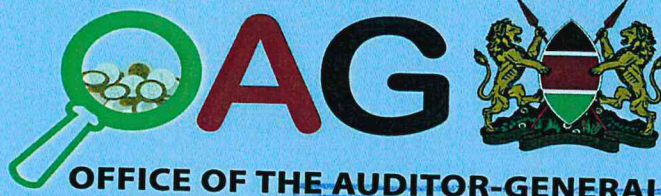


REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

**REPORT DATE:** 22 FEB 2022

DAY  
TUESDAY

TABLED  
BY:

LOM

CLERK AT  
THE TABLE:

MAINAH WANJIKU

OF

**THE AUDITOR-GENERAL**

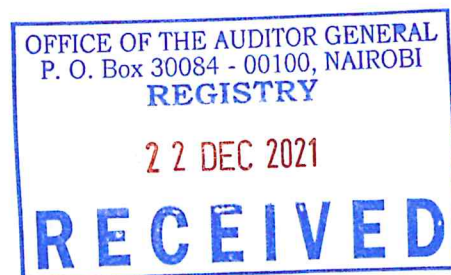
**ON**

**COMMISSION ON REVENUE ALLOCATION  
STAFF MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2021**







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## **COMMISSION ON REVENUE ALLOCATION**

### **CRA'S STAFF MORTGAGE SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30 JUNE 2021**

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





COMMISSION ON REVENUE ALLOCATION STAFF MORTGAGE SCHEME'S FUND FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE 2021

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## **I. KEY SCHEMES' INFORMATION AND MANAGEMENT**

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

The Commission's Mortgage Scheme Fund was established in FY 2016/17 in line with the SRC's regulations Ref No: SRC/ADM/CIR/1/13 Vol. III (128) with the objective of providing a loan scheme for the purpose of residential property for the staff. The loan acquisition entails both construction, purchase of residential homes and acquisition of land.

The fund was established with an initial capital outlay of **Kshs. 80,805,126/-** paid out from the Commission's reserves as seed capital for the fund. The Scheme's capital has since been enhanced to **Kshs. 139,072,097/-** mainly from the annual budget allocations of the Commission.

The scheme's secretariat is drawn from Corporate service directorate while administration and management is conducted by KCB. Management is done in accordance with the laid down internal guidelines & regulations and MOU between KCB and the Commission.

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

The principal activity of the Fund is to facilitate acquisition of residential property for members of Commission on Revenue Allocation by providing a loan scheme for:

- i) Purchase and or development,
- ii) Renovation or repairs of property by members of the scheme and
- iii) Acquisition of land for future development.

### ***c) Mission***

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

### ***d) Vision***

No Kenyan Left Behind



***e) Key Management***

The Scheme Fund's day-to-day operations are managed under Corporate Services directorate.

Key officers' in-charge are as follows;

- |    |                  |   |
|----|------------------|---|
| 1. | Dr. Moses Sichei | Commission Secretary (Officer administering the Fund) |
| 2. | Angela Kariuki   | Director Corporate Services                           |
| 3. | William Birech   | Human Resource Manager                                |
| 4. | Maureen Junge    | Finance Manager                                       |

***f) Fiduciary Management***

The key management above are the members who served during the financial year ended 30 June, 2021 and who had direct fiduciary responsibility since KCB Bank is the scheme's administrator.

***g) Headquarters***

Commission on Revenue Allocation  
14 Riverside Drive  
Grosvenor suite 2<sup>nd</sup> and 3<sup>rd</sup> Floor  
P.O Box 1310-00200 Nairobi  
Tel: (020) 4298000

***h) Commission Contacts***

Telephone: (254) (020) 4298000  
E-mail: [info@crakenya.org](mailto:info@crakenya.org)  
Website: [www.crakenya.org](http://www.crakenya.org)

***i) Fund Bankers***

Kenya Commercial Bank  
KICC Branch  
Harambee Avenue  
P. O. Box 46950-00100 Nairobi  
Tel: (020) 29248501,  
Fax: (020) 29248501,

***j) Independent Auditors***

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

***k) Principal Legal Adviser***

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

## II. KEY MANAGEMENT



**Dr. Moses Sichei**  
Commission Secretary / CEO

Dr. Moses Muse Sichei holds a Ph.D. (Economics) degree from the University of Pretoria (South Africa), MA and BA in Economics from the University of Nairobi, Kenya. He also holds an Associate of Kenya Institute of Bankers (AKIB) professional qualification and a member of the Kenya Institute of Bankers. He has over 15 years in economic policy research and analysis, international development and post-disaster/crisis recovery management. He has also published widely in refereed journals and books.

