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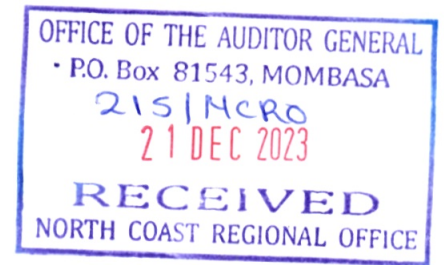
THE AUDITOR-GENERAL

ON

PAPERS Laid	
DATE	7/3/24
TABLED BY	SML
COMMITTEE	
CLERK AT THE TABLE	<i>[Signature]</i>

**KILIFI COUNTY MICROFINANCE
(WEZESHA) FUND**

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



KILIFI COUNTY MICROFINANCE (WEZESHA) FUND/BOARD

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

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

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Kilifi County Microfinance (Wezesha) Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

a) Acronyms

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

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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2. Key Entity Information and Management

a) Background information

Kilifi County Microfinance (Wezesha) Fund is established by and derives its authority and accountability from Kilifi County Microfinance Fund Act gazetted on 10th June 2016. The Fund is wholly owned by the County Government of Kilifi and is domiciled in Kenya.

The fund's objective is to provide support to Micro and Small Enterprises operating within the County through provision of seed capital, Market linkage and Employment Creation.

b) Principal Activities

The Fund has five key mandates as follows:

(i) To provide access to capital and financial facilities to micro and small enterprises owned by the residents in the County.

(ii) To support micro and small enterprises to develop linkages with large enterprises.

(iii) To facilitate marketing of products and services of micro and small enterprises owned by residents in the county in both domestic and international markets.

(iv) To facilitate investment in small and micro enterprises oriented in commercial infrastructure such as business or industrial parks, stalls, markets or business incubators that will be beneficial to the enterprises.

(v) To provide business development services to micro and small enterprises, and generate gainful self-employment for the residents of Kilifi.

The mission of Kilifi County Microfinance (Wezesha) Fund is to Provide Affordable Microfinance for Employment Creation.

The vision is, *Maisha Bora Kwa Wakilifi*.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Daniel S.G.Masha	Ag. Chairman of the Board
2	Lynne Farrah	Member
3	Winnie Wakati Luwali	Member
4	Sidi Jefwa Chai	Member
5	Uhuru K. Raymond	Member
6	Peter Shoka Msuko	Secretary/Fund Administrator.

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d) Key Management

Ref	Name	Position
1	Peter Shoka Msuko	Fund Manager/ Administrator
2	Hussein Fondo	Fund Accountant
3	Andrew Kai	Principal Procurement Officer

e) Registered Offices

P.O. Box 519
Department of Trade, Tourism and Cooperative Development Offices
Kilifi Water Road
Kilifi, KENYA

f) Fund Contacts

Telephone: (254) 790 465 544
E-mail: kilificountymicrofinancefund@gmail.com
Website: <http://www.kilifi.go.ke/>

g) Fund Bankers

Cooperative Bank of Kenya Limited
Kilifi Branch
P.O. Box 96-80108
Kilifi, Kenya




h) Independent Auditors

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




i) Principal Legal Adviser

The County Attorney
County Government of Kilifi
P.O. Box 519 - 80108
Kilifi, Kenya

3. The Board of Trustees

Name	Details of qualifications and experience
 <p>Lynne Tracy Farrah Trade Representative 1. DOB 10.11.1974</p>	<p>Experience: Over 10 years working experience in the County Government. Currently the Chief Officer for Trade-County Government of Kilifi.</p> <p>Qualifications: Master of Public Policy and Administration from Kenyatta University. BSc. Hons. Forensic Science and Criminology London South Bank University.</p>
 <p>Winnie Wakati Luwali Finance Representative 2. DOB:1990</p>	<p>Experience. Over 10 years in senior management positions in County Government of Kilifi. Appointed as Chairperson of the Fund Management Committee on December 28, 2022, she is a seasoned professional with a background in public service.</p> <p>Qualifications. Bachelor of Commerce degree from the University of Eastern Africa, Master's in Business Administration (Strategic Management).</p>
 <p>Sidi Jefwa Chai Woman Representative DOB 24.06.1984</p>	<p>Experience: Over 8 years' experience in business management in private sector. Worked as legal assistant and currently practicing law.</p> <p>Qualification: Post Graduate Diploma Human Resource Management from European Business University Luxembourg. Degree (LLB) from Catholic University of Eastern Africa.</p>

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 <p>Cooperative Movement Representative DOB: 21.04.1961</p>	<p>Experience: Over 30 years in Savings and Credit Cooperatives management. Qualification: Bachelor in Cooperative Business.</p>
 <p>Uhuru Karisa Raymond Youth Representative DOB 26.06.1995</p>	<p>Experience – Over 5 years’ experience in teaching both private and public school. Qualification: Bachelor of Education Bio/Chem from Pwani University.</p>
 <p>Damaris Kadzo Kitsao PWDs Representatiive D.O.B 8.11.1977</p>	<p>Experience. Over 3 years experiencing in teaching profession. Qualifications. Bachelor of Education and Counselling.</p>






Fund Manager.
Peter Shoka Msuko
Fund Manager
DOB 05.10.1986

Experience: Over 7 years' experience in both Private and Public Industry with special focus on Business Development and Finance.

Qualifications: Bachelor of Commerce Majoring in Accounting.

Professional qualifications CPA II,

4. Management Team

Name		Details of qualifications and experience
<p>1.</p>	 <p>Peter Shoka Msuko Fund Manager DOB 05.10.1986</p>	<p>Experience: Over 7 years' experience in both Private and Public Industry with special focus on Business Development and Finance.</p> <p>Qualifications: Bachelor of Commerce Majoring in Accounting. CPA II,</p> <p>Area of Responsibility: Oversee the day-to-day operations of the Fund;</p>
<p>2.</p>	 <p>Hussein Fondo Accountant DOB 1982</p>	<p>Experience: Over 10 years' experience in Accountancy both private and public sectors.</p> <p>Qualifications: Bachelor of Commerce CPA (K) and CS (K)</p> <p>Area of responsibility: Fund Accounting operations.</p> <p>Membership: ICPA(K), ICS(K).</p>
<p>3.</p>	 <p>Andrew Kai Fund Procurement officer DOB 1978</p>	<p>Experience: Over 12 years' experience in procurement both private and public sectors.</p> <p>Qualifications: Bachelor of Business Management (BBM) Supplies and Procurement option. Licensed Supply Chain Practitioner. Member KISM.</p> <p>Area of responsivity: Fund Procurement Operations,</p>

5. Board/Fund Chairperson's Report

Board/Fund Chairperson's Report

I am delighted to present the Annual Report and Financial Statements for Kilifi County Microfinance (Wezesha) Fund for the year ended 30th June, 2023.

