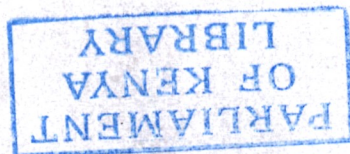


REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
PARLIAMENTARY CAR LOAN SCHEME FUND**

**FOR THE YEAR ENDED  
30 JUNE 2014**



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON PARLIAMENTARY CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Parliamentary Car Loan Scheme Fund set out on pages 4 to 10, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets and statement of cash flows 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 8 of the Public Audit Act, 2003. 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.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and Public Finance Management Act, 2012 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 7 (2) of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Parliamentary Car Loan Scheme Fund as at 30 June 2014, 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 Public Finance Management Act, 2012, Parliamentary Car Loan (Staff) Scheme Fund Regulations, 2013, and the Parliamentary Car Loan (Members) Scheme Fund Regulations, 2013.



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

**Nairobi**

**20 January 2015**



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**PARLIAMENTARY SERVICE COMMISSION**  
**PARLIAMENTARY CARLOAN SCHEME FUND**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2014**

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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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## **I. KEY FUND INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Parliamentary Carloan Scheme Fund was established in 1999 through the Legal Notice No. 148, the Exchequer and Audit (Members of National Assembly Carloan Scheme Fund) Regulation, 1999 with the objective of providing a loan scheme for the purchase of vehicles by members. This objective clause was amended in 2003 (Gazette Notice No. 139) to also include loans to purchase of vehicle by an employee of the commission on permanent and pensionable terms. The Public Finance Management Act, 2012 (No. 18 of 2012) has repealed the above Regulations through Legal Notice No. 19 of February 01, 2013 and Legal Notice No. 68 of April 19, 2013 to be the Public Finance Management (Parliamentary Carloan (staff) Scheme Fund Regulation 2013 and Public Finance Management (Parliamentary Carloan (members) Scheme Fund Regulation 2013 respectively.

The Fund was established with an initial capital of two hundred and fifty million (Ksh. 250,000,000.00) paid out of the vote of National Assembly for the year 1999/2000 which was reduced fifty million (Ksh. 50,000,000.00). This has since been raised to nine hundred and fifty million (Ksh. 950,000,000.00) in accordance with the amendments to the enabling Legislation enacted in 2013

The Fund is administered by a loan management committee chaired by the Vice chairperson of the Parliamentary Service Commission. The Committee is charged with the responsibility of processing of loans from applicants in accordance with laid down regulations, to set up a revolving Fund for the disbursement of loans and supervising the day-to-day operations of the Fund. The Officer Administering the Fund is responsible for the day-to-day operations

### **(b) Principal Activities**

The principal activity of the Fund is to facilitate acquisition of motor vehicles for Members of National Assembly, The Senate and staff of Parliamentary Service Commission by providing a loan scheme for the purchase, insurance and overhaul by members of the scheme; and to perform other functions necessary for the well being of the honourable Members and staff.

### **(c) Key Management**

The Scheme Fund's day-to-day operations management is under the Clerk of the National Assembly as the Officer Administering the Fund and who shall designate and appoint such staff as may be necessary to assist him/her in the administration of the Fund.

**(d) Fiduciary Management**

The Loans Management Committee Members who served during the financial year ended 30<sup>th</sup> June 2014 and who had direct fiduciary responsibility were:

1. **Hon. Beth W. Mugo** - Vice Chairman PSC & Chairperson Carloan Committee
2. Hon. Johnstone Muthama - Member / Minority Chief Whip of the senate
3. Hon. Katoo ole Metito - Member/ Majority Chief Whip of National Assembly
4. Hon. Gideon Mung'aro - Member/ Minority Chief Whip of National Assembly
5. Hon. Beatrice Elachi - Member/ Majority Chief Whip of the senate
6. Hon. Sammy Leshore - Member/ Chairman of Members welfare
7. Mr. Jeremiah M. Nyegenye - Member / Clerk of the Senate
8. Mr. Clement Nyandiere - Director General
9. Ms. Wanjiru Ndindiri - Staff-Elected representative

