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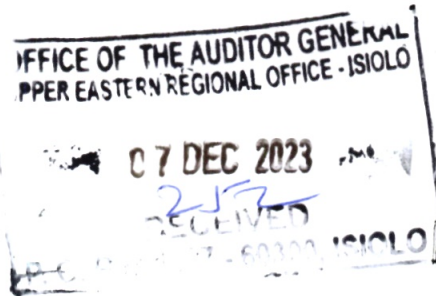
THE AUDITOR-GENERAL

ON

**LAIKIPIA COUNTY BUSINESS STIMULUS
FUND**

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

PAPERS LAID	
DATE	19/03/2024
TABLED BY	ML
COMMITTEE	-
CLERK AT THE TABLE	Carolynne Cherop



COUNTY GOVERNMENT OF LAIKIPIA
LAIKIPIA COUNTY BUSINESS STIMULUS FUND

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)

Laikipia County Business Stimulus Fund
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1. ACRONYMS AND GLOSSARY OF TERMS

a) Acronyms

ESP	Economic Stimulus Programme
MSMES	Micro, Small and Medium Enterprises
SACCOS	Savings and Credit Cooperative Societies
BDOs	Business Development Officers
KCB	Kenya Commercial Bank
CRB	Credit Reference Bureau
CIDP	County Integrated Development Plan
CO	Chief Officer
LCBSF	Laikipia County Business Stimulus Fund
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
CBK	Central Bank of Kenya
ECL	Expected Credit Loss
MOU	Memorandum of Understanding
SRC	Salaries and Remuneration Commission
CEO	Chief Executive Officer
P.A	Per annum
COVID-19	Corona Virus Disease -19
HE	His Excellency

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b) Glossary of Terms

Business Development Officer	-An officer trained and mandated to support MSMES within the county by offering economically sound advice and business advisory services.
Enterprise	An undertaking or a business concern whether formal or informal engaged in production of goods or provision of services.
Financial Institution	An institution that is duly registered and licensed by CBK pursuant to Section 5 of the Banking Act Cap 488 Laws of Kenya and has entered into a contractual engagement pursuant to these regulations.
Fiduciary Management	The key management personnel who had financial responsibility
Fund	The Laikipia County Business Stimulus Fund established under the PFM Act.
Fund Administrator	The Chief Officer for the time being responsible for the department of Finance and Economic Planning.
Fund Manager	The officer heading the Secretariat of the fund.
Beneficiary	A person or business domiciled in Laikipia that has been duly approved for a facility by a financial institution under the subsidized scheme.
Micro enterprise	A firm, trade, service, industry or business activity whose annual turnover doesn't exceed Ksh. 3M and which employs less than ten people.
Small enterprise	A firm, trade, service, industry or business activity whose turnover ranges between Ksh 3M-12M and which employs between 10 to people.
Bad debt	Amounts owed to the fund that is recognized but cannot be paid.
Defaulters	Customers unable to meet a financial obligation.
Depreciation	When the value of an asset decreases with time. Depreciation is usually a percentage calculated at the end of each financial year.

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2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Laikipia County Business Stimulus Fund is established by and derives its authority and accountability from The PFM (Laikipia County Business Stimulus Fund) Regulations, 2020 on 4th November 2020, with amendment regulations of the same through a gazette notice of 26th July, 2021. The Fund is wholly owned by the County Government of Laikipia and is domiciled under Finance Department.

The fund's objectives are:

- a) Alleviate the negative effects of a declared pandemic, disaster, or significant economic contraction (recession) on Trade/Commerce within the County;
- b) Facilitate access of affordable credit to micro and small Enterprises within the County from commercial facilities by providing solutions which include negotiated financial subsidies.
- c) To allow the County Government to negotiate an economic stimulus package scheme or schemes with commercial facilities which include:
 - i. A loan guarantee scheme; and
 - ii. An interest sharing scheme.
- d) Offer enterprises support to cushion against increased cost of production that include -
 - i. Rebate to taxes paid to other counties, national government or any other regulatory or agent;
 - ii. Rebate and or support to market penetration that includes and not limited to advertisement, distribution costs among others;
 - iii. Rebate on other cost of production that are outside the control of the enterprises that include and not limited to cost of energy, cost of standard packaging among others.

The Fund's principal activity is offering interest subsidy for MSMEs and SACCOs loans and/or providing loan guarantee for Micro loans.

b) Principal Activities

The principal activity of the Fund is to:

- i. Offer interest subsidy for Micro Small Medium Enterprises and SACCOs loans where the Fund pays 5% p.a subsidy for business owners and 6.5% P.A subsidy for SACCOs
- ii. Provide loan guarantee for Micro loans below Kshs 100,000 for the beneficiaries.
- iii. Offer enterprises support to cushion against increased cost of production through rebates. The fund was intended to cushion against high cost of production in manufacturing on electricity and distribution permits, however this scheme was not actualized due to inadequate legal framework.

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e) Fund Administration Committee

Ref	Name	Position
1	Samuel Gachigi	Fund Chairperson CECM Finance and economic planning
2	Daniel Ngumi	Fund Administrator Chief Officer Finance and County Treasury
3	Elijah Kamunya	Chief Executive Officer Laikipia County Revenue Board
4	Rachel Thumbi	County Attorney Representative
5	Musa Koskei	Business Community Representative
6	Hellen Mwarania	Business Community Representative
7	Raphael Kimotho	Fund Manager

d) Key Management Team

Ref	Name	Position
1	Daniel Ngumi	Fund Administrator Chief Officer Finance and Economic Planning
2	Raphael Kimotho	Fund Manager
3	Lydia Mokeira	Fund Accountant - Fund Operations
4	Caleb Mwangi	Fund Accountant - Fund Financial Reporting

e) Fiduciary Oversight Arrangements

Ref	Office	Position
1	Directorate Internal Audit	Directorate Internal Audit
2	County Assembly of Laikipia	Clerk to the County Assembly of Laikipia
3	Office of the Controller of Budget	Controller of Budget
4	Office of the Auditor-General	Auditor-General

f) Registered Offices

Interim County Headquarter Building
County Government of Laikipia
Nanyuki, Kenya.

g) Fund Contacts

County Government of Laikipia
P.O. Box 1271-10400, Nanyuki
Tel: 0722 396670

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h) Fund Bankers

1. Kenya Commercial Bank
Interest Subsidy A/C - 1276782896
Guarantee A/C - 1276782993
2. Cooperative bank of Kenya
Interest Subsidy A/C- 01141999987300
Guarantee A/C - 01141999987200
3. Family Bank
Interest Subsidy A/C- 064000074793
Guarantee A/C- 064000074794
4. Absa Bank
Interest Subsidy A/C- 2045817175
5. National Bank
Retention Depository A/C - 01071236266500
Economic Stimulus A/C - 01071236266500

i) Independent Auditors

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

j) Principal Legal Adviser




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

k) County Attorney





County Attorney
County Government of Laikipia
Kenyatta Avenue
P.O. Box 1271-10400
Nanyuki, Kenya

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3. FUND ADMINISTRATION COMMITTEE





Name	Details of qualifications and experience
<p>1. Samuel Gachigi - Fund Chairperson</p> 	<p>Born in 1976.</p> <p>Currently the CECM Finance and Economic Planning. Has worked with National Treasury for 16 years in various departments as head of Supply Chain Management; Has also worked with County Government of Nyeri and County Government of Nakuru as Director of Supply Chain Management.</p> <p>He holds Bachelor's degree in Business Administration – Economics and Sociology and a post graduate Diploma in Supply Chain management services.</p>
<p>1. Daniel Ngumi - Fund Administrator</p> 	<p>Born in 1984.</p> <p>Mr. Ngumi Daniel is currently the Chief Officer Finance and County Treasury. Holds Bachelor's Degree in Economics and Public Administration and Master's Degree in Accounting and Finance. He is also a CPA(K).</p> <p>Has previously worked with National Treasury for six years in various Departments as Chief Accountant; Has also worked with County Government of Laikipia as Head of County Treasury Accounting and in County Government of Kiambu as Director of Finance.</p>
<p>2. Raphael Jomo - Fund Manager</p> 	<p>Born in 1990.</p> <p>Holds Bachelor's Degree in Business Management (Accounting) and Diploma in Banking and Finance.</p> <p>Currently Acting Fund Manager for Laikipia Business Stimulus Fund</p>

