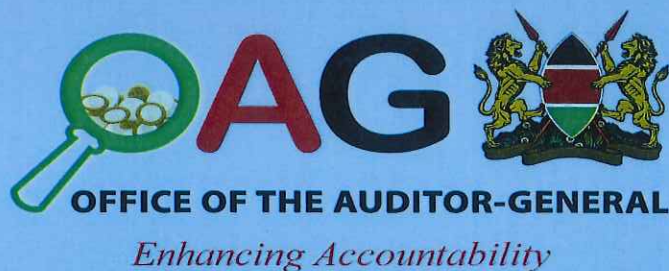


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**VIHIGA COUNTY EXECUTIVE CAR LOAN
AND MORTGAGE SCHEME FUND**

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

PAPERS LAID	
DATE	25/10/22
TABLED BY	Senate Majority Whip.
COMMITTEE	_____
CLERK AT THE TABLE	M. Adjibadeu.



**COUNTY GOVERNMENT OF VIHIGA
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING
VIHIGA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE
SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Vihiga County Executive Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

For proper management of the fund and as advised by the SRC in the circular under the reference, Vihiga County adopted the PFM regulations 2015 to guide in the operationalization of the fund. The fund is being internally administered in the County Government by the Fund Administrator responsible.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising there from, the County Executive approved and adopted The Public Finance Management (Vihiga County Executive Car Loan and Mortgage Scheme Fund) Regulations, 2019.

The Fund is wholly owned by the County Government of Vihiga and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide car loans and mortgage to staff of Vihiga County Government, Executive.

Vision

The fund of choice for staff

Mission

To provide affordable, accessible and sustainable car loans and mortgage to staff

Core Values

The fund upholds the values of:

INTEGRITY: We strive to be honest, fair and ethical in all dealings with our clients, suppliers, partners, co-workers and the communities in which we operate.

RESPECT: We will treat our clients, suppliers, stakeholders and each other with respect in a consistent and fair manner that promotes teamwork and embraces diversity.

INNOVATION: We will continuously develop relevant products through innovation and efficient service delivery.

ACCOUNTABILITY: We will individually and collectively take full responsibility for our actions and hold ourselves accountable to each other and to all stakeholders.

c) Board of Trustees

Ref	Name	Position
1	Ezekiel Ayiego	Chairman
2	Hon. CPA Alfred Indeché	CECM, Finance and Economic Planning-member
3	Hon. Mary Amalemba	CECM, Water-Member
4	Mrs. Lucy Ijai Simiyu	Chief Officer Lands-Member
5	CPA Livingstone Imbayi	Fund Administrator-Secretary

d) Key Management

Ref	Name	Position
1	CPA Livingstone Imbayi	Fund Administrator-Secretary
2	Felix Mugalitsi	Fund Accountant

e) Registered Offices

Vihiga County Headquarter-Governors' building,
P.O. Box 344 – 50300,
Maragoli,
Mbale/Kisumu- Kakamega Highway,
Kenya.

f) Fund Bankers

Equity Bank,
Luanda Branch,
P.O. Box 34-50307,
Luanda, Kenya.

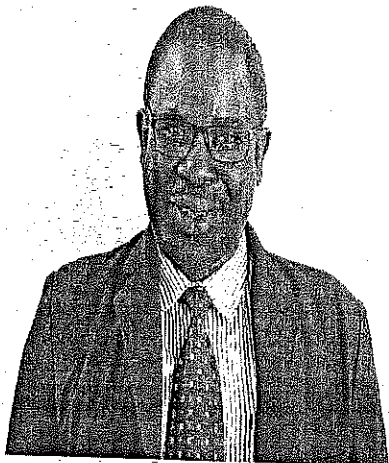

g) Independent Auditors




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

h) Principal Legal Adviser

The County Attorney,
County Government of Vihiga,
P.O. Box 344-50300,
Maragoli, Kenya.