**(e) Headquarters**

Parliament Buildings  
P.O. Box 41842 - 00100  
Parliament Road  
Nairobi, KENYA

**(f) Contacts**

Telephone: (254) (020) 2221291,  
E-mail: [clerk@parliament.go.ke](mailto:clerk@parliament.go.ke),  
Website: [www.parliament.go.ke](http://www.parliament.go.ke)

**(g) Bankers**

1. Cooperative Bank of Kenya  
Parliament Road Branch  
P.O. Box 5772 - 00200  
Nairobi, KENYA

**(h) Independent Auditors**

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

**(i) Principal Legal Adviser**

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

## II. REPORT OF THE OFFICER ADMINISTERING THE FUND

Parliamentary Car Loan scheme activities are to facilitate acquisition of motor vehicles for Members of National Assembly, The Senate and staff of Parliamentary Service Commission by providing a loan scheme for the purchase, insurance and overhaul by members of the scheme; and to perform other functions necessary for the well being of the honourable Members and staff. During the reported period the Fund was able to approve and fully process loans for 76 honourable Members (approximately 19%) for 11<sup>th</sup> Parliament.

For the financial year 2013/2014 the Funds activities included application for car loans, approval and disbursement of the loans which started on a slow and declining pace. Among other factors, was due to delay in receipt of the exchequer to increase the Fund's capital to accommodate the increased number of honourable Members from 224 in 10<sup>th</sup> parliament to 418 in the 11<sup>th</sup> parliament and increased staff of Parliamentary Service Commission. Most Members having given priority to mortgage loan had a challenge of having to service the two loans simultaneously since the repayment is limited to the payroll check off system, thus lacking the ability to repay the loan on or before the end of parliamentary term. Further, most Members had the car grant of kshs.5 million in good time. Staff members have continued to access the loans as per scales and repayment within maximum of 5 years or earlier depending on period to retirement.

However, it is expected that the Fund will be more active in the subsequent financial years, considering that the newly recruited staff members of Parliamentary Service Commission will have been confirmed to permanent and pensionable terms thus eligible for the car loan facility, while Members applications will decline due to time remaining but an accelerated repayment to enable timely repayment leading to increased cashflows. The focus and way forward of the Fund is to ensure timely loans recovery, loans covered for group life assurance and to ensure that vehicles are comprehensively insured.



### **III. REPORT OF THE PARLIAMENTARY CARLOAN FUND**

The Officer Administering Parliamentary Carloan Scheme Fund submits his report and financial statements for the year ended June 30, 2014 which show the state of the Fund affairs.

#### **Principal activities**

The principal activities of the Parliamentary Carloan Scheme Fund continue to be provision of a loan scheme for the purchase of motor vehicles by members of the scheme as per the objective and purpose of the scheme.

#### **Results**

The results of the Parliamentary Carloan Scheme Fund for the year ended June 30, 2014 are set out on page 4 – 9

#### **Management**

The members of the Parliamentary Loan Management Committee who served during the year are shown on page 1. In accordance with the laid down regulations, the committee members retire by vacation of office through dissolution of Parliament and constitution of members of Parliamentary Service Commission after an election, while staff representatives is by virtue of office held and election by staff members when need arises.

#### **Auditors**

The Auditor General is responsible for the statutory audit of the Parliamentary Carloan Scheme Fund in accordance with the Section 24(3) of the Public Finance Management (PFM) Act, 2012 and Parliamentary Carloan (staff and members) Regulations 2013, section 18.

#### IV. STATEMENT OF THE OFFICER ADMINISTERING FUND'S RESPONSIBILITIES

Section 24(3) of the Public Finance Management Act, 2012 requires the Officer Administering Fund to prepare financial statements in respect of the Parliamentary Carloan Scheme Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Officer Administering the Fund is also required to ensure that the *Fund* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Fund*. The Officer Administering Fund is also responsible for safeguarding the assets of the *Fund*.