This Fund was established by an Act of County Assembly. The main purpose of the Fund is to provide access to capital and financial facilities to MSEs owned by residents in the County. The Fund Board provides oversight role to the Fund. It is consisting of seven non-executive members appointed by the Governor. The day-to-day management of the business and implementation of policy decisions is the responsibility of the Fund Secretariat.

The joint effort of the Board, the Secretariat and the Sub-County teams led to achievement of the following milestones in the fifth year of the life of the Fund (FY2022/2023);

i. Appointment of Board Members

Kilifi County Microfinance (Wezesha) Fund Act 2016 provides that the Fund board serves a term of three years eligible for reappointment for one further term.

ii. Wezesha Fund Launch

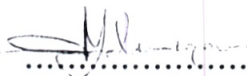
The Kilifi County Microfinance Fund Act was amended, changing from the previous Mbegu Fund to Wezesha Fund and assented on the 26th May 2023 and was officially launched by His Excellency the Governor Gideon Mung'aro on the 16th June 2023.

iii. Partnership With Financial Institutions

Wezesha Fund was able to partner with Kenya Commercial Bank and Rafiki Microfinance Bank to assist in providing access to capital and financial facilities to micro and small enterprises (MSMEs) owned by the residents in the County and efficiency in loan disbursement and recoveries.

The Fund, like any other entity, had some challenges during the year under review. They included the following:

- (i) Under staffing. Currently the Fund is understaffed, with only three credit officers covering the all seven Sub Counties
- (ii) Lack of fund vehicle to facilitate on loan recoveries and follow ups.
- (iii) High political influence and change in government affecting the loan recoveries process.



Daniel S.G. Masha
Ag. Chairperson

6. Report of The Fund Administrator

On behalf of the Fund secretariat, it gives me great pleasure to present our annual Report and Financial Statements for the year ended 30th June, 2023.

The Fund was in its seventh year of operation. During the financial year under review, the Fund did not record growth in almost all parameters mainly because it did not receive its budgetary allocation from County Treasury on time. Consequently, the Fund experienced many challenges in discharging its mandate, including change in government that froze the lending activities of the Fund, change in name from Mbegu to Wezesha Fund. Politicians telling people not to repay their loans as part of winning votes. Therefore, the Fund could not achieve its all disbursement and loan recoveries targets.

5.1 Highlights of the financial Performance for the year 2022/2023

The Fund had a budget of Ksh. 197,200,000.00 in the Financial Year 2022/2023 out of which Ksh 116,000,000.00 was to be sourced from the County Government annual allocation. 97% of the budget which is equivalent to Ksh. 191,284,000.00 was for lending. The remaining 3% amounting to Ksh. 5,916,000.00 was meant for administration of the Fund.

- Loan Disbursements

Table 1: Loan Disbursements for the last three years.

Parameter	Performance		
	2020/2021	2021/2022	2022-2023
Amount of Loans Approved & Disbursed	171,065,010	81,046,000.0 0	11,736,864.00
Number of Loans Disbursed (Total)	1,203	685	41
Number of group beneficiaries	1,195	684	22
Number of Cooperative Society Beneficiaries	8	1	1
Sole proprietors			19
Outstanding Loan Balances beginning of FY	71,311,983	204,302,590	244,975,774
Outstanding Loan Balances close of FY	204,302,590.	244,975,774	238,389,919.38

- **Loan Recovery/ Collection**

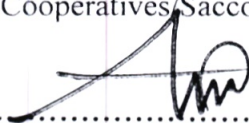
Table 2: Cumulative outstanding Loan Balance and Repayments.

Parameter	2020/2021	2021/2022	2022/2023
Outstanding Loan Balance (OLB) (Cumulative)	204,302,590.00	244,975,774.00	238,389,919.38
Loan Repayments Received	39,079,403.00	38,150,307.00	19,067,818.62

Table 3: Portfolio and risk and amount collected for the financial year 2022/2023

Parameter	Performance
PAR(>1day)	45%
Amount Collected	19,067,818.62

- Total Income generated from Management fees on Groups, sole proprietors and Cooperatives/Sacco Loans Ksh 505,600.00



.....
Name: Peter Shoka Msuko

Fund Administrator

7. Statement of Performance against the County Fund’s Predetermined Objectives

Introduction

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

The key development objectives of the Fund as per the strategic plan for 2020-2023 are to:

- a) Loan Portfolio Management
- b) Business support Service
- c) Institution Capacity Building
- d) Effective Governance

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Loan Portfolio Management	To increase loan book 116,000,000	Loan book increase to 589,000,000	More groups, cooperative, sole proprietors and companies benefit from accessing loans	Loan book grew to 238,389,919.98.00 and 685 groups and 1 cooperative benefited from loans.
Business Support services	Offer business support services to 6500 groups	Signed MOUs with Institution	6500 trained and loan groups cooperatives sole proprietors and small companies.	2 MOUs was signed with Kenya Commercial Bank and Rafiki Microfinance Bank.
Institution Capacity Building	Credit risk training for 3 credit staff	Implement staff performance management system	3 Trained staff discharging their duties well.	No staff was trained due to lack of finances
Effective Governance	Maximise opportunity exploitation through high decision making	Implement robust information management system	Use of Loan management and accounting system	Installation of Loan management and accounting system.

8. Corporate Governance Statement

The Board of Kilifi County Microfinance (Wezesha) Fund is committed to ensure that the Fund operates with integrity and ethics maintaining high standards of Corporate Governance in the interest of its stakeholders. The Board believes that the Fund has complied with the guidelines on Corporate Governance Practices as is required of public officers.

The Board provides strategic leadership, policy direction and supervision of the Fund. It consists of 7 members.

8.1 Board Meetings Attendance

The Board is mandated to hold a minimum of four meetings and a maximum of nine meetings in a Financial Year. In the FY 2022/2023 the board held 5 full Board meetings. Below is a table showing the board meetings attendance details:

Table 3: Board meeting attendance.