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<p>3. Elijah Kamunya - CEO Revenue-Member</p> 	<p>Born in the year 1975. Holds Master's in Business Administration (Finance & Strategic Management) in the university of Nairobi, Bachelor of Commerce (Accounting) in the University of Nairobi and a Certified Public Accountant.</p> <p>He has over 20 years' working experience in Financial administration, Audit and Compliance both in private and public sector.</p> <p>He is Currently the Chief Executive Officer, Laikipia County Revenue Board and the secretary to the Board.</p>
<p>4. Rachael Thubi - Member</p> 	<p>Born in 1992. She holds a Bachelor of Laws (LLB) (Hons), University of Nairobi, Post graduate diploma in Law, Kenya School of Law and Company Secretary (CPS-K) and Advocate of the High Court of Kenya with over 5 years' experience in litigation, a Certified public secretary with proven track record in demanding environments. Highly skilled in commercial law especially contract drafting, corporate structuring, compliance with legal and regulatory requirements. She has been in private practice and worked in various reputable Law Firms. She is currently the Head of Litigation at the County Attorney's office.</p>
<p>5. Mr. Musa Koskei – Member</p> 	<p>Business Community Representative. (Laikipia West). Holds a Certificate in Purchasing and supplies. He has been into business for over 13 years. Elected as the chairman of Nyahururu Golf club and Mt. Kenya KGU Representative. Currently running Shirikisho supermarket in Nyahururu Town.</p>
<p>6. Ms Hellen Mwarania – Member</p> 	<p>Business Community Representative (Laikipia East) She has a Vast knowledge on running business from her experience of over 20 years. Currently operating her business in Nanyuki town.</p>

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4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1. Daniel Ngumi - Fund Administrator</p> 	<p>Born in 1984.</p> <p>Mr. Ngumi Daniel is currently the Chief Officer Finance and County Treasury. Holds Bachelors Degree in Economics and Public Administration and Masters Degree in Accounting and Finance. He is also a CPA(K).</p> <p>Has previously worked with National Treasury for six years in various Departments as Chief Accountant; Has also worked with County Government of Laikipia as Head of County Treasury Accounting and in County Government of Kiambu as Director of Finance.</p>
<p>2. Raphael Jomo – Fund Manager</p> 	<p>Born in 1990.</p> <p>Holds Bachelor’s Degree in Business Management (Accounting) and Diploma in Banking and Finance.</p> <p>Currently Acting Fund Manager for Laikipia Business Stimulus Fund.</p>
<p>3. Lydiah Mokeira - Fund Accountant Operations</p> 	<p>Born in 1993.</p> <p>She holds Bachelor’s Degree in Commerce (Banking and Finance) and is a Certified Public Accountant (CPA-K) with a history of Accounting and Risk management for various Funds within the County Treasury. Currently she is the Accountant for Laikipia County Business Stimulus Fund.</p>
<p>4. Caleb Mwangi – Accountant Fund Reporting</p> 	<p>Born in 1980.</p> <p>He Holds Bachelor’s Degree in Commerce (Finance) and Post Graduate Diploma in Project management. He is also a Certified Public Accountant of Kenya (CPA-K). He is currently the Accountant in charge of Funds financial reporting. He has Internal Auditing experience of over 12 years since 2008 to 2020.</p>

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5. FUND CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the Fund Advisory Committee, the Laikipia County Business Stimulus Fund financial statements for the financial year ended 30th June, 2023. The financial statements present the financial performance of the Fund over the past financial year. The ESP is a government led initiative that has proven to be a critical lifeline for businesses affected by economic downturns, natural disasters and other unforeseen circumstances. The programme has been instrumental in providing much needed financial assistance to countless businesses helping them stay afloat during difficult times.

Laikipia County is a prime example of how the ESP has benefited businesses that struggle to access affordable credit. During the current reporting period, the county has been able to leverage loans amounting to Kshs. 115 million. This is a testament to the programme's effectiveness. The ESP has allowed MSMEs to deal better with financial stress and external shocks by providing affordable loans and other forms of support, this has helped stabilise business community and stimulate economic activity.

The programme is in line with Governor's manifesto on enterprise development, wealth creation, youth empowerment and job creation. Many businesses were hard hit by the Covid-19 pandemic across the county leading to loss of jobs and source of livelihoods to many people. The Business Stimulus Fund was intended to stimulate businesses through facilitating access to affordable credit to MSMEs. By making affordable credit accessible to them through Interest subsidy and Credit guarantee, the County Government seeks to revive and sustain the businesses thus ensuring MSMEs remain in business and jobs are not lost.

5.1 Advisory Committee and Management Changes

In the course of this financial year, there was a change in chairperson of the Fund Advisory Committee from the CO in charge of Innovation and Enterprise development to CO in charge of Finance and Economic Planning.

5.2 Review of performance

Partnerships

In this arrangement, the fund provides loans at a subsidized rate for any business operating in Laikipia. For loans not exceeding Kshs. 100,000, the County Government acts as the guarantor. The devolved unit has so far entered into MOU with selected commercial banks with the objective of cushioning the traders against commercial interests on loans. The partnership provides that, the bank lends its own money with interest charged on loans shared between individual entrepreneurs and County Government of Laikipia.

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During the period under review, the County Government of Laikipia has entered into partnerships with four banks, namely; Family bank, Absa Bank, KCB and Cooperative Bank of Kenya through MOUs signed by each party. The MOUs introduced the interest subsidy model whereby the banks are lending their own money at the market price interest rate and the County Government of Laikipia was to pay 5% P.A (for business owners) and 6.5% P.A (for cooperative societies) of the interest for each loan application under the Laikipia Economic Stimulus Programme.

Staffing

The fund had only one staff, the Fund Manager who was the head of Secretariat and Secretary to the Advisory Committee. However, he was closely supported by the Business Development Officers and the Fund Accountant when called upon to.

5.3 Future outlook of the Fund

The County Government plans to bring more financial institutions such as SACCOS on-board to complement the programme. By working with SACCOS, the government hopes to expand the reach of the programme and make it more accessible in underserved areas since the current partners are mostly based on big towns which led to lower numbers of beneficiaries in some wards that don't have branches hence making it hard for MSMEs to access the facility in terms of transport with uncertainty of qualifying for the loans.

Extension of the engagement period with the partnering commercial banks is a promising move that would be of great significance considering that the programme is a vital source of financial assistance for businesses affected by economic uncertainty, natural disasters and other unforeseen circumstances. The programme's impact has been significant with Laikipia County being a prime example of its effectiveness. Going forward, its expansion through collaboration with SACCOS is a promising move which will undoubtedly benefit more businesses especially those at the lower pyramid of the economic ladder.

Furthermore, the government intends to conduct financial training on the MSMEs since some of the MSMEs don't operate on account and to some extent trading on cash basis hence making it difficult for them to access the fund as one of the minimum requirements for the interest subsidy scheme is providing an Mpesa and Bank Account statements that are required to project the applicant's cash flow. LCBSF has been able to engage Business Community leaders during Sensitization for a better understanding of the funds hence being our spearheads on the ground when they meet their community members.

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5.4 Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the County Government, Stakeholders, management, staff and fellow Committee members for their continued support which made us achieve these results.



Samuel Gachigi

Chairperson of the Laikipia County Business Stimulus Fund

Date: 27/09/2023

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6. REPORT OF THE FUND ADMINISTRATOR

6.1 Background

The Laikipia Business Stimulus Fund was established through the PFM (LCBSF) Regulations, 2020. Gazetted 4th November 2020. Amendment was done through a gazette notice dated 26th July 2021 The PFM (LCBSF) (Amendment) Regulations, 2021. The Fund is administered by the CO Finance and Economic Planning. The Fund also has an Advisory Committee whose main role is oversight of the Fund's operation. It is comprised of seven members with the CO of Finance and Economic Planning being the chairperson, the Fund Manager being secretary to the board and other five members.

The objectives of the Fund are;

- a) To alleviate the negative effects of a declared pandemic, disaster, or significant economic contraction (recession) on Trade/Commerce within the county;
- b) To facilitate access of affordable credit to micro and small enterprises within the County from commercial facilities by providing solutions which include negotiated financial subsidies.
- c) To allow the County Government to negotiate an economic stimulus package scheme or schemes with commercial facilities which include:
 - (i) A loan guarantee scheme; and
 - (ii) An interest sharing scheme
- d) Offer enterprises support to cushion against increased cost of production that include-
 - i. Rebate to taxes paid to other counties, national government or any other regulatory or agent;
 - ii. Rebate and or support to market penetration that include and not limited to advertisement, distribution costs among others;
 - iii. Rebate on other cost of production that are outside the control of the enterprises that include and not limited to cost of energy, cost of standard packaging among others.

6.2 Initial Capital and other Sources of the Fund

The initial capital of the Fund shall consist of monies appropriated by the County Assembly in the financial year 2020/21 and any additional capital as the County Assembly may appropriate in subsequent financial years.

Other sources of the Fund shall consist of—

- (a) sums of money that may in any manner become payable to or vested in the Fund including gifts, grants, bequeaths and donations;
- (b) other Funds which may be received from the National Government.
- (c) any other funds from a lawful source.