Prior to joining the Commission, he worked as an Economic Advisor in United Nations Development Programme (UNDP) covering Sierra Leone and Liberia and more recently Malawi and Namibia. He also worked, among others, as a Regional Financial Policy Advisor at the East African Community in Arusha (Tanzania), Director for Research and Policy at CRA, Manager in Research and Policy department of the Central Bank of Kenya, Lecturer of Economics at the University of Nairobi and University of Pretoria (South Africa).



**Angela Kariuki**  
Director, Corporate Services

She holds a master's in international Commercial Law (LLM) from the University of Nottingham (UK) and a Bachelor of Laws (LLB) from the University of Sheffield (UK). She is an Advocate of the High Court of Kenya; member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. Mrs. Kariuki has been with the Commission from inception. She has broad professional experience in the areas of human capital management, facilities management, supply chain management, strategic planning and corporate governance, legal compliance with regards to securities law, corporate law, policy formulation and implementation.

She previously worked with the Capital Markets Authority for nine years and Kilonzo & Company Advocates for two years.





**William Birech**  
Human Resource Manager

Mr William K Birech is Manager HR/Admin at the Commission on Revenue Allocation. He holds MBA from the University of Nairobi, a B. Com (HR) from the Catholic University of Eastern Africa, a Higher National Diploma in Human Resource Management and a Diploma in Personnel Management from the IHRM College.

He has over fifteen years' experience in Human Resource Management having worked at the Postbank and the Rural Electrification Authority before joining the Commission on 5<sup>th</sup> January 2015.

He has written and published articles on HR matters in reputable HR journals in Kenya especially The Management and the IHRM journal.



**Maureen Junge**  
Finance Manager

Ms. Junge has extensive work experience in public finance with emphasis on budgeting, financial management, financial analysis, and reporting. She is a Certified Secretary, Certified Accountant, and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK). She holds a Masters of Science degree and a Bachelors of Commerce degree (Finance) from the University of Nairobi.

As the inaugural manager in charge of finance, Ms. Junge was instrumental in developing finance policies and setting up the operational procedures in the finance department including aligning them to the public financial management and reporting systems.

She previously worked with Kenya Investment Authority, Africa Investment Bank (AIG) and Reliance General Limited.

### III. CEO'S REPORT (OFFICER ADMINISTERING THE FUND)

The Commission on Revenue Allocation appointed key management drawn from Corporate Services Directorate whose objective is to coordinate and engage with the Kenya Commercial Bank, scheme's administrators appointed to run the scheme on behalf of CRA.

The Commission in consultation with the Bank, developed internal rules and Memorandum of Understanding (MOU) which are binding on all matters relating to the Scheme. They set out rules and regulations that provide guidance on accessibility of the loans and the threshold to be met by the loan applicants.

CRA's Mortgage Scheme's key objective is to support employees in acquisition of mortgage facility with subsidised interest rate besides the scheme's other activities which are to facilitate purchase and/or improvement of residential property and acquisition of land for staff members of the Commission. During the reporting period, the scheme maintained an interest rate of 4% as cost of borrowing. The low cost of borrowing enhanced the number of loan applicants up to approximately 100% absorption rate of the fund. This benefit has played a role in motivation and retention of staff at the Commission. It has also enhanced loyalty and high commitment to the Commission

During the year under review, the Scheme's capital was enhanced to Kshs. 129.5 million and cumulative interest earning of Kshs. 9.5 million both from the utilised and unutilised accounts whereas in FY 2019/20 Capital stood at Kshs. 117.4 million and cumulative interest of Kshs. 8 million.

The Scheme has since disbursed Kshs. 140.9 million in loan applications compared FY 19/20 where a total of Kshs. 115.8 was disbursed. A total of 22 members of staff from different cadres have benefitted from the scheme. The Bank has continued to carry out due diligence for all the loan application to minimize risks in acquiring property.

We shall endeavour to support staff through continuous engagements with both the staff and the bank to ensure that more employees benefit from the scheme in the foreseeable future.



**Dr. Moses Sichei,**  
**COMMISSION SECRETARY/CEO**



#### **IV. REPORT OF THE COMMISSION'S STAFF MORTGAGE SCHEME FUND**

The Commission Secretary (officer administering the Commission's Mortgage Scheme Fund) submits his report and financial statements for the year ended 30 June, 2021 which shows the state of the Fund's affairs.

##### **Principal Activities**

The principal activity of the Commission's Mortgage Scheme is to provide housing loan facilities to the staff members.

