable</i>		715,022
<i>Recoveries not classified for FY2018/2019</i>		138,017
Miscellaneous income not classified	90,917	
Loan Recoveries receivable	230,841	
<b>Total other income</b>	<b>321,759</b>	<b>853,039</b>

*NB:-For the adjustments, refer to the Bank Reconciliation Statements.*

**3. Fund Administration Expenses**

Professional services costs	915,608	171,860
<b>Total</b>	<b>915,608</b>	<b>171,860</b>

**4. General expenses**

Hospitality	1,856,900	331,160
Other expenses- Bank Charges	33,354	23,848
<b>Total</b>	<b>1,890,254</b>	<b>355,008</b>



**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. Cash and cash equivalents**

Current account	17,844,993	2,880,889
<b>Total cash and cash equivalents</b>	<b>17,844,993</b>	<b>2,880,889</b>

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

<b>Current account</b>			
Kenya Commercial bank	1206004991	239,870	838,398
<i>Adjustment</i>			
<i>Receipt in the Bank statement not in in the Cash book</i>			<i>(21,000)</i>
<i>Adjusted Balance as per Cash book</i>			<i>817,398</i>
Kenya Commercial bank	1206090308	17,605,122	30,787
<i>Adjustment</i>			
<i>Receipt in the cashbook not yet in the Bank statement</i>			<i>2,032,704</i>
			<i>2,063,491</i>
<i>Receipts in the Bank statement not yet recorded in the Cash Book</i>			<i>(138,017)</i>
			<i>1,925,474</i>
<i>Recognition of the receipts in the Bank statement into the Cash Book</i>			<i>138,017</i>
<i>Adjusted Balance as per Cash book</i>			<i>2,063,491</i>
<b>Grand total</b>		<b>17,844,993</b>	<b>2,880,889</b>

*NB: Refer to the Bank reconciliation statements for the Adjustments. The adjustments relate to direct credits posted to suspense.*

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Receivables from exchange transactions**

	2019	2018
<b>6A Current loan repayments due-CASB Borrowings</b>		
Balance b/f	17,190,318	7,599,294
Borrowings During the Year	4,966,431	21,027,300
Less-Repayments During the Year	9,591,024	11,436,276
	12,565,725	17,190,318
Interest Receivable	-	172,211
Other exchange debtors-MCA'S Car Loan		40,301
		<b>17,402,830</b>
<i>Adjustment</i>		
Interest Receivable for June 2019 already included in the interest Received -(Note No. 1)		(172,211)
Adjustment of error		(40,301)
<b>Total Current receivables</b>	<b>12,565,725</b>	<b>17,190,318</b>
<b>Non Current Receivables</b>		
<b>6B Long term loan repayments due</b>		
Balance b/f	71,408,847	65,998,364
Loan disbursements paid out	34,160,000	21,100,000
Add-Loan Offset	-	166,497
Less-Proceeds from loan principal repayments	14,178,412	14,616,407
Less-Proceeds from loan offset principal repayments	-	166,082
		<b>72,482,372</b>
<i>Adjustment</i>		
Principal repayment for June 2019 recoveries left out		(1,073,525)
<b>Sub-Total</b>	<b>91,390,435</b>	<b>71,408,847</b>
<b>6C Insurance Receivable</b>		
Balance b/f	7,003,465	7,392,168
Insurance Premium Recovered	408,392	357,190
		<b>7,034,978</b>
<i>Adjustment</i>		
Insurance premium for June 2019 Recoveries left out		(31,513)
<b>Sub-Total</b>	<b>6,595,073</b>	<b>7,003,465</b>
<b>Total Non current receivables</b>	<b>97,985,508</b>	<b>78,412,312</b>
<b>Grand Total receivables from exchange transactions</b>	<b>110,551,233</b>	<b>95,602,630</b>

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**XIII. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS**