2. BOARD OF TRUSTEES

Ref	Position	Name
1		<p>Hon. Ezekiel Ayiego Chairman Hon. Ayiego is the County Secretary and Head of Public Service. He served as Principal/Board of Management (BOM) Secretary at Chesamis Boys High School, Vihiga Boys High School, Ingotse High School, Friends High School Kigama and Lwanda Secondary School.</p> <p>Hon. Ayiego is currently undertaking a PHD in Education Management at Masinde Muliro University. He holds a Masters degree in Education (Education Planning, Management and Administration) from Mount Kenya University (2012-2014), Bachelor of Education degree (Arts, History/CRE) from Moi University (1989-1992).</p>
2		<p>Hon. CPA Alfred Indech CECM, Finance and Economic Planning-member Hon. CPA Indech holds an MBA (Finance) from Jomo Kenyatta University of Agriculture and Technology and a BBA (Accounting) from the same university. He is a member of ICPAK and ISACA. Before his appointment as the CECM, he served as the Finance Officer at the Technical University of Mombasa.</p>
3		<p>Hon. Mary Nelima Amalemba CECM, Water-Member Hon. Amalemba is the CECM- Water, Environment</p>


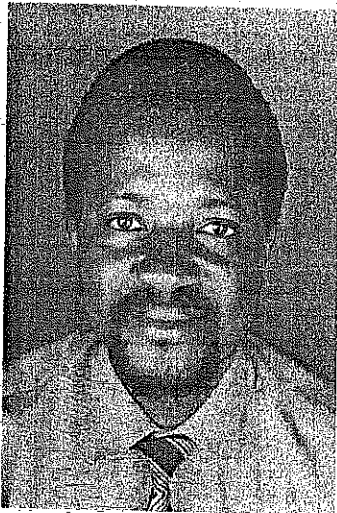
		
4		<p>Mrs. Lucy Ijai Simiyu Chief Officer Lands-Member</p> <p>Lucy holds a Bsc degree in Surveying from the University of Nairobi. Prior to joining Vihiga County, she worked at the Ministry of Transport, Infrastructure and Urban Planning.</p> <p>She is currently the Chief Officer department of Administration and Co-ordination of County Affairs.</p>
5		<p>CPA Livingstone Imbayi Fund Administrator-Secretary</p> <p>CPA Imbayi holds an MBA (Finance) from Kenyatta University and a BBM (Banking and Finance) from Moi university. He is a member of ICPAK. Before his appointment as the Chief Officer Finance and Economic Planning, CPA Imbayi worked at the Office of Controller of Budget as the Budget Coordinator Busia County.</p>

3. STATEMENT OF PERFORMANCE AGAINST ENTITY'S PREDETERMINED OBJECTIVES

The key objective of the Vihiga County Car Loan and Mortgage Scheme Fund Its mandate is to provide car loans and mortgage to County members of staff.

Program	Objective	Outcome	Indicator	Performance
Car Loan	To provide affordable Car Loan to staff	Increased number of staff who own vehicles	Percentage Staff who own vehicles	Increased access to car loans
Mortgage	To provide affordable Mortgage to staff	Increased number of staff who own houses	Percentage Staff who own houses	Increased access to mortgage

4. MANAGEMENT TEAM

1		<p>CPA Livingstone Imbayi Fund Administrator-Secretary CPA Imbayi holds an MBA (Finance) from Moi University and a BBM (Accounting) from the same university. He is a member of ICPAK. Before his appointment as the Chief Officer Finance and Economic Planning, CPA Imbayi worked at the Office of Controller of Budget as the Budget Coordinator Busia County.</p>
2		<p>Felix Mugalitsi Fund Accountant Mr. Mugalitsi is a holder of BBM (Accounting Option) from Masinde Muliro University of Science and Technology (2011) and he is currently pursuing CPA. Felix has previously served as the Fund Administrator of the Vihiga County Trade and Enterprise Fund and he is the current Fund Administrator of the Vihiga County Education fund. Prior to joining the Public Service, he served as an Accounts Assistant at Sameer Africa Plc.</p>

5. CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the board of trustees, the Vihiga County Executive Car Loan and Mortgage Scheme Fund annual report and financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

Sustainability

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

The fund has the County government allocation as its main source of funding.

Board and Management Changes

There has been management change. Marita Agufana was replaced by Mary A malemba.

Review of performance

Income

During the year under review, the Fund did not receive any monies from the County Exchequer. However, the Fund received an interest income of Kshs. 1,092,578 from loans issued (being 3% of 36,419,275). Furthermore, we are looking forward to expand our revenue sources so as to effectively meet our objective.