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6.3 Financial Performance

Interest Subsidy and Loan Guarantee

a) Kenya Commercial Bank

The Interest Subsidy amount deposited to KCB Bank was Ksh. 25,000,000 while the Loan Guarantee amount deposited on the same bank was Ksh. 5,000,000.

The total amount of money used as Interest Subsidy to the 26 MSMEs seeking working capital at KCB is Ksh. 2,538,024. In addition, the total amount used under the Loan Guarantee scheme during the reporting period is Ksh2,779,810.

b) Cooperative Bank

At Cooperative bank, the amount deposited for the Interest Subsidy was Ksh 7,000,000 while the Loan Guarantee amount deposited on the same bank was Ksh 2,000,000.

The total amount of money used as Interest Subsidy to the 28 MSMEs seeking working capital at Cooperative bank during the reporting period was Ksh. 366,981.

c) Family Bank

At Family Bank the amount deposited for the Interest Subsidy was Ksh 5,000,000.

The total amount of money used as Interest Subsidy to the Ksh 75 MSMEs seeking working capital during the reporting period was Ksh 762,776.

d) ABSA Bank

At ABSA Bank the amount deposited for the Interest Subsidy was Ksh 5,000,000.

The total amount of money used as Interest Subsidy is Ksh 4,646,421 during reporting period.

Summary of Interest Subsidy and Loan Guarantee financial performance

Name Of Bank	Stimulus Scheme	Amount Deposited	Opening Account Balance	Beneficiaries	Amount Used	Closing Account Balance
KCB	Loan Guarantee	5,000,000	4,658,641	85	2,779,810	1,878,831
	Interest Subsidy	25,000,000	19,459,691	26	1,214,327	18,245,364
Cooperative Bank	Loan Guarantee	2,000,000	2,000,000	-	-	2,000,000
	Interest Subsidy	7,000,000	2,585,564	25	366,981	2,218,583
Family bank	Loan Guarantee	-	-	-	-	-
	Interest Subsidy	5,000,000	3,477,793	75	762,776	2,715,017
ABSA Bank	Interest Subsidy	5,000,000	5,000,000	27	4,646,421	353,579
TOTALS		49,000,000	37,181,689	238	9,770,315	27,411,374

In the FY 2022/23 the Fund had no budget allocation by the county executive, however there are plans of the same in the next financial year. The Stimulus Package benefited a total of 238 beneficiaries whereby 153 received loan interest subsidy and 85 beneficiaries received the Loan Guarantee.

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The County deposited with four financial institutions a total amount of Ksh. 49 million towards financing interest Subsidy and Loan Guarantee schemes and out of which Ksh. 9,770,315 was utilised. In a bid to make the fund sustainable, the management of the Fund committed Kshs.20 Million to a fixed deposit arrangement in the Financial Year 2021/2022 which has earned an interest income of Ksh. 318,776 during the reporting period.

6.4 Sustainability

The Fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the Fund's going concern is secured. The Fund has conducted an assessment of available options for feasible financing tools that would assure the Fund of its long-term sustainability. The Fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

6.5 Constraints

The effects of weather uncertainties, Covid-19 pandemic and political uncertainties continued to result into an increasing high default rate, low number of applicants and being costlier in terms of fund operations

6.6 Risk Management Strategies

The board made the Risk Management policy an integral part of its operations, focusing on strategies to minimize impacts of risks towards achieving its strategic goals and maintaining its financial stability. The initial stage was to have a win - win situation where the board led by the chairman made seven days follow up to all the fund beneficiaries and made a mutual agreement on the overall benefits of the fund.

6.7 Conclusion

During the Financial Year 2022/2023, a good progress was made and the momentum created to enable Laikipia County Business Stimulus Fund continue impacting the Laikipia business people positively through assisting their businesses against the effects of Covid-19 pandemic.

I take this opportunity to thank the board for their support. I would also want to thank all staff who we have worked hard to ensure that Fund achieves its mission.

.....
Daniel Ngunji
Fund Administrator
ICPAK Member Number: 8209



7. STATEMENT OF PERFORMANCE AGAINST THE FUND'S PREDETERMINED OBJECTIVES

Section 164 (2) (f) of the PFM Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each 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 for financial year 2022/2023 are to:

- a) Alleviate the negative effects of a declared pandemic (COVID-19), disaster, or significant economic contraction (recession) on businesses within the County;
- b) Facilitate access of affordable credit to micro and small Enterprises within the County from commercial facilities by providing solutions which include negotiated financial subsidies.
- c) Offer enterprises support to cushion against increased cost of production.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Micro and Small Enterprise Support programme	1. Facilitate access of affordable credit to MSMEs within the County from commercial facilities	1. Enhanced businesses development 2. Improved creation of wealth and employment	1. Number of beneficiaries of the stimulus package	In FY 2022/23 153 Business were funded and benefited from loans subsidy
Improve business environment and promote enterprise development	Offer enterprises support to cushion against increased cost of production	Expanded business enterprises	Certifications and new Business licences	153 and 85 businesses benefited from reduced costs and cushioned against effects of default respectively.

8. CORPORATE GOVERNANCE STATEMENT

a. Fund Advisory Committee meetings

The Fund Advisory Committee were unable to meet in the reporting period. However, the Fund Advisory Chairperson together with the Fund Manager and the Business Development Officers (BDOs) continued to compile and share periodic reports, carry out activation in the Wards and undertake trainings to the business community.

b. Roles of Fund Advisory Committee

- i. Continually review the policy framework of the Fund for purposes of advising the County Executive Committee Member for Finance on the policy needs of the fund;
- ii. Assist the County Executive Committee Member for Finance to evaluate and vet prospective financial institutions in line with the Public Procurement and Disposal Act;
- iii. Analysing reports submitted to it by financial institutions to ensure that beneficiaries of the fund are persons or businesses domiciled in Laikipia;
- iv. Advice and report to the Executive Committee Member on matters relating to the operation of the Fund;
- v. Receive and discuss monthly, quarterly and annual reports and returns of the Fund;
- vi. Receive and address complaints and disputes and take any appropriate action;
- vii. Oversee the efficient management and operation of the Fund and other matters that may arise in relation to the Fund; and perform such other function as may be necessary for the proper discharge of its mandate

c. Conflict of interest

Pursuant to Article 15 paragraph (1) of the Laikipia Business Stimulus Fund, a member who has an interest in any matter present at a meeting, shall as soon as reasonably practicable after the commencement of the meeting, disclose the fact thereof and shall not take part in the consideration or discussion of, or vote on, any questions with respect to the matter, or be counted in the quorum of the meeting during consideration of the matter.

A disclosure of interest made under paragraph (1) shall be recorded in the minutes of the meeting at which it is made.

d. Ethics and Conduct

All officers and employees working for the Fund observed the Public Officers' Code of Ethics.

9. MANAGEMENT DISCUSSION AND ANALYSIS

9.1 Operational Performance

Micro Small and Medium Entrepreneurs continue to play a major role in the development of the County economy. Laikipia County is a prime example of how economic stimulus has benefited businesses. During the formulation and review of the County Integrated Development, it was noted that one of the issues affecting Micro Small and Medium Entrepreneurs was inadequate working capital. To address this issue, the County Government created the Fund with a prime objective of availing affordable credit to SMES with the purposes that are in tandem with the Laikipia County Integrated Development plan. Key areas where enterprises are expected to play a role include; innovations, value addition to products and services, manufacturing, financial services, Bodaboda sector, wholesale and retail trade.

The Fund focused on the Governors manifesto of creating 30,000 jobs opportunities in the county. To achieve this, the Fund established partnership and collaborations with financial institution with the capacity to build strong and vibrant framework. These institutions include; Family Bank, Cooperative Bank, Absa Bank and Kenya Commercial Bank operating in the county. The fund has allowed MSMEs to deal better with financial stress and external shocks

The partnership focused more on the youth and women groups as the most disadvantaged people in the community. KCB was given a 4-day maximum turnaround time for individual applications which was tracked through the submission of weekly reports. Co-operative bank was given a 3-day turnaround time commitment for all the facilities through the bank and it focused on appraisals of all the facilities below Kshs. 500,000 at the local branches and that helped to push the numbers. Co-operative bank accommodated CRB listings of up to Ksh. 10,000. Family bank was given a 3-day turnaround time commitment for all the facilities provided by the bank.

The Fund held BDOs sensitization sessions in Nyahururu and Nanyuki with an emphasis on Stimulus fund as a key deliverable for BDOs. The LEAD BDOs were sensitized on their role in reporting of performance of the stimulus package. The fund manager has been to central FM which is the local station with a wide range of 50,000 listeners hence creating demand for the facility. These efforts of creating more awareness will continue and a beneficiary is on schedule to visit the station.