##### **Results**

The results of the Mortgage scheme for the year ended 30 June, 2021 are set out on page 1-4.

##### **Management**

The key management who served during the year are shown on page (v-vi). The members are drawn from Corporate Services directorate.

##### **Auditors**

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

## **V. STATEMENT OF THE OFFICER ADMINISTERING FUND'S RESPONSIBILITIES**

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

The Officer administering the Fund (Commission Secretary) is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year (period) ended on June 30, 2021. Further, his other responsibilities include: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Officer administering the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with Accrual basis of Accounting method under the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the Commission's Act. He is also of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. He further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

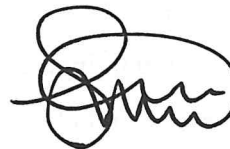


### **Approval of the financial statements**

The Commission's Staff Mortgage Scheme Fund financial statements were approved by the Commission on **12<sup>th</sup> August 2021** and signed on its behalf by:



**Dr. Moses Sichei**  
COMMISSION SECRETARY



**Dr. Jane Kiringai**  
CHAIRPERSON

## **VI. MANAGEMENT DISCUSSION AND ANALYSIS**

### **Operational and Financial Performance**

During the year, the Fund was reinstated to Kshs. 129.5 million in capital and Kshs. 9.5 million as cumulative interest earned from utilised and unutilised accounts. The fund had 22 withdrawals amounting to Kshs.140.9 million as compared to 18 withdrawals at Kshs. 115.8 million in FY 2019/20. In the reporting year the Fund has pending requests awaiting disbursements of Kshs.17.5 million. The fund achieved an absorption rate of approximately **100%** similar to FY 2019/20 performance.

### **Funds' compliance with statutory requirements**

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

### **Key activities the Fund is undertaking**

The main reason for setting up the Fund was mainly to provide financial support for staff members in acquisition of mortgage facility at a subsidised interest rate relating to:

1. Home development loans
2. Acquisition or Purchase of residential homes
3. Purchase of land for Home construction

### **Major risks facing the Fund**

#### **Liquidity Risk**

The Commission has always strived to hedge against liquidity risk and always ensuring that financial obligations are met whenever they fall due. This risk has since been managed over the previous years by ensuring sufficient budgetary allocations are appropriated to the fund.

#### **Material arrears in statutory/financial obligation**

The Fund has a minimal outstanding liability caused by budgetary constraints on fringe benefit which will be settled in FY 2021/22.

COMMISSION ON REVENUE ALLOCATION STAFF MORTGAGE SCHEME'S FUND FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE 2021

**The Fund's financial probity and governance issues**

The Fund runs its operation through KCB bank the administrators and in constant consultation with the key management who act on behalf of the Commission.





# REPUBLIC OF KENYA

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*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON COMMISSION ON REVENUE ALLOCATION STAFF MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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

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

#### **Opinion**

I have audited the accompanying financial statements of Commission on Revenue Allocation Staff Mortgage Scheme Fund set out on pages 1 to 8, which comprise the

---

*Report of the Auditor-General on Commission on Revenue Allocation Staff Mortgage Scheme Fund for the year ended 30 June, 2021*



statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, and the 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 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission on Revenue Allocation Staff Mortgage Scheme Fund as at 30 June, 2021 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 Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to abolish the 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 financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.



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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from



fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to 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 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**

**24 January, 2022**



### III. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

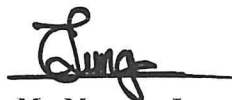
	Note	2020 -2021 Kshs	Restated 2019-2020 Kshs
<b>REVENUE</b>			
Interest earned	5	1,490,171	1,554,383
<b>Total revenue</b>		<b>1,490,171</b>	<b>1,554,383</b>
<b>EXPENDITURE</b>			
General Expenses *	9	1,065	-
<b>Total expenses</b>		<b>1,065</b>	<b>-</b>
<b>Surplus for the period</b>		<b>1,489,106</b>	<b>1,554,383</b>

The notes set out on pages 5 to 7 form an integral part of the Financial Statements