Expenditure

Due to the nature of the Fund, the Fund incurred an expenditure of Kshs. 468,056 during the year under review. The monies apportioned were effectively used to issue loans to beneficiaries. The Fund issued loans amounting to Kshs. 36,419,275 exclusive of interest on loans.

Future outlook

The outlook of the Fund for 2021/2022 is brighter. The Fund hopes to expand its revenue sources mostly through interest levied so as to improve its capital base. The management is focused to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in service delivery. The fund looks forward to continued support from the County Government and development partners to the realization of its objective.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the County Government, stakeholders, management, staff and fellow trustees for their support.

I look forward to your continued support in the year 2021/2022.

6. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Vihiga County Executive Car Loan and Mortgage Scheme Fund annual report and financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

During the year under review the Fund disbursed loans of Kshs. 37,511,853 to beneficiaries inclusive of interest; County Executive Committee Members and Chief Officers. The total repayment for the year was Kshs. 19,143,253 leaving an outstanding balance of Kshs. 36,414,991.

Financial Performance

a) Revenue

In the year ended 30th June 2021, the fund did not receive any monies from the County Exchequer. The Fund received an interest of Kshs. 1,092,578 compared to Kshs 1,023,648 received during the previous year.

b) Cash flows

In the FY 2020/2021, there were liquidity disruptions due to the fact that the Fund did not receive any monies from the County to meet its objective. Main cash received was from the interest levied on the loans.

c) Conclusion

We look forward to a good year where we shall ensure we meet the objective of the Fund in accordance with the general provisions of law and integrity. The momentum has been created to enable Vihiga County Executive Car Loan and Mortgage Scheme Fund continues on a trajectory to prosperity.

I take this opportunity to thank the board of trustees for their support. I would also want to thank all staff whom we have worked hand in hand to ensure that Vihiga County Executive Car loan and Mortgage Scheme Fund achieves its mission.

Signed: 

CPA Livingstone Imbayi
Fund Administrator

7. CORPORATE GOVERNANCE STATEMENT

THE BOARD

The Vihiga County Executive Car loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Its mandate is to provide car loans and mortgage to County 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 board of trustees at its apex. The operations of the fund are governed by the Vihiga County Executive Car loan and Mortgage Scheme Fund Regulations 2019. The structure is designed to ensure an informed decision making process based on accurate reporting to the board.

THE BOARD OF TRUSTEES

The regulations provide that the board of trustees shall be made up of five trustees, including the chairman, and shall consist of a chairperson and four other members identified for appointment. The board of trustees exercises leadership, enterprise, integrity and judgment in directing the Fund.

The trustees are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator but the board of trustees is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support.

The trustees are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the board, its committees, individual trustees and the Fund Administrator are evaluated by an independent Office of the Auditor General.

BOARD MEETINGS

The board of trustees meet quarterly or as required in order to implement the fund's strategic objective. The board of trustees also plays an oversight role over all other financial and operational issues. The trustees held three board meetings during the year under review.

AUDIT AND RISK COMMITTEE

During the year under review, the Audit and Risk Committee was established. This shall ensure that corporate governance and integrity is enhanced in-between the governance of the fund. The committee shall advice the board of trustees on institutional risk management and compliance.

STATEMENT OF COMPLIANCE

The board of trustees confirms that the fund has complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

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

Organization Structure

The structure details lines of authority and control responsibilities. The professionalism and competence of staff shall be maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

Strategic Plan

The fund has a three year strategic plan 2020-2023.

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 ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is approved by the audit and risk committee.

Where weaknesses are identified, the audit committee ensures that management takes appropriate action.

Risk Management

The risk management is coordinated by the head of internal audit, who reviews all the risks in the fund and updates the risk register and ensures that all new and emerging risks are appropriately

evaluated and any further actions identified. The identified risks are reported to the audit and risk committee to assist the board in the management of risks.

Management Team

The management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Auditor-General.

8. MANAGEMENT DISCUSSION AND ANALYSIS

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 operating 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 staff with an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund.

BUSINESS PERFORMANCE

Revenue

The fund earned interest revenue amounting to Kshs. 1,092,578.

The fund is projecting increased support from the County Government.

Cash flow

Cash and cash equivalents at the end of the financial year stood at Kshs. 6,183,751.

OPERATIONAL PERFORMANCE

The fund's core operating activity is to offer car loans and mortgage to members of staff. The County Government has supported the Fund.