9.2 Major Risks Facing the Fund

Inherently, the Fund encounters different risks including political risk, economic such as interest fluctuation risk or inflation risk, and default risk in its operations; the major one being default risk.

Risk categories

The Fund has identified and categorised risks as follows:

- a) **Financial risks:** They are associated with the financial operations of the Fund.
- b) **Operational risks:** These are risks associated with the operations of the Fund.

Laikipia County Business Stimulus Fund

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c) **Legal and regulatory risks:** Legal risks can arise from non-compliance with the legal and regulatory requirements

d) **Default Risk:**

The Fund reported a total of Ksh 3,121,169 being the amount charged to the guarantee account since inception, and Kshs. 2,779,810 for the current financial year period ending 30th June 2023 indicating a drastic increase in the loans' default rate as per shown in the table below;

PERIOD	NUMBER OF DEFAULTERS	AMOUNT RECOVERED FROM CREDIT GUARANTEE ACCOUNT (KSHS)
FINANCIAL YEAR 2021/2022	6	341,359
FINANCIAL YEAR 2022/2023	85	2,779,810
TOTAL		3,121,169

RECOVERED DEFAULTED LOAN ARREARS FROM CREDIT GUARANTEE ACCOUNT

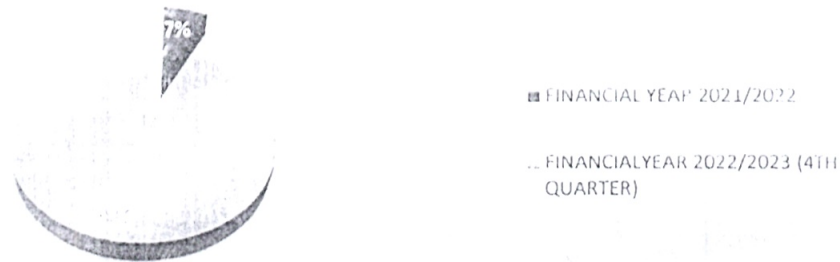


Figure 1. Proportion of amount charged from credit guarantee account

To mitigate this risk, the fund has put in place the following measures;

- Close monitoring for loan recovery by the banks whereby the various banks have set a specific loan repayment date for ease of monitoring.
- The banks also share report on loans in arrears on a monthly basis. The County has also been tasked with full payment of the loan together with specific banks' credit team.
- The county BDOs together with bank officials are also conducting loan recovery visits where there is a default.

**Laikipia County Business Stimulus Fund
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- In case of asset finance, there is an insurance over the property by the specific bank.
- CRB services by Metropol leverage full-file credit information sharing of borrowers.

9.3 Financial Performance

In the FY 2022/23 the Fund had no budget allocation by the County executive, however there are plans of the same in the next financial year. The Stimulus Package benefited a total of 238 beneficiaries, whereby 153 beneficiaries received loan interest subsidy and 85 beneficiaries received Loan Guarantee. In a bid to make the Fund sustainable, the management of the Fund committed Kshs.20Million to a fixed deposit arrangement in the financial year 2021/2022 which has earned an interest income of Ksh. 318,776 for period ending 30th June 2023. Below is an analysis of the financial undertakings of the Fund.

a) Loan Disbursement status

BANK	NO OF DISBURSEMENTS	INTEREST SUBSIDY AMOUNT	LOAN AMOUNT DISBURSED
KCB	26	1,214,327	24,755,000
COOPERATIVE	25	366,981	9,489,200
FAMILY	75	762,776	22,005,000
ABSA	27	4,646,421	58,810,000
TOTAL	153	6,990,505	115,059,200

LOAN DISBURSEMENT STATUS

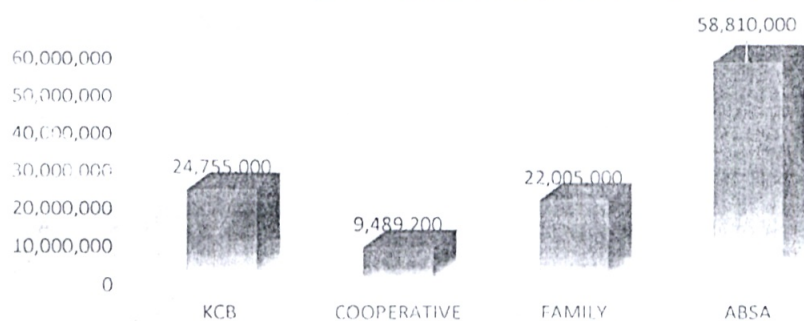


Figure 1: Loan disbursement status

This represents the amount of loan portfolios per bank disbursed as a result of the County Government's Loan subsidy scheme. This has spurred the financial credit market, the highest beneficiary being ABSA with Kshs 58 Million, followed by KCB with Kshs 24 Million, thirdly Family Bank with Kshs 22 Million and lastly Cooperative with 9 Million loan disbursements. It's

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important to note that the Family bank is one of the latest (i.e. August 2021) entrant to the scheme and as a result has managed a loan portfolio of Kshs. 22 million. This may infer less stringent loan procedures.

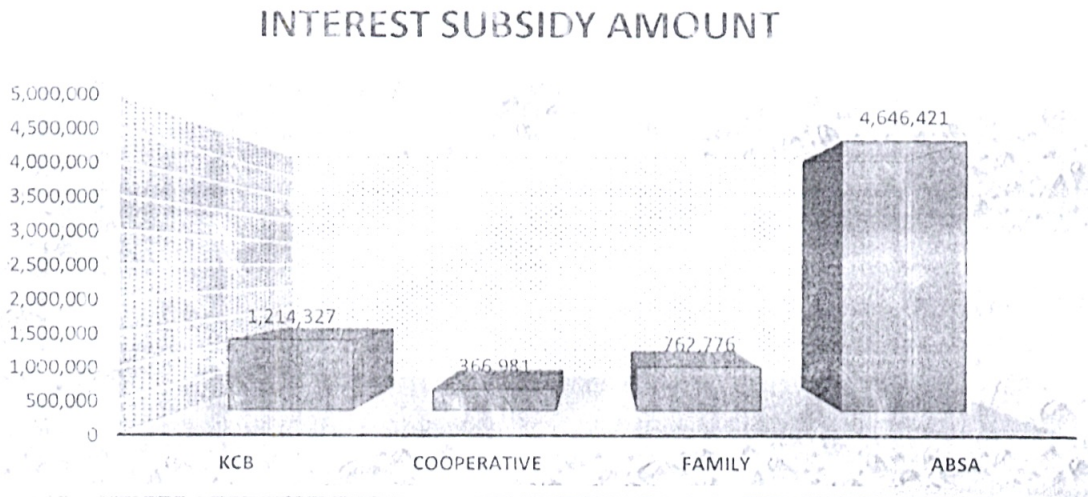


Figure 2: Interest subsidy Amount

The graph above depicts the interest subsidy amounts utilised per bank that resulted to 153 business and entrepreneurs benefiting from the Stimulus package in the different commercial banks within this financial year.

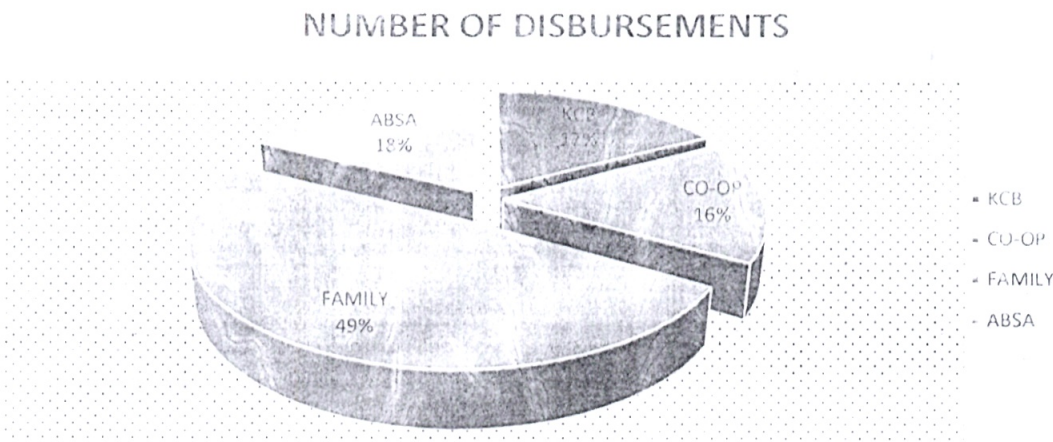


Figure 3: Number of loans Disbursed by Bank

The Economic Stimulus Package Scheme has enabled commercial banks to increase their loan portfolios hence facilitating huge business support within the County Government of Laikipia. Family bank has the highest number of disbursements compared to the other banks because of its