Board Meeting Date	Board Members Presents
27 th September 2022 (Board Meeting)	4
1 st November 2022 (Board Meeting)	4
8 th December (Board meeting)	4
6 th April 2023(Board meeting)	6
13 th April 2023 (Board Meeting)	5

Kilifi County Microfinance (Wezesha) Fund Act 2016 provides that the Fund board serves a term of three years eligible for reappointment for one further term.

The current board members are serving first term which commenced on 20th March 2023, the law requires that the chairman of the Board be recruited by the County Public Service Board. The contract of the chairperson expired on 25th May 2023 and no replacement has been done. The term of the Board members expires on 20th March 2026.

8.2 Powers and Functions of the Board

The powers and functions of the board include the following:

The board shall provide strategic leadership, policy direction and supervision of the Fund. In exercising its mandate, the board is vested with the following powers:

- (a) Enter into association with such other persons, bodies or organizations within or outside Kenya as the Board may consider appropriate

- (b) Advise the County Executive Member for Finance as provided under section 116(1), 9 and 145 of the Public Finance Management Act, 2012”
- (c) Approve loan applications forms
- (d) Oversee implementation of the fund activities

8.3 Board Member’s Process of Appointment and Removal from Office

- The four private board members are nominated by the Executive Committee Member for Trade and appointed by the Governor. These are youth representative, woman representative, representative of people living with disability and a representative of the Cooperative movement.
- The county chief officer responsible for Trade and the county chief officer responsible for Finance.
- The chairperson of the Board is recruited competitively by the County Public Service Board, vetted by the County Assembly and appointed by the Governor.
- A member of the Board may be removed from office on any one or more of the following grounds:
 - a) Lack of integrity
 - b) Gross misconduct
 - c) Violation of the Constitution or any other law
 - d) Physical or mental incapacity to perform the functions of the office
 - e) Missing three consecutive meetings without a reasonable cause
 - f) Incompetence during the period in office

8.4 Quorum

The Quorum for the conduct of business of the Board is four members including the Chairperson or the person presiding over the Meeting.

8.5 Conflict of interest

The Regulations guiding the Fund provides that:

- (a) A member who has an interest in any contract, or other matter present at a meeting shall at the meeting and as soon as reasonably practicable after the commencement, disclose the fact thereof and shall not take part in the consideration or discussion of, or vote on, any questions with respect to the contract or other matter, or be counted in the quorum of the meeting during consideration of the matter.

- (b) A disclosure of interest made under subparagraph (a) is to be recorded in the minutes of the meeting at which it is made.
- (c) A member of the Board who contravenes subparagraph (a) commits an offence and is liable to imprisonment for a term not exceeding six months, or to a fine not exceeding one hundred thousand shillings, or both.

8.6 Board Remuneration.

The board received board sitting allowances in line with the provisions of the PFM Act, 2012 sec 195 (2). Total allowances paid to the board members was Ksh. 111,560.00

8.7 Tasks to be accomplished

The following are the tasks to be accomplished in the FY 2023/2024

- (i) Training and sensitising Loan beneficiaries on Marketing.
- (ii) Building the capacity of groups and cooperatives on accessing of Funds and funds utilizations.

9. Management Discussion and Analysis

The Fund started its operations after the gazettelement of the Amendment Act on 1st August 2018. For the start, the Fund board resolved to start implementing mandate 1 (providing access to capital and financial facilities to micro and small enterprises owned by the residents in the County). On implementation of mandate 1, the Fund began with financing of Groups and Cooperative Societies sole proprietors etc.

9.1 Loan Disbursement

The disbursement target for the FY 2022/2023 was Ksh 191,284,000.00 by June 30th 2023, a total of Ksh. 12,050,000.00 had been approved and disbursed. The approval was for 22 groups and a cooperative, and 19 sole proprietors.

Table 3: Loans Approved per Sub County

Sub County	Group Beneficiaries		Cooperatives		Total Loans Approved	
	Loan Approved	Sole Proprietors	No. of Groups	Loan Approved		No. of Cooperatives
Rabai		0	0	0	0	
Kaloleni	1,450,000	2	5	0	0	1,450,000
Kilifi South	100,000	0	1	0	0	100,000
Kilifi North	7,420,000	14	6	1,000,000	0	8,420,000
Ganze	450,000	0	4	0		450,000
Malindi	1,480,000	3	4	0	0	1,480,000
Magarini	250,000	0	2	0	0	250,000
Total	11,150,000	19	22	1,000,000	1	12,150,000

Fig. 2: Group and Cooperative loan amounts disbursed per Sub County

9.2 Loan Repayments.

Most of the loans issued to beneficiaries will be repaid in 24 months' equal instalments. The beneficiaries were given one to three months' grace period before starting repayment. As at 30th June 2023, a total of Ksh. 19,067,818.62. had been recovered on account of loan repayments. The outstanding loan balance amounted to Ksh. 238,389,919.38.00

Table 4: Loan repayment performance

Parameter	2020/2021	2021/2022	2022/2023
Outstanding Loan Balance (OLB)	204,302,590.00	244,975,774.00	238,389,919.38
Loan Repayments Received	38,074,403.00	38,150,307.00	19,067,818.62

9.3 Major Risks Associated with the Fund

The entity's activities expose it to a variety of financial risks including credit risk. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and is working on policies to ensure that credit is extended to customers who conform to Fund laid down procedures.

Given that risk taking is an inherent activity in our business, responsibility and accountability for risk management dwells at all levels within the organization, from the Advisory Board down through the organisation to each staff member.

i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. 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 Board.

9.4 The Future outlook of the Fund

The Fund has developed a three years' strategic plan which is guiding the operations of the Fund up to the year 2023.

The Fund targets to increase its outreach by coming up with new loan products, reducing the average loan turnaround time among other strategies. The Fund will be introducing Individual loan product, agribusiness loans in the financial year 2023/2024 to make sure that capital goes directly to the economy. More resources shall be directed to loan recoveries to reduce the amount in loan arrears and defaulters.