Conclusion

We appreciate the unrelenting support from the board of trustees, management, staff, the County Government and all the key stakeholders. We look forward to continued partnerships and cooperation in areas of mutual interest in the FY 2021/2022.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate social responsibility is an integral part of our culture. As a responsible organisation, we respect the interests of our stakeholders – our employees, customers, suppliers and the wider community and we actively seek opportunities both to improve the environment and to contribute to the well-being of the communities around us.

During the financial year 2020/2021, the Fund did not carry out any CSR activity. This was occasioned by the fact that the Fund is 'young' with limited financial resources.

10. REPORT OF THE TRUSTEES

The Trustees submit their report together with the unaudited financial statements for the year ended June 30, 2021 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to provide financing to the members of staff to purchase cars and houses (mortgage) for personal use.

Results

The results of the Fund for the year ended June 30, 2021 are set out on pages 19 to 40.

Trustees

The members of the Board of Trustees who served during the year are shown on page 5 to 7.

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.

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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


The Administrator of the 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, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Administrator further confirms 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

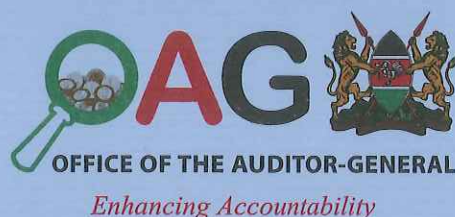
The Fund's financial statements were approved by the Board on 01/08/ 2022 and signed on its behalf by:



CPA Livingstone Imbayi
Fund Administrator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON VIHIGA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021

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 controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Vihiga County Executive Car Loan and Mortgage Scheme Fund set out on pages 20 to 39, which comprise of the

statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Vihiga County Executive Car Loan and 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 the Public Finance Management Act, 2012, and the Vihiga County Executive Car and Mortgage Scheme Fund Regulations, 2019.

Basis for Qualified Opinion

Unrecovered Insurance Expenses

The statement of financial performance reflects fund administrative expenses amounting to Kshs.468,056 and as disclosed under Note 2 to the financial statements which includes insurance expenses of Kshs.461,566. According to Section 19 of the Public Finance Management (Vihiga County Executive Car Loan and Mortgage Scheme Fund) Regulations, 2019, Insurance expenses are supposed to be met by the loan beneficiaries, however these expenses were paid by the Fund. Although the Management explained that the expenses were paid by the Fund as provided by Sub-Section 2 of the same Regulation 2 and later loaded to the loanees as part of the loan to be recovered, no evidence was provided to indicate that the insurance expenses were recovered from the loanees or provided for as a receivable in the financial statements.

In the circumstances, the completeness of insurance expenses of Kshs.468,056 could not be confirmed and the recoverability of the amount from loanees is doubtful.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Vihiga County Executive Car Loan and Mortgage Scheme Fund 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 were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the Fund had an approved revenue budget of Kshs.1,200,000 and actual receipts of Kshs.1,092,578 resulting to a shortfall of Kshs.107,422 or approximately 10% of the budgeted amount. Similarly, the statement reflects expenditure budget of Kshs.510,000 and an actual expenditure of Kshs.468,056 resulting to an under expenditure of Kshs.41,944 or approximately 8% of the budgeted amount.

In the circumstances, the shortfall and under absorption may have negatively impacted the operations of the Fund.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and 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 the 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 terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's

ability to 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 controls that are identified during the audit.

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


19 September, 2022

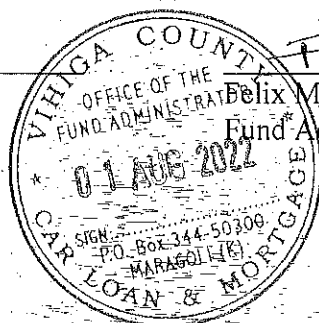
13. FINANCIAL STATEMENTS

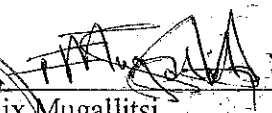
13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
Revenue from exchange transactions			
Interest income	1 (a)	1,092,578	1,023,648
Total revenue		1,092,578	1,023,648
Expenses	2	468,056	-
Total expenses		(468,056)	-
Surplus/(deficit)for the period		624,522	1,023,648