Laikipia County Business Stimulus Fund
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less stringent loan procedures and proper customer service. Besides, Family bank has been able to have highest number of disbursement compared to Absa because it issues small loans benefiting many low-capital businesses while Absa issues big loans to fewer beneficiaries with capital-intensive businesses and with a higher job creation multiplier effect in the long-run.

a) *Disbursement by numbers*

DISBURSEMENT BY RANGE	NUMBER OF LOANS DISBURSED	LOAN AMOUNT
1-100,000	23	1,948,500
101,000-200,000	33	5,630,000
201,000-300,000	42	12,115,000
301,000-400,000	2	740,000
401,000-500,000	12	4,745,000
501,000-1,000,000	10	9,775,000
1,000,001-2,000,000	15	23,750,000
2,000,001-3,000,000	8	23,350,000
3,000,000-9,000,000	8	33,005,700
OVER 9,000,000	0	0
TOTAL	153	115,059,200

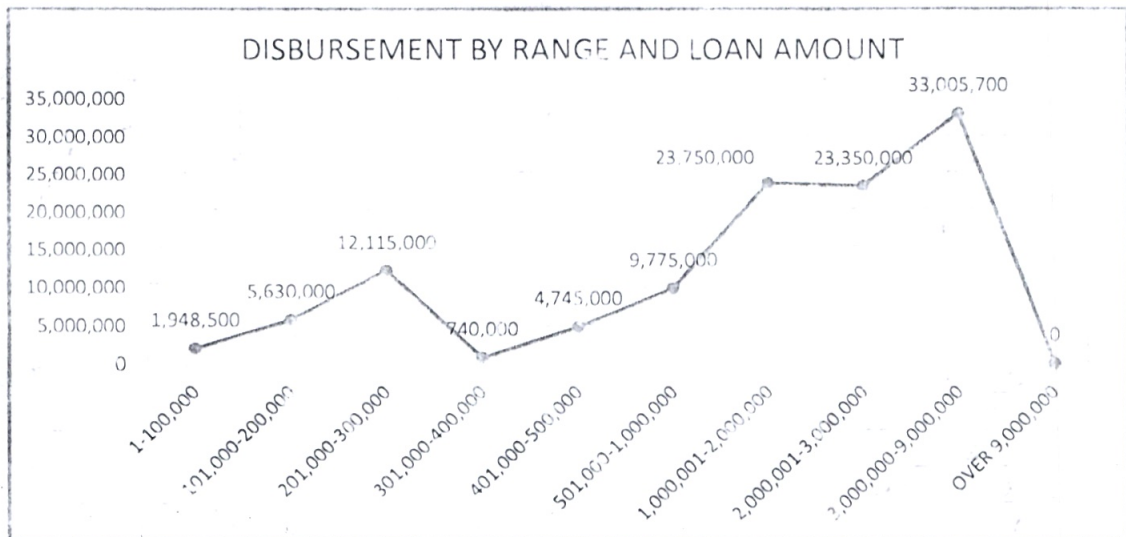


Figure 4: Disbursement by Range and Amount

The above graph depicts that the largest loan amounts disbursed lie within the Kshs 3,000,001 - 9,000,000 range.

Laikipia County Business Stimulus Fund
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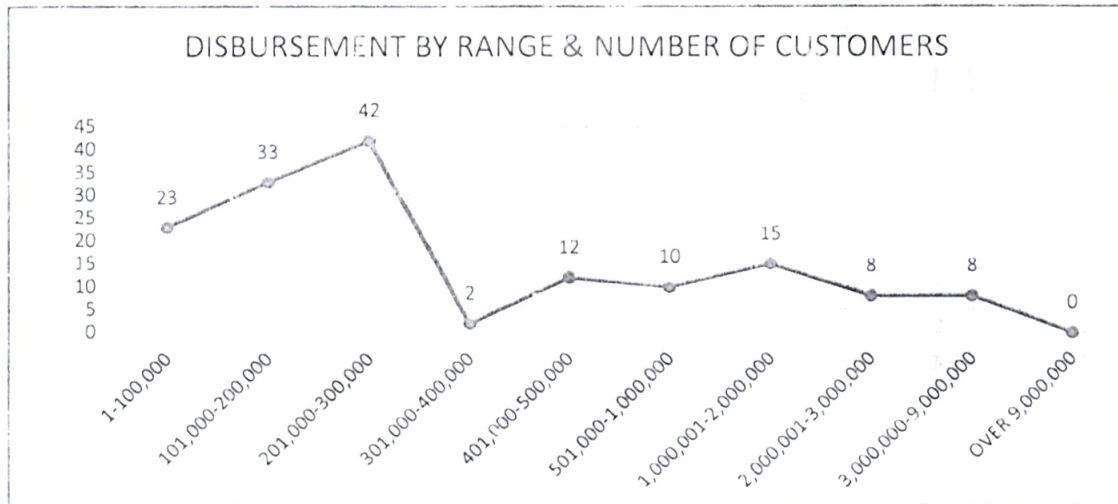


Figure 5: Disbursement by Range & Number

Most beneficiaries of the Economic Stimulus package scheme lie in the disbursement range of Kshs 101,000-200,000. The fund has majorly assisted MSMEs owners to access affordable credit for business capital.

Most of the applicants interested in amounts below Ksh. 300,000 majorly wanted to boost their businesses after the negative impacts on the economy from the COVID-19 pandemic and high cost of living.

b) Disbursement by Ward

DISBURSEMENT BY WARDS	NUMBER OF LOANS DISBURSED	AMOUNT
NANYUKI	104	72,878,000
IGWAMITI	37	37,466,200
THINGITHU	3	3,210,000
NGOBI	0	0
TIGITHI	2	505,000
RUMURUTI	0	0
MARMANET	1	70,000
GITHIGA	0	0
UMANDE	3	650,000
MKOGODO EAST	0	0
SALAMA	3	280,000
OLMORAN	0	0
SOSIAN	0	0
SEGERA	0	0
MUKOGODO WEST	0	0
TOTAL	153	115,059,200

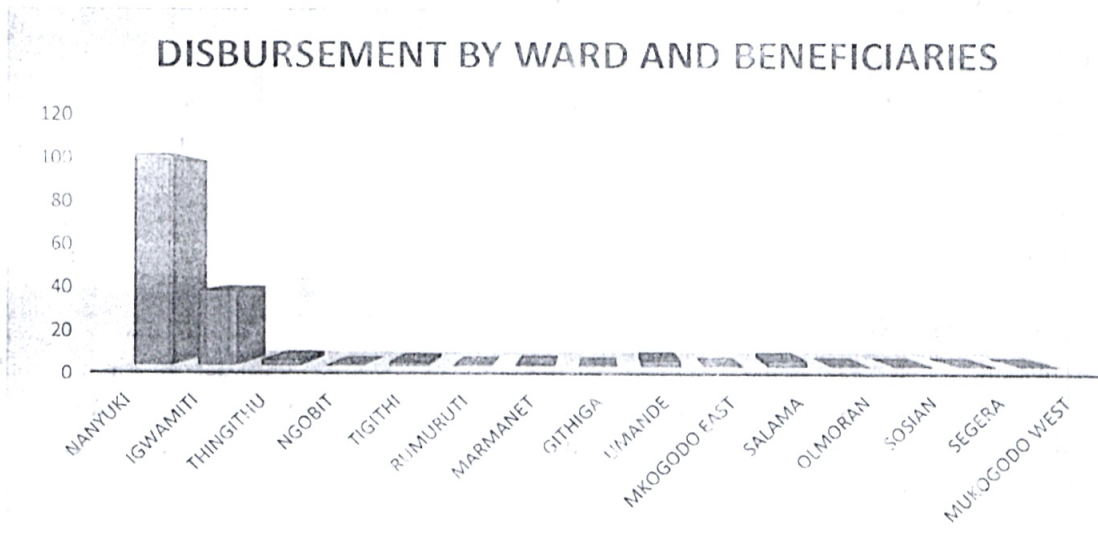


Figure 6: Disbursements by Wards

The Nanyuki ward has had the biggest number of beneficiaries from the Stimulus scheme as at the fourth quarter, having 104 borrowers with a loan portfolio of KShs 72,878,000. This is attributed to the easier accessibility to financial institutions' services that are in partnership with ESP.

The other wards received less disbursements compared to Nanyuki ward that received the most. This is because most of the MSMEs didn't meet the minimum requirements, for instance most residents that are in the rural areas lacked Mpesa and Bank statements. Besides, within the second quarter, there were no loan approvals and sensitizations. To solve this issue, more Financial institutions such as SACCOS, will be on-boarded into the programme in order to increase the reach to more beneficiaries in underserved areas since the current partners are mostly based in big towns.