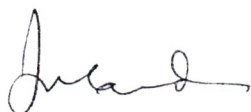
The Officer Administering the Fund is responsible for the preparation and presentation of the Parliamentary Carloan Scheme Fund financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year ended on June 30, 2014. The responsibilities 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 Officer Administering the Fund accept responsibility for the scheme 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. The Officer Administering Funds is of the opinion that the Scheme's financial statements give a true and fair view of the state of Fund transactions during the financial year ended June 30, 2014, and of the Scheme financial position as at that date. The Officer Administering the Fund further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Officer Administering the Fund to indicate that the Scheme 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 Parliamentary Carloan Scheme Fund financial statements were approved by the Officer Administering the Fund on 30<sup>th</sup> September, 2014 and signed on its behalf by:



Justin N. Bundi

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Officer Administering the Fund/  
Clerk, National Assembly

**V. STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 30 June 2014**

	Note	2013-2014 Kshs	2012-2013 Kshs
<b>Revenue</b>			
Interest Earned	1	3,905,673.65	953,612.55
<b>Total revenue</b>		<b>3,905,673.65</b>	<b>953,612.55</b>
<b>Expenses</b>			
Allowances		1,086,000.00	720,000.00
Computer Expenses		78,000.00	78,000.00
General Expenses	5	67,838.85	22,085.90
<b>Total expenses</b>		<b>1,231,838.85</b>	<b>820,085.90</b>
<b>Surplus for the Period</b>		<b>2,673,834.80</b>	<b>133,526.65</b>
Surplus Brought Forward		<u>49,481,873.05</u>	<u>49,348,346.40</u>
<b>Surplus Carried Forward</b>		<b><u>52,155,707.85</u></b>	<b><u>49,481,873.05</u></b>

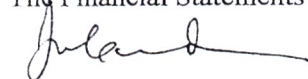
The notes set out on pages 8 to 9 form an integral part of the Financial Statements

## VI. STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Debtors	3	300,194,652.85	31,328,952.50
Cash at Bank	2	705,506,055.00	68,152,920.55
		1,005,700,707.85	99,481,873.05
<b>Non-current assets</b>			
		-	-
<b>Total assets</b>		<b>1,005,700,707.85</b>	<b>99,481,873.05</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Creditors	4	3,545,000.00	-
		3,545,000.00	-
<b>Non-current liabilities</b>			
		-	-
<b>Total liabilities</b>		<b>3,545,000.00</b>	<b>-</b>
<b>Net Assets</b>		<b>1,002,155,707.85</b>	<b>99,481,873.05</b>
Authorized and paid up capital		50,000,000.00	50,000,000.00
Additional Capital	6	900,000,000.00	-
Accumulated Surplus		52,155,707.85	49,481,873.05
		<b>1,002,155,707.85</b>	<b>99,481,873.05</b>

The Financial Statements set out on pages 4 to 9 were signed on behalf of the Management by:



Justin N. Bundi

Officer Administering the Fund

Date..... 30/9/14

## VII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2014

	CAPITAL FUND Kshs	ACCUMULATED SURPLUS Kshs	TOTAL Kshs
Balance as at 30 JUNE 2012	50,000,000.00	49,348,346.40	99,348,346.40
Surplus/(deficit) for the period	-	133,526.65	133,526.65
Balance as at 30 JUNE 2013	<b>50,000,000.00</b>	<b>49,481,873.05</b>	<b>99,481,873.05</b>
Additional capital 2013/2014	900,000,000.00	-	900,000,000.00
Surplus for 2013/2014	-	2,673,834.80	2,673,835.80
Balance as at 30 JUNE 2014	<b>950,000,000.00</b>	<b>52,155,707.85</b>	<b>1,002,155,707.85</b>