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

External Auditor's report	Management comments	Focal Person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)																				
<p><b>1. Cash and Cash Equivalents</b></p> <p>Note 4 to the financial statements reflects a bank balance of Kshs.869,186 as at 30 June, 2019. However, review of the bank reconciliation statements revealed that the management used the bank certificate balance instead of the reconciled cash book balances of Kshs.2,742,872, resulting into unreconciled variance of Kshs.1,873,686 as tabulated below;</p> <table border="1" data-bbox="436 869 1400 1220"> <thead> <tr> <th>Bank Name</th> <th>Account No.</th> <th>Bank Certificate balance Kshs.</th> <th>Reconciled Balance Kshs.</th> <th>Variance Kshs.</th> </tr> </thead> <tbody> <tr> <td>Kenya Commercial bank</td> <td>1206004991</td> <td>838,398</td> <td>817,398</td> <td>21,000</td> </tr> <tr> <td>Kenya Commercial Bank</td> <td>1206090308</td> <td>30,787</td> <td>1,925,474</td> <td>(1,894,687)</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>869,186</b></td> <td><b>2,742,872</b></td> <td><b>1,873,686</b></td> </tr> </tbody> </table> <p>In the circumstances, it was not possible to confirm that cash and cash equivalent balance of Kshs.869,186 as at 30 June, 2019 is fairly stated.</p> <p>The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Bungoma County Assembly – Employee Car Loan and Mortgage Fund in accordance</p>	Bank Name	Account No.	Bank Certificate balance Kshs.	Reconciled Balance Kshs.	Variance Kshs.	Kenya Commercial bank	1206004991	838,398	817,398	21,000	Kenya Commercial Bank	1206090308	30,787	1,925,474	(1,894,687)	<b>Total</b>		<b>869,186</b>	<b>2,742,872</b>	<b>1,873,686</b>	<p>The management agrees with findings of audit and has since amended the current Financial Statement for the period ended June 2020 to reflect balances as per reconciled figures.</p>	<p>Charles Wafula Fund Accountant</p>	<p>Resolved</p>	
Bank Name	Account No.	Bank Certificate balance Kshs.	Reconciled Balance Kshs.	Variance Kshs.																				
Kenya Commercial bank	1206004991	838,398	817,398	21,000																				
Kenya Commercial Bank	1206090308	30,787	1,925,474	(1,894,687)																				
<b>Total</b>		<b>869,186</b>	<b>2,742,872</b>	<b>1,873,686</b>																				

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	Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and Extension)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	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.				
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>					
<p><b>1. Car and Mortgage Scheme</b></p> <p><b>1.1 Lack of Security on Mortgage and Car Loans Disbursed to Staff</b></p>	<p>The total non-current receivables balance of Kshs.79,517,350 detailed under note 5B to the financial statements, includes Kshs.72,482,372 in respect of outstanding mortgage and car loan balance as at 30 June, 2019. However, it was noted that the acquired properties are not charged with the Ministry of Land to take care of the interest of the County Assembly in line with Regulation 16(1) of the Bungoma County Assembly (Employees’ Mortgage Scheme Fund) Regulations, 2018 which stipulates that the Committee shall have a charge registered on the property financed through a loan granted and shall be entitled to have its name entered in all documents of title for such property.</p> <p>Further, there was no evidence that the borrowers had taken out an insurance cover on the mortgage protection policy and a fire policy with a reputable underwriter as per Regulation (17) of Bungoma County Assembly (Employees’ Mortgage Scheme Fund) Regulations, 2018.</p> <p>Further, it was noted that the logbooks are not registered on joint ownership with the County Assembly in line with Regulation 8(2) of the Bungoma County Assembly (Employees’ Car Loans Scheme Fund) Regulations, 2017 states that the log-book of a vehicle subject to a loan from the Fund shall be issued jointly between the County Assembly and the member of the Scheme and shall be kept in the custody of the officer</p>	<p>The management agrees with findings of audit. However, the process of charging has been initiated by the Registrar of Lands Ministry Bungoma</p> <p>As for the logbooks the securities have been issued jointly between County Assembly and the member of the scheme.</p>	<p>Aggrey Makokha- Legal Clerk</p> <p>John Mosongo – Fund Administrator</p>	<p>Unresolved</p>	