The accounting policies and explanatory notes to the financial statements form an integral part of the financial statements. The entity financial statements were approved on 01/08/ 2022 and signed on its behalf by:


CPA Livingstone Imbayi
Fund Administrator
ICPAK NO. 9232





Belix Mugallitsi
Fund Accountant

Vihiga County Executive Car Loan and Mortgage Scheme Fund
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13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021 Kshs	2019/2020 Kshs
Assets			
Current assets			
Cash and cash equivalents	3	6,183,751	21,172,912
Outstanding Loans	3 (b)	36,414,991	19,850,736
		42,598,742	41,023,648
Non-current assets			
Total assets		42,598,742	41,023,648
Liabilities			
Current liabilities			
Trade and other payables	6	950,572	-
Non-current liabilities			-
Total Liabilities		(950,572)	-
Net assets		41,648,170	41,023,648
FINANCED BY			
Balance c/f		41,023,648	40,000,000
Surplus		624,522	1,023,648
Total equity		41,648,170	41,023,648

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 01/08/2022 and signed by:


CPA Livingstone Imbayi
Fund Administrator
ICPAK NO. 9270





Felix Mugalitsi
Fund Accountant

Vihiga County Executive Car Loan and Mortgage Scheme Fund
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13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 st July 2019	40,000,000	-	40,000,000
Surplus/(deficit) for the period	-	1,023,648	1,023,648
Funds received during the year	-	-	-
Revaluation gain	-	-	-
Balance as at 30 th June 2020	40,000,000	1,023,648	41,023,648
Balance as at 1 st July 2020	41,023,648	-	41,023,648
Surplus/(deficit) for the period	-	624,522	624,522
Funds received during the year	-	-	-
Revaluation gain	-	-	-
Balance as at 30 th June 2021	<u>41,023,648</u>	<u>624,522</u>	<u>41,648,170</u>

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 01/08/2022 and signed by:


 CPA Livingstone Imbayi
 Fund Administrator
 ICPAK NO. 927




 Felix Mugalitsi
 Fund Accountant

13.4. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2010
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest Income	1 (a)	-	1,023,648
Repayment	1 (c)	21,898,170	17,098,857
Total Receipts		21,898,170	18,122,505
Expenses	2	(468,056)	-
Loans Disbursed	4 (a)	(36,419,275)	(36,949,593)
Total Payments		-	-
Net cash flows from operating activities		(14,989,161)	(18,827,088)
Cash flows from investing activities		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities		-	-
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(14,989,161)	(18,827,088)
Cash and cash equivalents at beginning of the year		21,172,912	40,000,000
Cash and cash equivalents at the end of the year		6,183,751	21,172,912

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 01/08/2022 and signed by:

CPA Livingstone Imbayi
Fund Administrator
ICPAK NO. 9270




Felix Mugalitsi
Fund Accountant

**Vihiga County Executive Car Loan and Mortgage Scheme Fund
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13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2020/2021	Adjustments 2020/2021	Final budget 2020/2021	Actual comparable basis 2020/2021	Performance difference 2020/2021	% utilization 2020/2021
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	0%
Transfers from County Govt.	-	-	-	-	-	0%
Interest income	1,200,000	-	1,200,000	1,092,578	107,422	91%
Other income	-	-	-	-	-	0%
Total income	1,200,000	-	1,200,000	1,092,578	107,422	91%
Expenses						
Insurance	500,000	-	500,000	461,566	38,434	92%
Bank Charges	10,000	-	10,000	6,490	3,510	65%
Total expenditure	(510,000)	-	(510,000)	(468,056)	(41,944)	92%
Surplus for the period	690,000	-	690,000	624,522	65,478	91%

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 01/08/2022 and signed by:


CPA Livingstone Imbayi
Fund Administrator
ICPAK NO. 9270



Felix Mugalitsi
Fund Accountant



Vihiga County Executive Car Loan and Mortgage Scheme Fund
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13.6. 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. Adoption of new and revised standards

a) Early adoption of standards

The entity did not adopt any new or amended standards in year 2020/21

Vihiga County Executive Car Loan and Mortgage Scheme Fund
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Summary of significant accounting policies (continued)

3. 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 monies to determine interest income in each period.

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly. The Fund did not receive any appropriation monies during the year under review.

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.

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.