## VIII. STATEMENT OF CASH FLOWS

	Note	2013-2014 Kshs	2012 - 2013 Kshs.
<b><u>Cash flows from operating activities</u></b>			
<b>Receipts</b>			
Interest Income	3	3,905,673.65	953,612.55
		<b>3,905,673.65</b>	<b>953,612.55</b>
<b>Payments</b>			
Allowances		1,086,000.00	720,000.00
Computer Expenses		78,000.00	78,000.00
General Expenses	4	67,838.85	22,085.90
		<b>1,231,838.85</b>	<b>820,085.90</b>
<b>Net cash flows from operating activities</b>		<b>2,673,834.80</b>	<b>133,526.65</b>
<b><u>Cash flows from investing activities</u></b>			
Increase)/Decrease in Accounts receivable		(268,865,700.35)	(5,181,435.95)
Increase in Accounts payable		3,545,000.00	-
<b>Net cash flows used in investing activities</b>		<b>(265,320,700.35)</b>	<b>(5,181,435.95)</b>
<b><u>Cash flows from financing activities</u></b>			
Additional Capital	6	900,000,000.00	-
<b>Net cash flows used in financing activities</b>		<b>900,000,000.00</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>637,353,134.45</b>	<b>(5,047,909.30)</b>
Cash and cash equivalents at 1 JULY 2013		68,152,920.55	73,200,829.85
<b>Cash and cash equivalents at 30 JUNE 2014</b>	5	<b>705,506,055.00</b>	<b>68,152,920.55</b>

## IX. NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of compliance and basis of preparation – IPSAS 1

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 (Ksh), 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 in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards. The cash flow statement is prepared using the direct method.

### 2. Summary of significant accounting policies

#### a) Revenue recognition

##### *Interest income*

Interest from loans is recognised when received to determine interest income for each financial period.

##### *b) Loans and receivables*

Car loans advanced to Honourable Members are recovered within the remaining period of their Parliamentary term while to staff members are recovered within the remaining period to retirement and a maximum of sixty months, whichever is lower at an interest rate of 3% per annum at a reducing balance.

#### c) Provisions – IPSAS 19

The Fund has not made any provisions on loans issued since the motor vehicles are jointly registered with Parliamentary Service Commission, comprehensively insured and covered for with group life assurance.

#### d) Nature and purpose of reserves

The surplus for the year is maintained as a revolving reserve to build up the Fund for future self sustaining account.

#### e) Changes in accounting policies and estimates – IPSAS 3

The Fund recognizes and adopts the current accrual basis of accounting method under IPSAS to comply with the new requirement.

#### f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits on call, 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 Cooperative Bank of Kenya at the end of the financial year.

#### g) Comparative figures

Where necessary comparative figures for financial years 2012/2013 and 2013/2014 have been amended or reconfigured to conform to the required changes in presentation.

## h) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Fund's financial statements is in conformity with IPSAS in reporting amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

## i) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

## j) Fund account

The authorized capital was increased by ksh.900 million during the year 2013/2014 to cater for the new parliamentary term for National Assembly, the Senate and staff of the Commission

### 1. Finance income

	2014	2013
	Shs	Shs
Interest received	3,905,673.70	953,612.55
<b>Total loan interest</b>	<b>3,905,673.70</b>	<b>953,612.55</b>

### 2. Cash and cash equivalents

	Shs	Shs
Cash held at Bank	705,506,055.00	68,152,920.55
<b>Total cash and cash equivalents</b>	<b>705,506,055.00</b>	<b>68,152,920.55</b>

### 3. Receivables

Current receivables	2014	2013
	Shs	Shs
Outstanding loans advanced as at 30 <sup>th</sup> June 2014	300,194,652.85	31,328,952.50
<b>Total current receivables</b>	<b>300,194,652.85</b>	<b>31,328,952.50</b>

### 4 Refundable deposits from customers

	2014	2013
	Shs	Shs
Members loan deposits	3,545,000.00	-
<b>Total deposits</b>	<b>3,545,000.00</b>	<b>-</b>

### 5. General expenses

	2014	2013
	Shs	Shs
Bank Charges	67,838.85	22,085.90
<b>Total General Expenses</b>	<b>67,838.85</b>	<b>22,085.90</b>

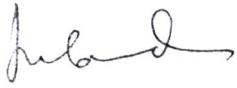
### 6. Fund Account

Balance b/f	50,000,000.00	50,000,000.00
Additional Capital	900,000,000.00	-
<b>Paid up Capital</b>	<b>950,000,000.00</b>	<b>50,000,000.00</b>



**X. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

There were no matters raised during financial year 2012/2013.



Justin N. Bundi

**Officer Administering the Fund**

Date.....30/9/17.....