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund**  
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	Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and Designation)	Status (Resolved/Unresolved)	Time taken to resolve
	administering the Fund until the loan is repaid in full by the member of the Scheme. In addition, there was no evidence that the vehicles purchased through the Scheme were comprehensively insured as per Section 12(1) of the Regulations.	Evidence has been submitted for audit verification			
<b>1.2 Irregular Advances of Mortgage Loans</b>	<p>It was noted that the applications for the advanced mortgages totalling Kshs.19,700,000 out of the disbursed amount of Kshs.21,100,000 as reflected under note 5B were not supported with the following documents as prescribed by Regulation 10(1) of the Bungoma County Assembly (Employees’ Mortgage Scheme Fund) Regulations, 2018;</p> <ul style="list-style-type: none"> <li>• Copies of the designs of the proposed residential property duly approved by relevant Government agency;</li> <li>• Bills of quantities in respect of the proposed development, renovation or repair.</li> <li>• An official search of the title to the property intended to be purchased;</li> <li>• A certified copy of the sale agreement relating to the property.</li> </ul> <p>In the circumstances, it was not possible to ascertain security of the long term receivables balance of Kshs.79,517,350 as at 30 June, 2019.</p>	The management agrees with findings of audit and seeks to comply as per recommendations of audit. However an official search was presented to audit for verification.	John Mosongo – Fund Administrator	Unresolved	
<b>2. Lack of an Approved Budget</b>	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 entity in conformity with the strategic plan. In addition, the Fund was exposed to risk of over and	The management agrees with the findings of audit and has since maintained an approved budget.	John Mosongo – Fund Administrator	Resolved	

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
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[Redacted Header]													
	underutilization and misapplication of the funds.												
<b>3. Outstanding Borrowings by County Assembly Service Board</b>	<p>Included under total current receivables of Kshs.17,402,830 under Note 5A to the financial statements is total current receivables of Kshs.17,190,318 in respect of un-refunded borrowings by the County Assembly Service Board in contravention of Regulation 4 of both the Public Finance Management (County Assembly Employee Car Loan Scheme Fund) Regulations, 2017 and the Public Finance Management (County Assembly Employee 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 staff of the scheme and for the purchase, development, renovation or repair of residential property by staff of the scheme, respectively.</p> <p>Further, the management did not provide records on the applications for borrowings, loans management committee approval minutes and executed loans agreement relevant to the borrowings.</p>	The management agrees with the findings of audit. However, the County Assembly service board has refunded the borrowed funds as per the attached vouchers	John Mosongo – Fund Administrator	Resolved									
<b>4. Failure to Remit Fringe Benefit Tax</b>	<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.720,076 as tabulated below:</p> <table border="1" data-bbox="436 1268 1355 1428"> <thead> <tr> <th>Interest Received @ 3% p.a – Kshs.</th> <th>KRA Prescribed Rate @ 7% P.A – Kshs.</th> <th>Taxable Fringe Benefit – Kshs.</th> <th>FBT @ 30% Kshs.</th> </tr> </thead> <tbody> <tr> <td>1,800,194</td> <td>4,200,446</td> <td>2,400,252</td> <td>720,076</td> </tr> </tbody> </table> <p>The management of the Fund did not comply with the Section 12(B1) of</p>	Interest Received @ 3% p.a – Kshs.	KRA Prescribed Rate @ 7% P.A – Kshs.	Taxable Fringe Benefit – Kshs.	FBT @ 30% Kshs.	1,800,194	4,200,446	2,400,252	720,076	The management agrees with findings of audit. However, through audit by Kenya Revenue Authority a demand letter was issued and the funds were remitted by the	John Mosongo – Fund Administrator	Resolved	
Interest Received @ 3% p.a – Kshs.	KRA Prescribed Rate @ 7% P.A – Kshs.	Taxable Fringe Benefit – Kshs.	FBT @ 30% Kshs.										
1,800,194	4,200,446	2,400,252	720,076										

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	Issue/Observation	Management Comments	Focal Point Person	Status (Resolved/Not Resolved)	Timeframe for Resolution
	<p>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 the Income Tax Act.</p>	<p>County Assembly of Bungoma Service Board</p>			

**Guidance Notes:**

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.





**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
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**XI. ANNEXTURES**

**Annex1: Bank Reconciliation Statements**

**BANK RECONCILIATION STATEMENT  
CAR LOAN DEPOSIT ACCOUNT NO. 1206090308  
MONTH:-JUNE 2020**

<b>Balance as per Cash Book</b>	<b>17,605,122.42</b>
Payments in Cashbook not in the Bank	-
Receipts in the BS not in the CB	-
Payments in the BS not in the CB	-
Receipts in the CB not in the BS	973,491.25

**Balance as per Bank Statement** **16,631,631.17**

Prepared by: CHARLES WAPULA

Verified by: JOHN MARONGO

Signature: 

Signature: 

Date: 30-9-2020

Date: 30-9-2020

**Bungoma County Assembly – Employee Car Loan And Mortgage Fund  
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**WORKINGS**