Dr. Moses Sichei  
Commission Secretary/CEO

Date 12/08/21



Ms. Maureen Junge  
Finance Manager/ ICPAK No. 9883

Date 12/08/21



Dr. Jane Kiringai  
Chairperson

Date 12/08/21

## IX. STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2020-2021 Kshs	Restated 2019-2020 Kshs
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	2,115,369	3,365,102
Receivables	7	119,456,728	103,389,767
Undisbursed Loans	8	17,500,000	18,684,302
		<b>139,072,097</b>	<b>125,439,171</b>
<b>Non-current assets</b>			
		-	-
<b>Total assets</b>		<b>139,072,097</b>	<b>125,439,171</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Fringe Benefit *	10	-	-
<b>Non-current liabilities</b>			
		-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		<b>139,072,097</b>	<b>125,439,171</b>
<b>FINANCED BY:</b>			
Authorised and paid up Capital	11	117,403,126	115,528,126
Additional Capital	11	12,143,820	1,875,000
Accumulated surplus *		8,036,045	6,481,662
Surplus for the Period *		1,489,106	1,554,383
<b>Total net assets and liabilities</b>		<b>139,072,097</b>	<b>125,439,171</b>

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Commission by:



Dr. Moses Sichei  
Commission Secretary/CEO



Ms. Maureen Junge  
Finance Manager/ ICPAK No. 9883



Dr. Jane Kiringai  
Chairperson

Date 12/08/21

Date 12/08/21

Date 12/08/21



**X. STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

		<b>Restated</b>
	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Balance as at 30 June 2020</b>	<b>117,403,126</b>	<b>115,528,126</b>
Additional Capital	12,143,820	1,875,000
Transfers to/from accumulated surplus *	8,036,045	6,481,662
Surplus/(deficit) for the period *	1,489,106	1,554,383
<b>Balance as at 30 June 2021</b>	<b>139,072,097</b>	<b>125,439,171</b>

# **XI. STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2021

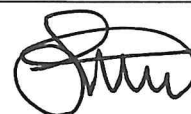
		2020-2021	Restated 2019-2020
	Note	Kshs	Kshs
Surplus/Deficit for the year before tax *		1,489,106	1,554,383
<b>Adjusted for:</b>			
Depreciation and Amortisation		-	-
(Non-cash grants received)		-	-
(Contributed assets)		-	-
Impairment		-	-
(Gains and losses on disposal of assets)		-	-
Contribution to provisions		-	-
Contribution to impairment allowance		-	-
(Finance income)		-	-
Finance cost		-	-
<b>Working capital adjustments:</b>			
(Increase in inventory)		-	-
(Increase)/Decrease in receivables	7	(16,066,961)	(15,653,788)
(Increase)/Decrease in undisbursed Loans	8	1,184,302	10,215,697
Increase in deferred income		-	-
Increase/(Decrease) in payables *	10	-	-
Increase in payments received in advance		-	-
<b>Net cash flows from operating activities</b>		<b>(13,393,553)</b>	<b>(3,883,707)</b>
<b>Cash flows from investing activities</b>			
(Increase)/Decrease in accounts receivable		-	-
Decrease in accounts payable		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Additional Capital	11	12,143,820	1,875,000
<b>Net cash flows used in financing activities</b>		<b>12,143,820</b>	<b>1,875,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,249,733)</b>	<b>(2,008,707)</b>
Cash and cash equivalents at 1 July 2020		3,365,102	5,373,810
<b>Cash and cash equivalents at 30 June 2021</b>	<b>6</b>	<b>2,115,369</b>	<b>3,365,102</b>



Dr. Moses Sichei  
Commission Secretary/CEO



Ms. Maureen Junge  
Finance Manager/ ICPAK No. 9883



Dr. Jane Kiringai  
Chairperson

Date 12/08/21

Date 12/08/21

Date 12/08/21

## **XII. NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **1. General Information**

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

### **2. Statement of Compliance basis of preparation – IPSAS 1**

The Financial Statements have been prepared in accordance to and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Accrual Basis Financial Reporting under the Accrual basis of Accounting and relevant legal framework of Kenya. The financial statement complies with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya (PSASB).

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

### **3. Summary of Accounting policies**

#### **(i) Non-Current Assets**

The fund does not maintain any non-current assets

#### **(ii) Recognition of Revenue and expenses**

Income is recognized in the period in which it's earned. Income is not accrued if its recoverability is doubtful. The Revenue constitutes all incomes accruing to the Fund in the form of interest earned both on the Utilized fund (1%) and Unutilized fund (10% (CBR). All interest is recouped back to the revolving account on a quarterly basis.

#### **(iii) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise Cash book balance as at 30th June 2021.

#### **(iv) Fund Account**

The fund is enhanced gradually on an annual basis through annual appropriations from the Commission's Budget. Further, all accrued interest is recouped back to the fund. The Fund was mainly established to enable members of staff members acquire loans for purchase of residential homes, acquisition of land and construction of residential homes. The facility is extended to applicants at an interest rate of 4% being 1% to the revolving fund and 3% to the administering bank.