The Fund will be seeking to enter into strategic partnerships which will contribute to the attaining of the Fund's objectives. The Fund will equally be seeking to source for other sources of income streams to supplement the allocation from the County Government

10. Report of The Trustees

The Board submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

a) Principal activities

The principal activities of the Fund are:

- (i) To provide access to capital and financial facilities to micro and small enterprises owned by the residents in the County.
- (ii) To support micro and small enterprises to develop linkages with large enterprises.
- (iii) To facilitate marketing of products and services of micro and small enterprises owned by residents in the county in both domestic and international markets.
- (iv) To facilitate investment in small and micro enterprises oriented in commercial infrastructure such as business or industrial parks, stalls, markets or business incubators that will be beneficial to the enterprises.
- (v) To provide business development services to micro and small enterprises, and generating gainful self-employment for the residents of Kilifi.

b) Results

The results of the Fund for the year ended 30th June 2023 are set out on page 1.

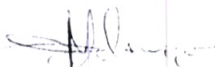
c) Trustees

The members of the Board who served during the year are shown on page vi and vii There were changes in the Board Membership during the year. The entire Board term expired and new ones were appointed. However, the position of the chairperson has been filled yet.

d) Auditors

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

By Order of the Board



.....
Ag. Board Chairman
Kilifi County Microfinance (Wezesha) Fund
Date:

11. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund (established by the Kilifi County Microfinance (Wezesha) Fund Act, 2016 as amended in 2018) shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes:

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

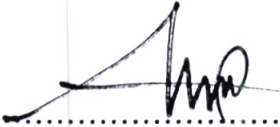
The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the Kilifi County Microfinance (Wezesha) Fund Act, 2016 as amended in 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Kilifi County Microfinance (Wezesha) Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Approval of the financial statements

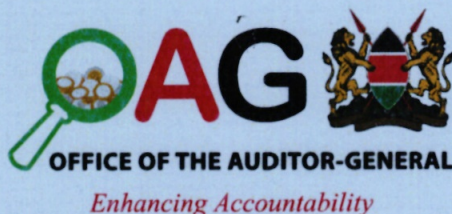
The Fund's financial statements were approved by the **Board on 28th September** and signed on its behalf by:

A handwritten signature in black ink, consisting of a large, stylized initial 'A' followed by several loops and a final flourish.

.....
Administrator of the County Public Fund

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 KILIFI COUNTY MICROFINANCE (WEZESHA) FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kilifi County Microfinance (Wezesha) Fund set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and

statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kilifi County Microfinance (Wezesha) Fund as at 30 June, 2023, 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 do not comply with the Public Finance Management Act, 2012 and the Kilifi County Microfinance Act, 2016.

Basis for Adverse Opinion

1. Presentation of the Financial Statements

The non-financial information section of the financial statements indicates that Kilifi County Microfinance (Wezesha) Fund was established by Kilifi County Microfinance Act, 2016. However, Section 4(1) of the Act provides that there is established a fund to be known as the Kilifi County Microfinance Fund also to be known as the Mbegu Fund. The name of the Fund indicated in the financial statements is therefore inconsistent with the name cited in the Act.

Further, page numbering in the financial statements presented for audit was incomplete. The page numbers were indicated up to page 21 and the rest of the pages did not have page numbers.

In the circumstances, the financial statements were not compliant with the Annual Financial Reporting Template (Revised June, 2023), issued by the Public Sector Accounting Standards Board.

2. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects other income of Kshs.4,416,230 while the corresponding other income amount reflected in the statement of financial performance was Kshs.505,600 resulting to unexplained variance of Kshs.3,910,630. In addition, the statement of comparison of budget and actual amounts reflects actual loans approved totalling to Kshs.11,500,000 while the corresponding loans disbursements as reflected in the statement of cash flows and Note 12 to the financial statements was Kshs.11,763,864 resulting to unexplained variance of Kshs.263,864.

In the circumstances, the accuracy and completeness of the balances reflected in the statement of comparison of budget and actual amounts could not be confirmed.

3. Inaccuracies in Cash and Cash Equivalents

The statement of cashflows reflects fund administration expenses of Kshs.5,240,367. However, a recalculation of Note 9 to the financial statements resulted to Kshs.5,230,707

resulting to unexplained variance of Kshs.9,660. In addition, the bank reconciliation statement for June, 2023 for the Co-operative Bank main account reflected balance as per bank statement of Kshs.110,819,600 while the bank statements for the account reflected balance as at 30 June, 2023 of Kshs.111,017,530 resulting to an unreconciled variance of Kshs.197,930.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.116,159,202 could not be confirmed.

4. Inaccuracies in Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.3,918,216 as disclosed in Note 6 to the financial statements. However, the closing dates for the current and prior financial years were incorrectly indicated in the Note as 30th June (previous FY) and 30th June (current FY) instead of 30 June, 2022 and 30 June, 2023 respectively. Note 6 also reflects cost of motor vehicles as at 30 June, 2023 of Kshs.319,000 which was computed based on cost of motor vehicles as at 1 July, 2022 of Kshs.327,100 less insurance cost of Kshs.8,100.

Further, the reported net book values of the assets as at 30 June, 2022 and 30 June, 2023, as disclosed in Note 6 were the same balance of Kshs.3,918,216 implying that the balances were incorrectly computed since values were expected to be different as a result of depreciation of the assets. In addition, the depreciation rates used were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.3,918,216 could not be confirmed.

5. Inaccuracy in the Loans Receivable Balance

The statement of financial position and Note 5 to the financial statements reflects loans receivable balance of Kshs.238,389,919, which includes loans disbursed during the year under review of Kshs.12,269,464. However, the cash book for loan disbursements reflected loan disbursements totalling to Kshs.13,286,400 resulting to unexplained variance of Kshs.1,016,936. In addition, the balance was computed based on loans recovered during the year under review totalling to Kshs.19,067,819 while the cash book for loan recovery reflected loans recovered totalling to Kshs.18,935,703 resulting to unexplained variance of Kshs.132,116.

In the circumstances, the accuracy and completeness of the loans receivable balance of Kshs.238,389,919 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kilifi County Microfinance (Wezesha) 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 adverse opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.128,230,630 and Kshs.120,416,230 respectively, resulting in an under-funding of Kshs.7,814,400 or 6% of the budget. Similarly, the Fund expended Kshs.18,342,417 against an approved budget of Kshs.128,230,630, resulting to an under-expenditure of Kshs.109,888,213 or 86% of the budget.