**Receipts in the CB not in the BS**

DATE	Payroll No.	DESCRIPTION	RECEIPTS
26/8/2019	19960013521	Mr ONGWAE John Mosongo	8,000.00
26/8/2019	20140047061	Mr MAKOKHA Alfred Masika	27,628.00
13/9/2019	20140047061	Mr MAKOKHA Alfred Masika	27,628.00
18/10/2019	20090004247	Robert Wabule Mumbwani	27,628.05
18/10/2019	20170004869	ARIEL SHARON WEKESA	27,628.05
18/10/2019	20110004478	CATHERINE WAMBETE CHESIRO	14,734.95
18/10/2019	20170105325	IGNATIUS WEKESA WANGILA	55,256.05
18/10/2019	20170004930	REMI OWITI OPASA	25,786.15
18/10/2019	20140104034	Mr KIMWEI Benedict Wafula	16,552.00
			<b>230,841.25</b>

**Receipts in the CB not in the BS from FY 2018/2019**


Date	Details	Description	Amount
10-Jan-18	Ignatius Wangila	Recovery-December 2017	54,600.00
13-Feb-18	Ignatius Wangila	Recovery-January 2018	54,600.00
26-Mar-18	Mark Sikolia	Recovery-February 2018	19,331.00
26-Mar-18	Ignatius Wangila	Recovery-February 2018	54,600.00
24-Apr-18	Mark Sikolia	Recovery-March 2018	19,331.00
24-Apr-18	Alfred Makokha	Recovery-March 2018	4,000.00
24-Apr-18	Ignatius Wangila	Recovery-March 2018	54,600.00
31-May-18	Alfred Makokha	Recovery-May 2018	4,000.00
30-Jun-18	Alex Cherongis	Recovery-June 2018	27,628.05
30-Jun-18	Alfred Makokha	Recovery-June 2018	27,628.00
30-Jun-18	Mark Sikolia	Recovery-June 2018	14,222.50
31-Jul-18	Alfred Makokha	Recovery-July 2018	27,628.00
31-Jul-18	Mark Sikolia	Recovery-July 2018	14,222.50
31-Aug-18	Alfred Makokha	Recovery-Aug 2018	27,628.00
30-Sep-18	Alfred Makokha	Recovery-Sep 2018	18,052.00
31-Oct-18	Alfred Makokha	Recovery-Oct 2018	27,628.00
30-Nov-18	Alfred Makokha	Recovery-Nov 2018	27,628.00
31-Dec-18	Alfred Makokha	Recovery-Dec 2018	27,628.00
31-Jan-19	Alfred Makokha	Recovery-Jan 2019	27,628.00
28-Feb-19	Alfred Makokha	Recovery-Feb 2019	27,628.00
28-Feb-19	John Mosongo	Recovery-Feb 2019	8,000.00
28-Feb-19	Beatrice Mainya	Recovery-Feb 2019	25,265.20
28-Feb-19	Protus Wangila	Recovery-Feb 2019	27,628.05
28-Feb-19	Calistus Ndieyira	Recovery-Feb 2019	11,033.70
31-Mar-19	Alfred Makokha	Recovery- Mar 2019	27,628.00
30-Apr-19	Alfred Makokha	Recovery- April 2019	27,628.00
13-Jun-19	Alfred Makokha	Recovery- May 2019	27,628.00
30-Jun-19	Alfred Makokha	Recovery- June 2019	27,628.00
			<b>742,650.00</b>




**Bungoma County Assembly – Employee Car Loan And Mortgage Fund**  
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**BANK RECONCILIATION STATEMENT**  
**BGM COUNTY EMPLOYEE-CAR LOAN SCHEME**  
**ACCOUNT NO. 1206004991**  
**MONTH:- JUNE 2020**

<b>Balance as per Cash Book</b>	<b>239,870.20</b>
Payments in Cashbook not in the Bank	-
Receipts in the BS not in the CB	21,000.00
Payments in the BS not in the CB	-
Receipts in the CB not in the BS	-
<b>Balance as per Bank Statement</b>	<b>260,870.20</b>

Prepared by: CHARLES WAFUKA  
 Signature:   
 Date: 30.9.2020

Verified by: JOHN MASONGO  
 Signature:   
 Date: 30.9.2020

**WORKINGS**

**Receipts in the BS not in the CB from FY 2018/2019**

DATE	Description	Amount
1/11/2018	Direct Credits	21,000.00
		<b>21,000.00</b>