Vihiga County Executive Car Loan and Mortgage Scheme Fund
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Summary of significant accounting policies (continued)

5. Property, plant and equipment

The Fund did not own any property, plant and equipment in the period under review.

6. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

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Summary of significant accounting policies (continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Vihiga County Executive Car Loan and Mortgage Scheme Fund
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Summary of significant accounting policies (continued)

8. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

9. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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Summary of significant accounting policies (continued)

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

10. Nature and purpose of reserves

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

11. 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.

12. Foreign currency transactions

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

Vihiga County Executive Car Loan and Mortgage Scheme Fund
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Summary of significant accounting policies (continued)

13. 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.

14. 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 Fund Administrator and the Fund Accountant.

15. 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.

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

The entity is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the Vihiga County Executive.

19. Currency

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

Summary of significant accounting policies (continued)

20. 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.

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.

Useful lives and residual values

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

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

Vihiga County Executive Car Loan and Mortgage Scheme Fund
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Summary of significant accounting policies (continued)

21. 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 operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

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

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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Summary of significant accounting policies (continued)

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

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

i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

d) Capital risk management

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

	2020/2021
	KShs
Revaluation reserve	-
Revolving fund	41,023,648
Accumulated surplus	624,522
Total funds	41,648,170

Vihiga County Executive Car Loan and Mortgage Scheme Fund
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13.7. NOTES TO THE FINANCIAL STATEMENTS

1. (a) Interest Income

Description	2020/2021	2019/2020
	Kshs	Kshs
Loan I	654,578	804,648
Loan II	438,000	219,000
Total	1,092,578	1,023,648

(b) Changes in Fund Balance

Description	2020/2021	2019/2020
	Kshs	Kshs
Interest Income	1,092,578	1,023,648
Less Expenses	468,056	-
Total	624,522	1,023,648

(c) Repayment

Description	2020/2021	2019/2020
	Kshs	Kshs
July 2020	2,240,952	-
August 2020	1,713,230	-
September 2020	2,056,714	1,204,150
October 2020	1,922,020	1,459,947
November 2020	1,922,016	1,804,345
December 2020	2,018,563	1,804,345
January 2021	3,115,941	1,804,345
February 2021	1,748,203	1,804,345
March 2021	1,748,197	1,804,345
April 2021	1,357,829	1,804,345
May 2021	2,054,505	1,804,345
June 2021	-	-
Total	21,898,170	17,098,857

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2. Expenses

Description	2020/2021	2019/2020
	Kshs	Kshs
Insurance	461,566	-
Bank Charges	6,490	-
Total	468,056	-

3. Cash and cash equivalents

Description	2020/2021	2019/2020
	Kshs	Kshs
Current account	6,183,751	21,172,912
Total cash and cash equivalents	6,183,751	21,172,912

Detailed analysis of the bank balance as follows:

Financial institution	Account number	2020/2021	2019/2020
		Kshs	Kshs
a) Current account			
Equity Bank	11202788117955	6,183,751	21,172,912
Total		6,183,751	21,172,912

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Notes to the financial statements (continued)

4. (a) Disbursed Loans

Description	2020/2021	2019/2020
	Kshs	Kshs
September Issue	21,819,275	27,626,248
October Issue	14,600,000	7,519,000
Total cash and cash equivalents	36,419,275	35,145,248

(b) Outstanding Loan

Description	2020/2021	2019/2020
	Kshs	Kshs
Opening Balance	19,850,736	-
Loan I	22,473,853	27,626,248
Loan II	15,038,000	7,519,000
Less Repayment	(20,941,963)	(17,098,857)
Add back un-credited deposit	1,798,710	1,804,345
Less June repayment	(1,804,345)	
	36,414,991	19,850,736

5. Accounts Payable

Description	2020/2021	2019/2020
	Kshs	Kshs
Paul Mbuni	950,572	
	950,572	

Vihiga County Executive Car Loan and Mortgage Scheme Fund
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For the year ended June 30, 2021

Notes to the financial statements (continued)

6. Related party balances

a) Nature of related party relationships

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

- a) County Government of Vihiga;
- b) Board of Trustees; and
- c) Key management personnel.

There were no related part transactions in the reporting period.

Vihiga County Executive Car Loan and Mortgage Scheme Fund
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14. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Fund is waiting for the audit reports of the previous years' 2018/2019 and 2019/2020