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10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

a) Community Engagements

During the Covid-19 pandemic period many businesses were hardly hit by the negative economic effects of the pandemic. Through the Interest Subsidy scheme provided by the stimulus fund, most businesses were able to spring back. In addition, through trainings and sensitizations that were conducted within the communities, the businesses embraced good business management skills for instance proper record keeping and good financial management skills in debt management.

The fund has been involved in public engagements to create awareness of the fund as well as gather information on emerging entrepreneurial needs. The Fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its budgetary allocations and resource mobilization through lobbying to increase its financing capabilities with an objective of ensuring that the Fund's going concern is secured.

b) Market place practices

- Responsible marketing and advertisement - The Laikipia County Business Stimulus Fund also practices responsible marketing and advertisement using bill boards, social media platforms and print media well as respecting payment practices.
- Product stewardship - The fund has the Act that guides on how unlike getting a loan directly from the bank which charges 12.5%, this fund allows applicants to get loans at an interest rate of 7.5% only as the County Government pays the rest 5%. Individuals and other organizations doing business in Laikipia County continue applying for the Economic Stimulus Fund due to its ability to offer cheap business loans. Entrepreneurs working within the county borders are encouraged to take advantage of this opportunity and apply for the loans as the government has set aside Ksh. 3 billion in partnership with other local banks.
- Responsible competition practice- the Fund ensures that the citizens domiciled in the county government of Laikipia are treated with respect when accessing the business capital from the commercial banks and the amount they are supposed to pay is the amount stated in the regulations of the fund.
- **Sustainability strategy and profile**
The LCBSF is keen on posterity; The County's top management has activated various sustainability strategies for the County including but not limited to:
 - Ensuring continuous compliance with government laws, regulations, policies and standards.

Laikipia County Business Stimulus Fund
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- Completed the formulation of a County Risk Management Framework Policy that help the County identify and mitigate risks.

Engaging citizens through public participation to incorporate their ideas and contributions on County development matters

d) Employees' welfare

The Laikipia County Business Stimulus Fund relies on the County Public Service Board that is charged with the hiring and empowering of employees in the County. The Fund has been allocated employees who serve the 15 wards and they are involved in enterprise development, trainings and credit administration.

The employees are continually trained on innovation, enterprise development and manufacturing by the County Government of Laikipia. They are also actively involved during exhibitions and public engagements.

e) Corporate Social Responsibility and Community Engagements

The Laikipia County Business Stimulus Fund has been engaging citizens to identify their demands and needs, holding social community activities e.g. leaders and elders' engagements. This reasonably aided most businesses to be able to spring back after the Covid-19 pandemic period.

f) Investment Decision

In a bid to ensure sustainability of the Fund, fund management committed Kshs.20Million to a fixed deposit arrangement in the financial year 2020/2021 which has been earning interest income as shown in the table below:

S/no	Financial year	Cumulative Amount on fixed deposit (Kshs)	Interest income earned (Kshs)
1.	2020/21	20Million	153,414
2.	2021/22	15Million	342,473
3.	2022/23	15Million	318,776

g) Community Engagements

The Laikipia County Business Stimulus Fund continually promotes enterprise development through trainings within the community and identify new potential enterprises. The Fund has been involved in public engagements to create awareness of the Fund as well as gather information on emerging enterprise needs.

**Laikipia County Business Stimulus Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

11. REPORT OF THE FUNDS ADVISORY COMMITTEE

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

Principal activities

The principal activities of the Fund are as follows:

- i. Offer interest subsidy for MSMEs and SACCOs loans
- ii. Provide loan guarantee for Micro loans.
- iii. Offer enterprises support to cushion against increased cost of production through rebates.

Results

The results of the Fund for the year ended June 30, 2023 are set out on pages 1 - 5.

Funds Advisory Committee

The changes made in the membership of the Fund Advisory Committee during the financial year are shown here-below;

S/No	Name	Designation	Status
1	Samuel Gachigi	Chairperson, CECM-Finance and Economic Planning	Incoming
2	Daniel Nguni	Fund Administrator - Chief officer Finance and county treasury.	Incoming
4	Elijah Kamunya	CEO – Laikipia County Revenue Board-Board member	Incoming
5	Rachel Thumbi	County Attorney Representative - Board member	Existing
6	Musa Koskei	Business Community Representative - Board member	Existing
7	Hellen Mwarania	Business Community Representative - Board member	Existing
8	Raphael Kimotho	Acting Fund Manager - Secretary to the Committee	Existing
9	Murungi Ndai	Chairperson, CECM-Finance and Economic Planning	Outgoing
10	Paul Njenga	Fund Administrator - Chief officer Finance and county treasury.	Outgoing
11	Prudence Waithera	CEO – Laikipia County Revenue Board-Board member	Outgoing

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Annual Report and Financial Statements for the year ended June 30, 2023

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 Funds Advisory Committee



27/09/2023

.....
Samuel Gachigi
Chair of the Fund Advisory Committee

**Laikipia County Business Stimulus Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

12. 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 PFM (Laikipia County Business Stimulus Fund) Regulations, 2020 on 4th November 2020 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 and PFM (Laikipia County Business Stimulus Fund) Regulations, 2020 on 4th November 2020. 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.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 27/09/ 2023 and signed on its behalf by:

.....
Daniel Ngumi
Fund Administrator
Laikipia County Business Stimulus Fund
ICPAK Member Number: 8209



REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LAIKIPIA COUNTY BUSINESS STIMULUS 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

Qualified Opinion

I have audited the accompanying financial statements of Laikipia County Business Stimulus Fund set out on pages 1 to 39 which comprise of the statement of financial position as at 30 June, 2023 and the statement financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

Report of the Auditor-General on Laikipia County Business Stimulus Fund for the year ended 30 June, 2023

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Laikipia County Business Stimulus 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 comply with the Public Finance Management Act, 2012 and the Public Finance Management (Laikipia County Business Stimulus Fund) Regulations, 2020.

Basis for Qualified Opinion

Unsupported Finance Costs

The statement of financial performance together with Note 9 to the financial statements reflects amount of Kshs.9,770,315 in respect of finance costs. The finance costs relate to expenses incurred in subsidizing interests to the beneficiaries. However, minutes of the Fund's Advisory Committee detailing the criteria used in the selection of beneficiaries was not provided for audit review contrary to the requirement of Section 8(1)(c) of the Public Finance Management (Laikipia County Business Stimulus Fund) Regulations, 2020 which sets out one of the functions of the Committee as analyzing reports submitted to it by financial institutions to ensure that beneficiaries of the Fund are persons or businesses domiciled in Laikipia.

In the circumstances, the accuracy and completeness of the finance costs of Kshs.9,770,315 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the report of the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in use of Public Resources. However, although the Management had indicated that some were resolved,

the matters remained unresolved as the Senate and County Assembly are yet to deliberate on the Report for 2021/2022.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Unbalanced Budget

The statement of comparison of budget and actual amounts reflects Kshs.36,755,053 and Kshs.40,339,912 in respect to approved receipts and expenditure budgets, respectively. This results to Kshs.3,584,859 budgeted expenditure without corresponding budgeted receipts contrary to Regulation 31(c) of the Public Finance Management (County Government) Regulations, 2015 which states that budgeted revenue and expenditure appropriation shall be balanced.

2.0 Receivables from Non-Exchange Transactions

As previously reported, the statement of financial position and Note 13 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.5,550,000. The receivables relate to money which was transferred from the Fund account to Laikipia County Executive departments contrary to the requirement of Section 116(4) of the Public Finance Management Act, 2012 which states that 'the Administrator of a County Public Fund shall ensure that money held in the Fund, including any earnings or accruals is spent only for the purposes for which the fund is established'.

In the circumstances, 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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi



16 January, 2024

Laikipia County Business Stimulus Fund
Annual Report and Financial Statements for the year ended June 30, 2023


14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From the County Government	2	-	10,000,000
Revenue From Exchange Transactions			
Interest Income-Interest on fixed deposit	4	318,776	342,473
Total Revenue		318,776	10,342,473
Expenses			
Use of goods and services	7	33,330	18,586
Finance Costs	9	9,770,315	6,266,026
Total Expenses		9,803,645	6,284,612
Other Gains/Losses			
Surplus/(Deficit) For The Period		(9,484,869)	4,057,861

The accounting policies and explanatory notes to these financial statements on pages 19 to 37 form an integral part of the financial statements.