The underfunding and under expenditure may have negatively affected the planned activities on service delivery to the intended beneficiaries.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Prior Year Audit Matters

Several issues were raised in the Auditor-General's report for 2021/2022 financial year. However, the issues were not resolved and Management did not take any action to address the recommendations on the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion, and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non- Repayment of Loans

The statement of financial position and Note 5 to the financial statements reflects loans receivable balance of Kshs.238,389,919, out of which Kshs.143,775,957 was in respect loan in arrears. As previously reported the loan arrears included an amount of Kshs.30,589,256 issued to three hundred and fifteen (315) groups who had not serviced the loans for over ninety (90) days and were therefore in default. In addition, an amount of Kshs.18,872,792 represented non-performing loans carried forward from prior years, contrary to Regulation 14(5)(a) of the Kilifi County Microfinance (Mbegu) Fund Regulations, 2018 that states that a loan shall be considered to be in default when a borrower is ninety (90) days late in repayment and all efforts to make him or her repay have completely failed.

In the circumstances, the recoverability of the loan receivables of Kshs.238,389,919 could not be confirmed. In addition, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the Fund's effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using 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 Fund's financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls 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 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

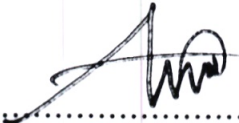
Nairobi

22 February, 2024


13. Statement of Financial Performance for the Year Ended 30th June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers from the County Government	1	116,000,000	-
Less: Amount attributable to Revolving Fund (97%)		(112,520,000)	-
Amount attributable to Administration Account		3,480,000	
Revenue From Exchange Transactions			
Other Income (Management fees)	2	505,600	3,889,000
Total Revenue		3,985,600	3,889,000
Expenses			
Use of goods and services	3	(4,356,427)	(3,073,190)
Depreciation charge for the year	14	(885,185)	-
Total Expenses		(5,241,613)	(3,073,190)
Other Gains/Losses		-	-
Surplus/(Deficit) For The Period		(1,256,013)	815,810

The notes set out on pages 19 to 24 form an integral part of these Financial Statements.



Peter Msuko
Administrator of the Fund

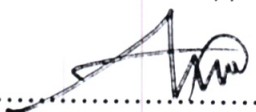


Hussein Fondo
Accountant
ICPAK No: 19762


14. Statement of Financial Position as at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	4	116,159,202	1,103,805
Loans Receivable	5	238,389,919	244,975,774
Loans not Disbursed as at 30.6.2023	7	-	1,178,000
Total Current Assets		354,549,121	247,257,579
Non-Current Assets			
Property, Plant and Equipment	6	3,918,217	2,325,512
Long Term Receivables from Exchange Transactions		-	-
Total Non-current Assets		3,918,217	2,325,512
Total Assets		358,467,338	249,583,091
Liabilities			
Current Liabilities			
Loans Payables	7	-	1,178,000
Trade Payables	8	-	1,202,940
Total Current Liabilities		-	2,380,940
Non-Current Liabilities			
Total Liabilities		-	2,380,940
Net Assets			
Revolving Fund		343,756,853	231,236,853
Accumulated Surplus		14,710,485	15,965,298
Total Revolving Fund and Accumulated Surplus		358,467,338	247,202,151
Total Net Assets and Liabilities		358,467,338	249,583,091

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Kilifi County Microfinance (Wezesha) Fund's financial statements were approved on 28th September 2023 and signed by:



 Peter Msuko
 Administrator of the Fund

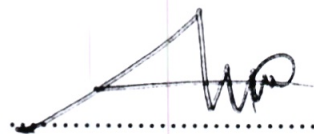


 Hussein Fondo
 Accountant
 ICPAK No: 19762

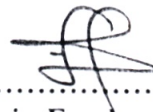
Kilifi County Microfinance (Wezesha) Fund
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15. Statement of Changes in Net Assets for the year ended 30th June 2023

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	231,236,853	-	15,149,488	246,386,341
Surplus/(Deficit) For the Period	-	-	815.810	815.810
Funds Received During the Year	-	-	-	-
Balance As At 30 June 2022	231,236,853	-	15,965,298	247,202,151
Balance As At 1 July 2022	231,236,853	-	15,965,298	247,202,151
Surplus/(Deficit) for the Period	-	-	(1,256,012)	(1,256,012)
Funds Received During the Year	112,520,000	-	-	112,520,000
Trade Payable (Not payable)	-	-	1,200	1,200
Balance As At 30 June 2023	343,756,853	-	14,710,486	358,467,339



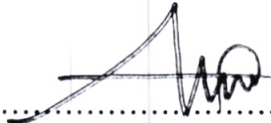
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Peter Msuko
Administrator of the Fund




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Hussein Fondo
Accountant
ICPAK No: 19762

16. Statement of Cash Flows for The Year Ended 30 June 2023

17.	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the county government	1	116,000,000	-
Receipts from other operating activities		-	-
Total receipts		-	-
Payments			
Fund administration expenses (General expenses)	9	(5,240,367)	(2,197,350)
Net cash flows from operating activities		110,759,633	(2,197,350)
Cash flows from investing activities			
Purchase of property, plant, equipment	10	(2,804,990)	(12,700)
Loan repayments	11	19,067,819	38,150,307
Loan disbursements paid out	12	(11,763,864)	(132,792,541)
Loan overpayment refunds	13	(212,500)	-
Net cash flows used in investing activities		4,295,765	(94,654,934)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash Equivalents		115,055,397	(96,852,284)
Cash and cash equivalents at 1st July 2022		1,103,805	97,956,089
Cash and cash equivalents at 30th June 2023	4	116,159,202	1,103,805



Peter Msuko
Administrator of the Fund



Hussein Fondo
Accountant
ICPAK No: 19762

18. Statement Of Comparison Of Budget And Actual Amounts For The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers From County Govt.	116,000,000	-	116,000,000	116,000,000	-	100%
Other Income	8,320,000	3,910,630	12,230,630	4,416,230	7,814,400	36.11%
Total Income	124,320,000	3,910,630	128,230,630	120,416,230	7,814,400	93.91%
Expenses						
Fund Administration Expenses (General Expenses) and Assets Acquired	3,729,600	3,910,630	7,640,230	6,842,417	797,813	90.01%
Loans Approved	120,590,400	(-)	120,590,400	11,500,000	109,090,400	9.53%
Total Expenditure	124,320,000	3,910,630	128,230,630	18,342,417	109,888,213	14.30%
Surplus For The Period	-	-	-	97,393,718	-	

Budget notes

Budget for FY 2022/2023

- The fund received its budgeted amount for the year .One hundred and sixteen million shillings (Kshs.116,000,000) in two tranches i.e. January 2023 and June 2023 from the County Government of Kilifi (Department of Trade Tourism and Cooperative Development) resulting into underutilisation of the fund due to late disbursements

The underutilization on account of loans approved, other income (inclusive of Management fees) and total expenditure were occasioned by the following challenges;

- The term of members of the Board expired during the period under review and these positions remained vacant for some months.
- A decision had been made for the Fund to partner with Financial Institutions. Negotiations between the Fund and potential partners were lengthy and time consuming.

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

The Kilifi County Microfinance (Wezesha) Fund was established by and derives its authority and accountability from the Kilifi County Microfinance Fund Act dated 10th June 2016. During the period under review, the Fund's name was changed to Kilifi County Microfinance (Wezesha) Fund through an Act of Kilifi County Assembly. The Fund is wholly owned by the County Government of Kilifi and is domiciled in Kenya. The fund's objective is to provide support to Micro and Small Enterprises operating within the County through provision of seed capital, market linkages and creation of employment.

2. 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.

3. Adoption of new and revised standards

- (i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

Kilifi County Microfinance (Wezesha) Fund
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Standard	Effective date and impact
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.

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Standard	Effective date and impact
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and</p>

Kilifi County Microfinance (Wezesha) Fund
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Standard	Effective date and impact:
	present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

The Kilifi County Microfinance (Wezesha) Fund did not early – adopt any new or amended standards in the financial year.

2. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022-2023 was approved by the Fund Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Kilifi County Microfinance (Wezesha) Fund'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.

Summary of Significant Accounting Policies (Continued)

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

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

c) Property, plant and equipment

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

d) 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.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The Kilifi County Microfinance (Wezesha) Fund classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) 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, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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.

h) Provisions

Provisions are recognized when Kilifi County Microfinance (Wezesha) Fund 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.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

The Kilifi County Microfinance (Wezesha) Fund 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.

Contingent assets

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

k) Nature and purpose of reserves

The Kilifi County Microfinance (Wezesha) Fund creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

l) Changes in accounting policies and estimates

The Kilifi County Microfinance (Wezesha) Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits – Retirement benefit plans

The Kilifi County Microfinance (Wezesha) Fund provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) Related parties

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

q) 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.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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

6. Notes To The Financial Statements Continued

1. Transfers from County Government

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Transfers from County Govt. – January 2023	58,000,000	-
Transfers from County Govt. – June 2023	58,000,000	-
Unconditional Development grants	-	-
Total	116,000,000	-

2. Other income (Management Fees)

Description	2022-2023	2021-2022
	Kshs	Kshs
September 2022	24,600	-
October 2022	250,000	-
November 2022	81,000	-
December 2022	120,000	-
January 2023	30,000	-
February 2023	-	-
March 2023	-	2,372,600
April 2023	-	36,600
May 2023	-	707,400
June 2023	-	772,400
Total Management Fees	505,600	3,889,000

3. Use of Goods and Services during period ended 30.6.2022 (Refer to Appendix II)

Description	2022/23	2021/22
	Kshs.	Kshs.
Telephone, Telex, Facsimile and Mobile Phone Services	151,200	139,200
Catering Services (receptions), Accommodation, Food, Drinks	767,050	200,995
Travel Costs (airlines, bus, railway, mileage allowances, etc.)	1,853,350	372,550
Refined Fuels and Lubricants for Transport	12,800	156,900
Board Allowances	111,560	243,300
Daily Subsistence Allowance	593,010	879,340

Kilifi County Microfinance (Wezesha) Fund
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Conferences and Seminars	-	700
Training Expenses	258,200	250,000
Bank charges and commissions	15,900	39,780
Log Book Transfer Charges	-	37,400
Office Drinking Water	28,350	11,950
General Office Supplies(papers, pencils, small office equipment)	286,094	20,415
Supplies and Accessories for Computers and Printers	790,313	380,250
Marketing Activities	327,910	328,410
Routine Maintenance	21,050	12,000
KEBS Certifications and Training	-	-
Strategic Plan Consultancy	-	-
Strategic plan Launch	-	-
Postage	-	-
Publications and Gazettement	13,920	-
Total	5,230,707	3,073,190

4. Cash and cash equivalents as at 30th June 2022

Description	2021-2023	2021-2022
	Kshs	Kshs
Co-operative Bank of Kenya – Main Account 0114169194200	111,017,529	(4,101,684)
Co-operative Bank of Kenya –Administration Account 0114169194201	63,031	5,198
Co-operative Bank of Kenya – Recovery Account 0114169194202	5,403	5,158,408
Bank-CGK Main Account Kcb	4,999,640	
KCMF M-Pesa Paybill No.564111	73,600	41,883
Total Cash And Cash Equivalents	116,159,203	1,103,805

5. Loans Receivable

Description	2021-2022	2021-2022
	Kshs	Kshs
Loans Disbursed as at 30th June 2023	257,245,238	283,126,081
Loans Recovered during the Year	(19,067,819)	(38,150,307)
Loan overpayment refund	212,500	-
Total Loans Receivable as at 30th June 2023	238,389,919	244,975,774

Kilifi County Microfinance (Wezesha) Fund
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Notes To The Financial Statements (Continued)

6. Property, plant and equipment

	Motor vehicles	Furniture and fittings	Computers and office equipment	Office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 st July 2021	-	477,485	1,004,720	503,507	1,985,712
Additions	327,100	-	-	12,700	339,800
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2022	327,100	477,485	1,004,720	516,207	2,325,512
At 1 st July 2022	327,100	477,485	1,004,720	516,207	2,325,512
Additions	-	-	2,485,990	-	2,485,990
Less : Insurance cost	(8,100)	-	-	-	(8,100)
Disposals	-	-	-	-	(-)
Transfer/Adjustments	-	-	-	-	-
At 30th June 2023	319,000	477,485	3,490,710	516,207	4,803,402
Depreciation And Impairment					
At 1 st July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
At 1 st July 2022	-	-	-	-	-
Depreciation	(63,800)	(71,623)	(698,142)	(51,621)	(885,186)
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June (Current FY)	(63,800)	(71,623)	(698,142)	(51,621)	(885,186)
Net Book Values					
At 30 th June (Previous FY)	255,200	405,862	2,792,568	464,586	3,918,216
At 30 th June (Current FY)	255,200	405,862	2,792,568	464,586	3,918,216

Notes to the Financial Statements (Continued)

7. Loans Payable

Description	2022-2023	2021-2022
	Kshs	Kshs
Loans Payable	-	1,446,000
Refundable Deposits	-	-
Total Loans Payable	-	1,446,000

8. Accrued Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Accrued Expenses	-	1,202,940
Total Trade And Other Payables	-	1,202,940

Notes To The Financial Statements (Continued)

9. Cash Outflow from Operations

Description	2022/23	2021/22
	Kshs.	Kshs.
Telephone, Telex, Facsimile and Mobile Phone Services	151,200	139,200
Catering Services (receptions), Accommodation, Food, Drinks	767,050	200,995
Travel Costs (airlines, bus, railway, mileage allowances, etc.)	1,881,950	372,550
Refined Fuels and Lubricants for Transport	12,800	156,900
Board Allowances	111,560	243,300
Daily Subsistence Allowance	467,280	879,340
Staff Lunch Allowances	97,130	
Conferences and Seminars	-	700
Training Expenses	258,200	250,000
Bank charges and commissions	15,900	39,780
Log Book Transfer Charges	-	37,400
Office Drinking Water	28,350	11,950
General Office Supplies(papers, pencils, small office equipment)	286,094	20,415
Supplies and Accessories for Computers and Printers	790,313	380,250
Marketing Activities	327,910	328,410
Routine Maintenance	21,050	12,000
KEBS Certifications and Training	-	-
Strategic Plan Consultancy	-	-
Strategic plan Launch	-	-
Postage	-	-
Publications and Gazettement	13,920	-
Total	5,240,367	3,073,190

10. Assets Cash Outflow during the Financial Year 2022/2023

ASSET	AMOUNT
Supply of Motorcycle	319,000
Purchase Of Laptops	2,485,990
TOTAL	2,804,990

Notes To The Financial Statements (Continued)

11. Loan Repayments during the period under review

KILIFI COUNTY MICROFINANCE (MBEGU) FUND					
LOAN REPAYMENT FOR THE YEAR ENDED 30 JUNE 2023					
MONTH	RECOVERY A/C	M PESA PAYBILL	MAIN A/C	ADMIN A/C	TOTAL
Jul-22	819,737.00	1,463,814.00	-	-	2,283,551.00
Aug-22	563,070.00	1,498,195.00	12,500	-	2,061,265.00
Sep-22	1,069,410.65	1,378,361.00	-	-	2,447,771.65
Oct-22	683,809.33	1,421,268.00	-	-	2,105,077.33
Nov-22	760,525.33	1,078,078.00	-	-	1,838,603.33
Dec-22	563,374.33	1,126,671.00	10,000.00	-	1,700,045.33
Jan-23	447,284.33	1,192,727.00	13,000.00	-	1,653,011.33
Feb-23	543,806.33	935,256.00	10,000.00	-	1,489,062.33
Mar-23	448,144.33	786,405.00	10,000.00	11,000.00	1,255,549.33
Apr-23	350,567.33	562,169.00	18,500.00	4,500.00	935,736.33
May-23	180,634.33	535,377.00	10,000.00	-	726,011.33
Jun-23	242,074.33	306,061.00	-	11,500.00	559,635.33
TOTAL	6,672,437.62	12,284,382.00	84,000.00	27,000.00	19,067,819.64

12. Loans Disbursed Net of Management Fees

Details	2022-2023	2021-2022
Loans Disbursed	12,269,464	136,681,541
Management fees	(505,600)	(3,889,000)
Loan outflow	11,763,864.00	132,792,541

13. Loan Overpayment Refunds

Month	2022-2023	2021-2022
February 2023	162,500	-
March 2023	50,000	-
TOTAL	212,500	-

14. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Property Plant and Equipment	885,186	-
Intangible Assets	-	-
Total	885,186	-

Notes to the Financial Statements (Continued)

15. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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 counterparty 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 Kilifi County Microfinance (Wezesha) Fund's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables From Exchange Transactions	238,389,919	238,389,919	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	116,159,202	116,159,202	-	-
Total	354,549,121	354,549,121	-	-
At 30 June 2022				
Receivables From Exchange Transactions	244,975,774	244,975,774	-	-
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	1,103,805	1,103,805	-	-
Total	246,079,579	246,079,579	-	-

Notes To The Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Fund Board of Directors 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.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade Payables	-	-	-	-
Loans Payable	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Trade Payables	1,202,940	-	-	1,202,940
Loans Payable	1,446,000	-	-	1,446,000
Total	2,648,940	-	-	2,648,940

Notes To The Financial Statements (Continued)

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.

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.

Notes To The Financial Statements (Continued)

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 Kilifi County Microfinance (Wezesha) Fund's capital structure comprises of the Revolving Fund and Accumulated surplus as at 30th June 2023.

Description	2022-2023	2021-2022
	Kshs	Kshs
Revolving fund	343,756,853	231,236,853
Accumulated surplus	15,595,671	15,966,138
Total funds	359,352,524	247,202,991
Total borrowings	-	-
Less: cash and bank balances	116,159,202	(1,103,805)
Net debt/(excess cash and cash equivalents)	(116,159,202)	(1,103,805)
Gearing	-	-

16. Events after the reporting period

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

17. Ultimate and Holding Entity

The entity is a County Public Fund established by Kilifi County Microfinance Wezesha Fund Act 2016 and amendments 2018, 2022, 2023. The fund is under the department of Trade, Tourism and cooperative Development.

18. Currency

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

20. Progress on follow up of previous year auditor's Recommendation

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Inaccuracies in the Financial Statements	<p>i. The statements of financial performance reflect other income (management fees) of Kshs.3,889,000 whereas the recalculated amount was Kshs. 6,863,480 resulting in unexplained variance of Kshs. 2,974,480. Further, the statement of financial position reflects loans not disbursed of kshs. 1,178,000 that have been classified as current assets. Management did not explain why the loans were classified as receivables yet had not</p>	<p>The fund management took note of that and rectified the matter.</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>been disbursed to the applicants and hence the loans receivables were overstated.</p>			
	<p>ii. The statement of financial position reflects cash and cash equivalent s balance of Kshs. 1,103,805 for three bank accounts maintained by the Fund. Review of the bank reconciliations statements revealed unpresented cheques of Kshs. 14,595,376 out of</p>	<p>The management took note of that and rectified the matter.</p>	<p>Resolved</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>which cheques totaling Kshs. 14,395,840 were subsequently cleared leaving cheques of Kshs. 199,536 which were stale as at 30 June 2022 but had not been reversed in the cashbooks</p>			
	<p>iii. The statement of financial position and note 5 to the financial statements reflect loans receivable of Kshs. 244,975,774 while the report of the loans awarded during the year indicated an</p>	<p>Submission done to the County assemble on 18th Dec 2023 for review</p>	<p>Not resolved</p>	<p>Still pending. The matter is still at Public Accounts and investment committee. February 2024 the matter will be concluded</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>amount out of kshs. 208,306,342 resulting in an unexplained variance of Kshs. 36,669,432. In addition, the ageing analysis for loans awarded as at 30 June 2022 reflects due of kshs. 476,803,166 against the reported loans receivable of Kshs. 244,975,774 hence resulting in unexplained variance of Kshs. 230,837,392. Further, the estimated penalties of Kshs. 6,935,762 charged at a rate of 5% on delayed payments, as provided under Regulation 14(3) of the Kilifi County Microfinance</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>(Mbegu) Fund Regulations, 2019 were not disclosed as receivable.</p>			
	<p>iv. The statement of financial position and Note 6 to the financial statements reflect property, plant and equipment balance of Kshs. 2,325,512. However, Section (C) of the Funds summary of Significant Accounting Policies on Property, Plant and Equipment balances are stated at Cost. However, the policy does not provide for depreciation of assets and impairment losses, an indication that the assets</p>	<p>We acknowledge and appreciate the error raised above. The Fund considered this matter and started deducting depreciation on Assets on reducing balance.</p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>balance of Kshs. 2,325,512 was overstated by the undetermined amount. No explanation was given for the non-provision of depreciation charges.</p>			
<p>Other Matters</p>	<p>1. Budgetary Control and Performance The statement of Comparison of Budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 197,200,000 and kshs. 3,889,000 respectively resulting in an underfunding of Kshs. 193,311,000 (or 98%) of the budget. Similarly, the</p>	<p>The Fund did not receive its budgetary allocation from the County Government during the period under review due to unforeseen legal challenges. These challenges have since been resolved.</p>	<p>Resolved</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>fund expended Kshs. 85,904,990 against an approved budget of Kshs. 197,200,000 resulting to an under-expenditure of kshs. 111,295,010 (or 56%) of the budget.</p>			
	<p>2. Unresolved prior year matters</p> <p>Various prior year audit issues remained unresolved as at 30 June, 2022. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendatio</p>	<p>We acknowledge the above matter and have taken note of the same. We are glad to report that we have made progress on follow up of prior year Auditors recommendations</p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</p>	<p>ns section of the financial statements as required by the Public Sector Accounting Standards Board.</p>			
	<p>1. Issuance of Unapproved Loans</p> <p>Note 13 to the financial statements reflects loan disbursements of Ksh. 132,792,541. However, review of the loans applications schedule and loan disbursement schedule revealed that three hundred and twenty-eight (328) groups were not in the list of successful applicants approved by the Board but were issued with loans amounting to 41,865,000. In addition, out of the 328 groups, 122 groups advanced</p>	<p>Submission done to the County assemble on 18th Dec 2023 for review.</p>	<p>Not resolved</p>	<p>Still pending. The matter is still at Public Accounts and investment committee. February 2024 the matter will be concluded.</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	loans totaling Ksh. 15,710,000 had not started repayment although the same were due as at 30 June 2022.			
	<p>2. Un-secured Loans</p> <p>The statement of financial position and Note 5 to the financial statements reflect a balance of Kshs. 244,975,774 as loans receivable. However, despite the loans application forms indicating that various securities were held against the individuals loans application forms indicating that various securities were held against the individual loans, no evidence was provided to confirm that the securities were in custody of the fund or held jointly until the</p>	Submission done to the County assemble on 18 th Dec 2023	Not resolved.	Still pending. The matter is still at Public Accounts and investment committee. February 2024 the matter will be completed

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>loans are fully discharged, contrary to Regulation 9(6) of the Kilifi County Microfinance (Mbegu) Fund Regulations, 2019 which states that the loan form shall clearly state; (a) amount applied, (b) purpose, (c) repayment and (d) security offered.</p>			
	<p>3. Non-Repayment of Loans</p> <p>The statement of financial position and Note 5 to the Financial statements reflect loans receivable balance of Kshs. 244,975,774 out of which Kshs. 138,715,246, included an amount of Kshs. 30,589,256 issued to three hundred and fifteen (315) groups who had not serviced the loans for over</p>	<p>Managements took note of that. Steps for loan recoveries taken</p>	<p>Resolved</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>ninety (90) days and were therefore in default. In addition, an amount of Kshs. 18,872,792.34 represented non-performing loans carried forward from the prior years with nil repayments, contrary to Regulation 14(5)(a) of the Kilifi County microfinance (Mbegu) Fund Regulations, 2019 that states that 'a loan shall be considered to in default when a borrower is ninety (90) days late in repayment and all efforts to make him or her repay have completely failed.</p>			
	<p>4. Irregular Issuance of Loans</p> <p>Note 13 to the financial statements reflect loans disbursements of Kshs. 132,792,541.</p>	<p>Submission done to the County assemble on 18th Dec 2023</p>	<p>Not resolved</p>	<p>Still pending. The matter is still at Public Accounts and investment committee. February 2024 the matter will be completed</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Review of the loans disbursements register revealed that seventeen (17) groups were issued with multiple loans before full repayment of previous loans. The groups received a total of Kshs. 22,530,000 whereby Kshs. 4,759,932 had been repaid leaving a balance of Kshs. 17,770,067 out of which Kshs. 9,647,067 was in Arrears</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>5. Irregular Board Allowances</p> <p>The statement of financial performance and Note 3 to the financial statements reflects general expenses of Kshs. 3,073,190 which includes an amount of Kshs. 243,300 on the Board allowances which was paid contrary to the provisions of the Mbegu Fund Act, 2016 Section 6(4) and 10(5) as amended in the 2018 which states that 'the offices in the Board and Sub-County Micro-finance committee shall not attract any remuneration'</p>	<p>Management took note of that and action taken</p>	<p>Resolved.</p>	

Fund Manager/Accounting Officer

Date.....20/12/2023