### XIII. NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

#### (V) Fringe Benefit Tax

Fringe Benefit Tax was introduced by the new provisions under section 12B of the Income Tax Act. It is payable by the Commission in respect of loans provided to staff at an interest rate lower than the market rate. The taxable value of Fringe Benefit is determined as;

- (a) (Market Int rate for the month – Interest charged to employees) x Loan amount
- (b) Fringe benefit Tax payable by the Commission = (a) x 30%

The prescribed rates of interest are published by the Commissioner of Tax on a quarterly basis. In the reporting year the interests were published as 7%, 6%, 7% and 7% for Q1, Q2, Q3 and Q4 respectively

#### 4. Mortgage Scheme's Beneficiaries

The movement of the scheme's beneficiaries during the year is as below;

	Cadre	2020/21	2019/20
2	Directors	3	3
3	Deputy Directors	1	-
4(A)	Managers	7	6
4(B)	Assistant Managers	2	-
5	Officers	6	6
6	Assistant Officers	-	
7	Logistic Staff	2	2
8	Support Staff	1	1
		22	18



### XIII. NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2020-2021	Restated 2019-2020
	Kshs	Kshs
<b>5. Income</b>		
Interest -Utilized Fund (1%)	920,153	866,752
Interest -Unutilized Fund (10% of CBR)	570,019	687,631
	<b>1,490,171</b>	<b>1,554,383</b>
<b>6. Cash and cash equivalents</b>		
KCB-Mortgage Account	1,716,226	2,986,674
Short Term deposits (Bank statement)	399,143	378,428
	<b>2,115,369</b>	<b>3,365,102</b>
<b>7. Receivables (Current Receivables)</b>		
Outstanding Loans advanced as at 30th June 2021	119,456,728	103,389,767
	<b>119,456,728</b>	<b>103,389,767</b>
<b>8. Refundable Deposits from customers</b>		
Loan Deposits	-	-
Undisbursed Loans	17,500,000	18,684,302
	<b>17,500,000</b>	<b>18,684,302</b>
<b>9. General Expenses</b>		
Bank Charges	1,065	-
Fringe Benefit *	-	-
	<b>1,065</b>	<b>-</b>
<b>10. Creditors / Liabilities</b>		
KRA – Fringe Benefit *	-	-
	<b>-</b>	<b>-</b>
<b>11. Fund Account</b>		
Capital Fund	117,403,126	115,528,126
Additional Capital	12,143,820	1,875,000
	<b>129,546,946</b>	<b>117,403,126</b>

#### 12. Comparatives

Prior year comparative information has been presented in the current financial year. The figures have however been restated to cater for prior years adjustments. **Annex XIV** is a detailed analysis of the restated figures.

### XIII. PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

Reference No. on external audit report	Issue / Observation from Auditor	Management Comments	Focal point person to resolve the issue	Status:	Time frame:
1820	Unpaid Fringe Benefit Tax	Paid off as first charge in FY2020/21	Maureen Junge (FM)	Matter Closed	N/A



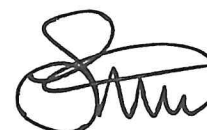
**Dr. Moses Sichei**  
Commission Secretary/CEO

Date 12/08/21



**Ms. Maureen Junge**  
Finance Manager/ ICPAK No. 9883

Date 12/08/21



**Dr. Jane Kiringai**  
Chairperson

Date 12/08/21

#### XIV. PRIOR YEAR'S ADJUSTMENTS

Note	Particulars	Year	Audited	Revised	Difference	Reason	Action	Affected Statement	Effect on Financial Statements
9	Fringe Benefit Expense	19/20	831,826	-	831,826	Expenditure transferred to Sponsor	Reduce General Expenses, and Payables by 831,826	Statement of Financial Performance	Increased surplus for period
								Financial Position	Increased Net Assets
10	Accrued Fringe Benefit	17/18, 18/19	1,157,957	-	1,157,957	Liability transferred to Sponsor	Reduce Accrued liability and Increase accumulated Surplus by 1,157,957	Financial Position	Increased Net Assets
								Statement of changes in Net Assets	Increased Accumulated surplus
	<b>Total Adjustment</b>		<b>1,989,783</b>	<b>-</b>	<b>1,989,783</b>				

**Note:**

Audited Net Assets 19/20

123,449,388

**Revised Net Assets 19/20** (Total Adjustments + Audited Net Assets 19/20) **125,439,171**