Daniel Ngumi
Administrator of the Fund
ICPAK Member Number: 8209



Caleb Mwangi
Fund Accountant
ICPAK Member Number: 10187

Laikipia County Business Stimulus Fund
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15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	12	26,920,184	36,405,053
Receivables from Non-Exchange transactions	13	5,550,000	5,550,000
Total Current Assets		32,470,184	41,955,053
Total Assets		32,470,184	41,955,053
Total Liabilities		-	-
Net Assets		32,470,184	41,955,053
Revolving Fund			
Accumulated Surplus		32,470,184	41,955,053
Total Net Assets and Liabilities		32,470,184	41,955,053

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27/09/2023 and signed by:



 Danie Ngumi
 Administrator of the Fund
 ICPAK Member Number: 8209



 Caleb Mwangi
 Fund Accountant
 ICPAK Member Number: 10187

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16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	-	-	37,897,192	37,897,192
Surplus/(Deficit) For the Period	-	-	4,057,861	4,057,861
Balance As At 30 June 2022	-	-	41,955,053	41,955,053
Balance As At 1 July 2022	-	-	41,955,053	41,955,053
Surplus/(Deficit) For the Period		-	(9,484,869)	(9,484,869)
Balance As At 30 June 2023	-	-	32,470,184	32,470,184

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17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the county government	2	-	10,000,000
Interest Income On Fixed Deposits	4	318,776	342,473
Total receipts		318,776	10,342,473
Payments			
Use of Goods and Services	7	33,330	18,586
Finance cost	9	9,770,315	6,266,026
Total payments		9,803,645	6,284,612
Net cash flows from operating activities	25	(9,484,869)	4,057,862
Cash flows from financing activities			
Transfers to County Executive - Imprest Account		-	(5,550,000)
Net cash flows used in financing activities		-	(5,550,000)
Net increase/(decrease) in cash & cash Equivalents		(9,484,869)	(1,492,138)
Cash and cash equivalents at 1 July 2022	12	36,405,054	37,897,192
Cash and cash equivalents at 30 June 2023	12	26,920,185	36,405,054

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD 30 JUNE 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	a	b	c=(a+b)	d	e =(c-d)	f=d/c*100
Revenue	KShs	KShs	KShs	KShs	KShs	KShs
Transfers from County Govt. Allocation	-	-	-	-	-	-
Interest income - Fixed deposit	350,000		350,000	318,776	(31,224)	91%
Opening Bank balance	36,405,053		36,405,053	36,405,053	-	100 %
Total income	36,755,053	-	36,755,053	36,723,829	(31,224)	
					-	
Expenses					-	
Use of goods and services	1,102,652		1,102,652	33,330	(1,069,322)	3%
Finance costs	10,258,831		10,258,831	9,770,315	(488,516)	95 %
Total expenditure	11,361,482		11,361,482	9,803,645	(1,557,837)	
Surplus for the period	25,393,571	-	25,393,571	26,920,184	1,526,613	

Budget notes

1. The utilisation on Use of goods and services is at 3%. The expenditure was only for bank charges.
2. There was 25% utilisation on the Finance costs: there were minimal loans granted under the scheme in the current year.

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Reconciliation between Statement of Financial Performance and Statement of Comparison Budget and Actual Amounts

DESCRIPTION	STATEMENT OF FINANCIAL PERFORMANCE/ POSITION	STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNTS	VARIANCE	REMARKS
REVENUE				
Other Income - Fixed deposit interest	318,776	318,776	-	<i>All income earned was received.</i>
	318,776	318,776	-	
PAYMENTS				
Use of goods & services	33,330	33,330	-	<i>All expenses were paid for</i>
Finance Cost	9,770,315	9,770,315		<i>All expenses were paid for</i>
	9,803,645	9,803,645	-	

Laikipia County Business Stimulus Fund
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19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Laikipia County Business Stimulus Fund is established by and derives its authority and accountability from The PFM Act, 2012 (Laikipia County Business Stimulus Fund) Regulations, 2020 on 4th November, 2020 and amendment regulations, The PFM (Laikipia County Business Stimulus Fund) (Amendment) Regulations, 2021 through a gazette notice of 26th July, 2021 Act. The entity is wholly owned by the County Government of Laikipia and is domiciled in Kenya. The entity's principal activity is

- i. Offer interest subsidy for MSMEs and SACCOs loans.
- ii. Provide loan guarantee for Micro loans.
- iii. Offer enterprises support to cushion against increased cost of production through rebates.

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
IPSAS 41: Financial Instruments	<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>

Standard	Effective date and impact
<p>IPSAS 42: Social Benefits</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> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p>Applicable: 1st January 2023</p>
<p>Amendments to IPSAS 41, Financial Instruments</p> <p>Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p>

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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><i>Applicable 1st January 2023</i></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><i>Applicable 1st January 2025</i></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 present information on right of use assets and lease liabilities.</p>

Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	Applicable 1 st January 2025 The Standard requires: 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: 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.

(iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in the financial year 2022-2023

**Laikipia County Business Stimulus Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

I. 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 County Assembly on 29th June 2022. 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. Accordingly, the Fund recorded no additional appropriations on the FY 2022-2023 budget following the governing body's approval.

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

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 18 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. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over one-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. 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. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the entity's financial statements. 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 entity 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 cash flows 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.

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 the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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.

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Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

The Entity 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.

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Summary of Significant Accounting Policies (Continued)

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

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

State all judgements, estimates and assumptions made: assumption – that the entity will continue to exist to a foreseeable future.

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. Additional disclosure of these estimates of provisions is included in notes.

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.

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6. Notes To The Financial Statements

1. Public contributions and donations

Description	2022-2023	2021-2022
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

2. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	-	10,000,000
Payments By County On Behalf Of The Entity	-	-
Unconditional Development grants	-	-
Total	-	10,000,000

This represents the Transfers from County Executive

3. Fines, penalties and other levies

Description	2022-2023	2021-2022
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income From Car Loans	-	-
Interest Income From Investments in financial assets	-	-
Interest Income On Bank Deposits	318,776	342,473
Total Interest Income	318,776	342,473

(This particular interest income was earned on placing money Kshs.15 million on a fixed bank deposits in KCB Subsidy Account)

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Notes to the Financial Statements Continued

5. Other income

Description	2022-2023	2021-2022
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

6. Employee Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other (<i>Specify</i>)	-	-
Total	-	-

7. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	-	-
Bank Charges	33,330	18,586
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Total	33,330	18,586

This represents the bank charges incurred during the year

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8. Depreciation and Amortization Expense

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

9. Finance costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Loan Interest Subsidy	6,990,505	5,924,667
Guarantee cost	2,779,810	341,359
Total	9,770,315	6,266,026

(The finance costs relate to loans interest subsidy and loan guarantee expenditure on the loans issued by banks under the ESP Programme.)

10. Gain/(loss) on disposal of assets

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

11. Gain/ (loss) on Fair Value Investments

Description	2022-2023	2021-2022
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
Total Gain	-	-

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12. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Fixed Deposits Account	15,001,210	15,001,210
Current Account	11,918,974	21,403,843
Total Cash And Cash Equivalents	26,920,184	36,405,053

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

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank	1276782896	15,001,210	15,001,210
Sub- Total		15,001,210	15,001,210
b) Current Account			
Kenya Commercial Bank	1276782896	2,757,962	3,655,643
Kenya Commercial Bank	1276782893	1,913,513	4,695,453
Cooperative Bank	01141999987300	2,197,233	2,578,614
Cooperative Bank	01141999987200	1,982,000	1,996,400
Family Bank	64000074793	2,714,897	3,477,793
Family Bank	64000074794	-	-
ABSA Bank	2045817175	353,369	4,999,940
Sub- Total		11,918,974	21,403,843
Grand Total		26,920,184	36,405,053

13. Receivables from Non-Exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
Transfers to County Executive	5,550,000	5,550,000
Transfers from County Executive	-	-
Total Current Receivables	5,550,000	5,550,000

This represents the funds transferred to county executive to finance urgent county operations by the CECM Finance but to be refunded and hence treated as accounts receivable in the book

Laikipia County Business Stimulus Fund
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Notes to the Financial Statements Continued

14. Prepayments

Description	2022-2023	2021-2022
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (<i>Specify</i>)	-	-
Total	-	-

15. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (<i>Specify</i>)	-	-
Total Inventories at The Lower of Cost and Net Realizable Value	-	-

16. Investments in financial assets

Description	2022-2023	2021-2022
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b. Investment with Financial Institutions/ Banks		
Bank x	-	-
Bank y	-	-
Sub- total	-	-
c. Equity investments (specify)		
Equity/ shares in Entity	-	-
Sub- total	-	-
Grand total	-	-

Lalipia County Business Stimulus Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements Continued

Movement of Equity Investments

Impairment allowance/ provision	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	(-)	(-)
Gain/(loss) in fair value of investments through surplus or deficit	-	-
At the end of the year	-	-

c) Shareholding in other entities

For investments in equity share listed above, list down the equity investments under the following categories:

Name of Entity where investment is held	Number of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Kshs	Kshs	Kshs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

Laikipia County Business Stimulus Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

17. Property, plant and equipment

	Land and Buildings Kshs	Motor vehicles Kshs	Furniture and fittings Kshs	Computers and office equipment Kshs	Total Kshs
Cost					
At 1 st July (Previous FY)	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30 th June (Previous FY)	-	-	-	-	-
At 1 st July (Current FY)	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30 th June (Current FY)	-	-	-	-	-
Depreciation And Impairment					
At 1 st July (Previous FY)	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 th June (Previous FY)	-	-	-	-	-
At 1 st July (Current FY)	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30 th June (Current FY)	-	-	-	-	-
Net Book Values					
At 30 th June (Previous FY)	-	-	-	-	-
At 30 th June (Current FY)	-	-	-	-	-

Notes To The Financial Statements (Continued)

18. Intangible assets

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Cost	-	-	-	-
At Beginning of The Year	-	-	-	-
Additions	-	-	-	-
At End of The Year	-	-	-	-
Amortization And Impairment	-	-	-	-
At Beginning of The Year	-	-	-	-
Amortization	-	-	-	-
At End of The Year	-	-	-	-
Impairment Loss	-	-	-	-
At End of The Year	-	-	-	-
At End of The Year	-	-	-	-
NBV	-	-	-	-

19. Investment Property

Description	2022-2023		2021-2022	
	Kshs		Kshs	
At beginning of the year	-	-	-	-
Additions	-	-	-	-
Disposal during the year	-	-	-	-
Depreciation	-	-	-	-
Impairment	-	-	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-	-	-
At end of the year	-	-	-	-

Laikipia County Business Stimulus Fund
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Notes To The Financial Statements (Continued)

20. Trade and other payables from exchange transactions

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Trade Payables	-		-	
Refundable Deposits	-		-	
Accrued Expenses	-		-	
Other Payables	-		-	
Total Trade and Other Payables	-		-	
Ageing analysis (Trade and other payables)	2022-2023	% of the Total	2021-2022	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

21. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning Of The Year	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End of The Year				

Laikipia County Business Stimulus Fund
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Notes To The Financial Statements (Continued)

22. Borrowings

Description	2022-2023	2021-2022
	Kshs	Kshs
Balance At Beginning of The Period		
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
Balance At End of The Period	-	-

The table below shows the classification of borrowings into external and domestic borrowings:

Description	2022-2023	2021-2022
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z Organization'	-	-
Domestic Borrowings		
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End of The Year	-	-

The table below shows the classification of borrowings long-term and current borrowings:

Description	2022-2023	2021-2022
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

Laikipia County Business Stimulus Fund
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Notes To The Financial Statements (Continued)

23. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

24. Social Benefit Liabilities

Description	2022-2023	2021-2022
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Total	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

25. Cash generated from operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(9,484,869)	4,057,861
Adjusted For:	-	-
Depreciation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments	-	-
Increase In Inventory	-	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	(9,484,869)	4,057,861

Laikipia County Business Stimulus Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

26. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

b) Related party transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

Description	2022-2023	2021-2022
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	2022-2023	2021-2022
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

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Other Disclosures Continued

e) Due to related parties

Description	2022-2023	2021-2022
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

27. Contingent assets and contingent liabilities

Contingent Liabilities	2022-2023	2021-2022
	Kshs	Kshs
Court Case Against the Fund	-	-
Bank Guarantees	-	-
Total	-	-

Laikipia County Business Stimulus Fund
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Notes To The Financial Statements (Continued)

28. 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 entity'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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2023				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

Laikipia County Business Stimulus Fund
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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 entity has significant concentration of credit risk on amounts due from none.

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

b) Liquidity risk management

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

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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2022	-	-	-	-
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

Laikipia County Business Stimulus Fund
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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.

i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2023			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables	-	-	-
Liabilities	-	-	-
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

**Laikipia County Business Stimulus Fund
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Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in	Effect on surplus/	Effect on
	currency rate	deficit	equity
	Kshs	Kshs	Kshs
(30 June 2023)			
Euro	10%	-	-
USD	10%	-	-
(Comparative FY)			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax

Laikipia County Business Stimulus Fund
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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 entity capital structure comprises of the following funds:

Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

29. Events after the reporting period

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

30. Ultimate and Holding Entity

The Laikipia Business Stimulus Fund was established through The PFM Act (Laikipia County Business Stimulus Fund) Regulations, 2020. Gazetted 20th November 2020. Amendment was done through a gazette notice dated 26th July 2021 The PFM (Laikipia County Business Stimulus Fund) (Amendment) Regulations, 2021) under the Ministry of Finance and Economic Planning. Its ultimate parent is the County Government of Laikipia.

31. Currency

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

Laikipia County Business Stimulus Fund
Annual Report and Financial Statements for the year ended June 30, 2023

20. ANNEXES

Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
OAG/UERO/ LKP- CNTY/BSF. /2021- 2022(24)	<p>1. Unsupported Finance Costs-The Statement of Financial Performance reflects finance costs of Kshs. 6,266,026 and as disclosed in Note 9 of the financial statements. The finance costs relate to loans interest subsidy and loan guarantee. However, minutes of the Fund Advisory Committee detailing the criteria used in the selection of beneficiaries were not provided for audit review, contrary to the requirement of Section 8(1) (c) of the PFM (LCBSF) Regulations, 2020 which sets out one of the functions of the committee as analysing reports submitted to it by financial institutions to ensure that beneficiaries of the Fund are persons or businesses domiciled in Laikipia. In the circumstances, the accuracy and completeness of the finance costs amount of Kshs. 6,266,026</p>	<p>The Laikipia Business Stimulus Fund was established to alleviate the negative effects of a declared pandemic, disaster, or significant economic contraction (recession) on Trade/Commerce within the County; (b) to facilitate access of affordable credit to micro and small Enterprises within the County from commercial facilities by providing solutions which include negotiated financial subsidies. (c) To allow the County Government to negotiate an economic stimulus package scheme or schemes with commercial facilities which include: (i) a loan guarantee scheme; and (ii) an interest sharing scheme.</p> <p>To achieve the aforementioned objectives, the fund manager liaises with the committee and implements its decisions. The fund manager maintains funds applicants' and beneficiaries' records which then are presented to the fund committee for validation. This effectively</p>	Resolved	FY2021/ 2022

Laikipia County Business Stimulus Fund
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
		<p>enhances efficiency in the loans applications approval process.</p> <p>The Fund through delegated authority to the Fund secretariat (Fund Manager) undertakes due diligence and verification of beneficiaries whenever applications are made. Applications are made through the participating banks in which we are in collaboration (KCB, Cooperative, Family and ABSA) since they are at the forefront of issuing out the subsidized affordable loans. The banks then communicate with the fund for additional verification particularly to ascertain whether the applicants are domiciled in Laikipia County.</p>		
	<p>2.Receivables from Non-Exchange Transactions-Unlawful Inter-Entity Transactions - The statement of financial position reflects receivables from non – exchange transactions balance of Kshs. 5,550,000 as disclosed in Note 13 to the financial statements. The receivables relate to money which was transferred from the fund account to the Laikipia Executive departments.</p>	<p>The transfers were duly authorized as per the Public Finance Management Act, 2012 (3) “The administrator of a county public fund shall ensure that the earnings of, or accruals to a county public fund is retained in the fund, unless the County Executive Committee member for finance directs otherwise”.</p>	On-going	FY 2023/2024 year end

Lakipia County Business Stimulus Fund

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	contrary to the requirement of Section 16(4) of the PFM Act, 2012 which states that the Administrator of a County Public Fund shall ensure that money held in the Fund, including any earnings or accruals is spent only for the purposes for which the fund is established.			



Daniel Ngumi
Fund Administrator

Date: 27/09/2023

Laikipia County Business Stimulus Fund
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Annex II: Inter-Fund Confirmation Letter

Laikipia County Business Stimulus Fund

The *Laikipia County Business Stimulus Fund* wishes to confirm that no amounts were disbursed to any fund as at 30th June 2023 as indicated in the table below.

Confirmation of amounts received by Laikipia County Business Stimulus Fund as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by <i>Laikipia County Business Stimulus Fund</i> (Kshs) as at 30 th June 2023				Amount Received by nil (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	N/A	NIL	NIL	NIL	N/L	NIL	NIL
Total							
<p>In confirm that the amounts shown above are correct as of the date indicated.</p> <p>Head of Accountants department of beneficiary Fund:</p> <p>Name Sign Date</p>							

**Laikipia County Business Stimulus Fund
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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	
-	-	-	-	-	-	-	-	-

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Annex IV: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments