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THE AUDITOR-GENERAL

ON

**LAIKIPIA COUNTY CO-OPERATIVE
DEVELOPMENT REVOLVING FUND**

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



OFFICE OF THE AUDITOR GENERAL
UPPER EASTERN REGIONAL OFFICE - ISIOLO

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**LAIKIPIA COUNTY CO-OPERATIVE DEVELOPMENT REVOLVING
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)

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CIVIL
SUPERIOR COURT

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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1. Acronyms and Glossary of Terms

| | |
|--------|--|
| 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 |
| CIDP | County Integrated Development Plan |
| CODIC | Co-Operative Development Information Center |
| CECM | County Executive Committee Member |
| DKUT | Dedan Kimathi University of Technology |
| LCDA | Laikipia County Development Authority |
| LCCDRF | Laikipia County Co-operatives Development Revolving Fund |
| HRM | Human Resource Management |
| KSG | Kenya School of Government |
| CSR | Corporate Social Responsibility |
| PPADA | Public Procurement and Asset Disposal Act 2015 |
| SRC | Salaries and Remuneration Commission |

**Laikipia County Co-operative Development Revolving Fund
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2. Key Entity Information and Management

a) Background information

Laikipia County Co-operative Development Revolving Fund is established by and derives its authority and accountability from Laikipia County Co-operative Societies Act, 2014 amended 2017 and regulations thereunder. In 2020, the fund board proposed amendment of the said Act to explicitly make it body corporate and incorporate the Director of Co-operative as a board member. The amendment has been forwarded to the executive for consideration and approval before being forwarded to the County Assembly. The Fund is wholly owned by the County Government of Laikipia and is domiciled in Kenya.

The prime objective of the fund is to avail cheap, accessible and affordable credit facility to co-operative societies in Laikipia County with a view to promote innovations, value addition, products and service development, financial services, wholesale and retail trade promotion in tandem with the Laikipia County Integrated Development Plan. This is meant to enhance the strategic objective of the Directorate of Co-operatives of ensuring we have a robust and competitive co-operative movement to drive the county economy and also promote agro-processing and value addition for employment and wealth creation.

b) Principal Activities

i). Vision

“A leading, vibrant and reliable co-operative revolving fund in Laikipia County

ii). Mission

To provide sustainable credit facilities for employment and wealth creation while encouraging innovations and value addition among the co-operative societies.

iii). Strategic Objectives

To ensure a robust and competitive co-operative movement to drive the county’s economy

iv). Specific Objectives

- To increase access to affordable loans for co-operative societies in Laikipia County.
- To enhance the efficiency and effectiveness of the revolving fund.
- To venture in promoting innovation and marketing products of co-operative societies in Laikipia

v). Guiding Principles

The co-operative concept has developed around the world as a social and economic movement with its own distinct identity, history, structure and purpose. Cooperatives are based on values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperatives believe in the ethical values of honesty, openness, social responsibility and caring for others. These values have been put into practice through a set of seven principles that distinguish cooperatives from other business ventures. They are; Voluntary and open membership, democratic member control, economic participation by members, autonomy and

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independence, education training and information, cooperation among cooperatives and concern for community in general.

vi). Core Values

- P - Professionalism
- A - Accountability and transparency
- C - Creativity
- E - Efficiency and effectiveness

c) Board of the Fund

| Ref | Name | Position |
|-----|-------------------------|--------------------|
| 1 | Sammy Kimaru Githungu | Chairperson |
| 2 | Davidson Gachemi Mutahi | Vice-chairperson |
| 3 | Felix Ochieng' Muhando | Board Member |
| 4 | Rosemary Chepkorir Suge | Board Member |
| 5 | Grace Gathoni Ndirangu | Board Member |
| 6 | Daniel King'ori Ngumi | Board Member |
| 7 | Samuel Mahiga Njuki | Board Member |
| 8 | Richard Murigu Nyambura | Fund Administrator |

d) Key Management Staff

| Ref | Name | Position |
|-----|-------------------------|--|
| 1 | Samuel Mahiga | Chief Officer Department of Trade, Tourism & Co-operatives |
| 2 | Richard Murigu Nyambura | Fund Administrator |
| 3 | Caleb Mwangi | Fund Accountant Reporting |
| 4 | Esther Nyambura | Fund Accountant Operations |

e) Fiduciary Oversight Arrangements

| SN | Position | Name |
|----|------------------------------------|--------------------------|
| 1 | Directorate Internal Audit | Head of Internal Audit |
| 2 | County assembly of Laikipia | Clerk to County Assembly |
| 3 | Office of the Auditor -General | Auditor -General |
| 4 | Office of the Controller of Budget | Controller of Budget |

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f) Registered Offices

P.O. Box 1271 - 10400
Laikipia County Commissioner's Compound
Nanyuki, Kenya

g) Fund Contacts

Telephone: (254) 724166120
E-mail: lccdrf@laikipia.go.ke
Website: www.laikipia.go.ke

h) Fund Bankers

Co-operative Bank of Kenya
Nanyuki Branch
Account Number 01141366165000

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




The County Attorney,
County Government of Laikipia,
P.O Box 1271-10400,
Nanyuki

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3. Board Fund Administration Committee

| Name | Details of qualifications and experience |
|--|--|
|  <p>Sammy Kimaru Githungu Chairperson</p> | <p>Born 1969. Holder of a Bachelor of Education from the University of Nairobi and a Diploma of Education Management from Kenya Education Management Institute. Served as a teacher for 12 years, a deputy principal for 2 years, and a Principal for 18 years currently Serving as Principal of Thingithu Boys Secondary. Also serving as a leader in social dynamic groups like Nyahururu Teachers (NYATE), Bigheart, and Manguo United Neighbours.</p> |
|  <p>Davidson Mutahi Gachemi Vice Chairperson</p> | <p>Born in 1957. Holds a Bachelor's degree in Divinity (BD) from ST. pauls university and undergoing a master's degree in counselling psychology (KEMU), and master of theology student at St Pauls' University. An ordained priest serving with the Anglican Church of Kenya (ACK) in the diocese of Mt Kenya West. As an Archdeacon for the last thirteen years in Laikipia.</p> |
|  <p>Rosemary Chepkorir Suge Board Member</p> | <p>Born 1989. Holds a Bachelor of Commerce (Accounting option) from Laikipia University, CPA (K) and pursuing an MBA (Strategic Management) at Kenyatta University. She has served for 6 years' experience in financial institutions in Nyakaca Travellers Sacco Society Ltd and 5 years to date in Equity Bank Kenya- credit department, biashara banking sector A board member of GG Secondary Rumuruti and founder of KASUU Girl child initiative (CBO)</p> |

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| Name | Details of qualifications and experience |
|--|---|
|  <p>Felix Ochieng Muhando Board Member</p> | <p>Born 1979</p> <p>Bachelor of Commerce (Accounting option) from KCA University and CPAK (Section 5).</p> <p>15 years' experience in a Senior Managerial position in the Cooperative movement. Currently serving as the CEO of Siraji Savings & Credit Co-operative Society Ltd.</p> |
|  <p>Grace Gathoni Ndirangu Board Member</p> | <p>Born 1978</p> <p>Holds 'O' (KCSE) and Computer Literacy Course –Tec bridge Computer College: April 2004.</p> <p>Possess over 15 years of working experience with community self-help groups, development projects and church programs in Laikipia West namely; Muthengera Women SACCO Society Ltd Secretary, Marmanet Catholic Parish and Diocese Council.</p> |
|  <p>Richard Murigu Nyambura Acting Fund Administrator</p> | <p>Born in 1966.</p> <p>He is currently the Acting Fund Administrator. Holds a Diploma in Co-operative Management in 1991, a Higher National Diploma in HRM-2015, and short-term courses on Institutional Strengthening and Organisation Development and a Senior Management course at KSG in 2017.</p> <p>He has a working experience of 32 years in co-operative management, administration and supervision in Kajiado and Laikipia Counties.</p> |

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| Name | Details of qualifications and experience |
|--|---|
|  <p>Samuel Njuki Mahiga Chief Officer Trade, Tourism, Enterprise Development and Cooperatives</p> | <p>Born 1986</p> <p>Holds Master of Science in Environmental Studies, Bachelor of Science in Wildlife Management and Diploma in Wildlife Management.</p> <p>Worked as Wildlife and Environmental Conservation with more than 12 years of professional experience in Environmental Conservation, Community Development, Wildlife Ecological Monitoring, Research and Environmental Social Impact Assessment. Work in Mt. Kenya Wildlife Conservancy, William Holden Wildlife Foundation and Mt. Mountain Bongo Publicity Programme. Currently the Chief Officer Trade, Tourism, Enterprise Development and Co-operatives</p> |
|  <p>Daniel King'ori Ngumi Chief Officer Finance and County Treasury</p> | <p>He holds Bachelors Degree in Economics and Public Administration and Masters Degree in Accounting and Finance and is a CPA(K)</p> <p>Currently the Chief Officer for Finance and County Treasury. 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 County Government of Kiambu as Director of Finance</p> |

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4. Management Team

| Name | Details of qualifications and experience |
|---|---|
|  <p>Richard Murigu Nyambura Acting Fund Administrator.</p> | <p>Born in 1966.</p> <p>He is currently the Acting Fund Administrator. Holds a Diploma in Co-operative Management in 1991, a Higher National Diploma in HRM-2015, and short-term courses on Institutional Strengthening and Organisation Development and a Senior Management course at KSG in 2017.</p> <p>He has a working experience of 32 years in co-operative management, administration and supervision in Kajiado and Laikipia Counties.</p> |
|  <p>Samuel Njuki Mahiga Chief Officer Trade, Tourism, Enterprise Development and Cooperatives</p> | <p>Born 1986</p> <p>Holds Master of Science in Environmental Studies, Bachelor of Science in Wildlife Management and Diploma in Wildlife Management.</p> <p>Worked as Wildlife and Environmental Conservation with more than 12 years of professional experience in Environmental Conservation, Community Development, Wildlife Ecological Monitoring, Research and Environmental Social Impact Assessment. Work in Mt. Kenya Wildlife Conservancy, William Holden Wildlife Foundation and Mt. Mountain Bongo Publicity Programme. Currently the Chief Officer Trade, Tourism, Enterprise Development and Co-operatives</p> |
|  <p>Caleb Mwangi Accountant Financial Reporting</p> | <p>Born in 1980.</p> <p>Mr Caleb is the accountant in charge of Financial Reporting for the Fund. He has over 12 years experience in the Internal Auditing. Holds Bachelor's Degree in Commerce (Finance) and Post Graduate Diploma in Project Management (DKUT). He is a Certified Public Accountant of Kenya (CPA -K).</p> |

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5. Board Chairperson's Report

I take this opportunity to appreciate H.E Governor Joshua Irungu, EGH for appointing the Laikipia County Cooperative Development Revolving Fund Board.

As the board, our strategic role is to support the Governor in actualizing his manifesto and achieving his vision of having Mashinani development for the growth of Laikipia County. I have noted cooperative movement is a model that will go a long way in addressing his pillars and areas of focus namely; agriculture, livestock, enterprise development and wealth creation.

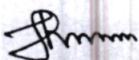
The mandate of the board includes supervision and control of the fund activities, preparing budgets and plans for better administration of the fund and imposing conditions and restriction on the use of fund as may be necessary. This includes; loan approval and follow-up, public engagement and awareness, and monitoring of expenditures.

Since assuming the office in March, 2023, the board has managed to go through an induction course, held two board meetings, made comprehensive follow-up on loan beneficiaries across the county and conducted a strategic plan workshop that will guide us for the next three years.

During the loan follow up, I realized that fund has supported key value chains in the county namely; cereals, livestock, dairy, honey, horticulture, hay, housing and funded micro finance ventures. Recently, the board approved loan worth Ksh 27.4 million to 12 cooperatives enabling them to support key economic activities within the county. This brings the total amount of loans disbursed to Kshs 191, 243,450 to 156 cooperatives with highest beneficiary awarded Kshs 7.5 million.

Going forward, as defined in our strategic plan 2023-2026, the fund will embark on supporting dairy co-operatives societies in order to survive the competitive environment, make warehouse receipting a reality this year, promote steer fattening programme through partnership, enhance SACCOs with adequate working capital, and ensure automation of the fund operations for effective and efficient service delivery.

In conjunction with relevant stakeholders, we will endeavour to ensure that cooperatives in Laikipia achieve their objectives of being a vibrant, model and transformative movement in Kenya



Sammy K. Githungu
Chairman

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6. Report of the Fund Administrator

6.1 Background

Co-operative Revolving Fund is a fund established by the Laikipia County Co-operative Societies Act 2014 Section 106 and 107 amended 2017 and the Rules and regulations thereunder. This emanated from the development of the County Integrated Development Plan 2013 that identified co-operatives as the strategic model of reactivating economic growth in the county, especially on the predominant key value chains in the county namely; Milk, Livestock, Cereals, Hay, Sand, Coffee, Horticulture and Honey. However, the plan noted that the key impediment of these co-operative is low working capital and accessibility of affordable credit facilities. The department took the initiatives to establish a legal framework that was anchored in the mentioned Act to address the existing gaps and later taken to the county assembly and enacted in 2014.

Since inception, the fund has grown as indicated below;

| Financial Year | Allocation from County Treasury | Amount Received from County Treasury (Devt) | Amount Disbursed | No. of beneficiaries | Remarks |
|-----------------------|--|--|-------------------------|-----------------------------|---|
| | (Kshs) | (Kshs) | (Kshs) | | |
| 2014/2015 | 50,000,000 | 8,000,000 | 5,550,000 | 25 | Initial funding |
| 2015/2016 | 30,000,000 | - | 2,400,000 | 9 | Revolving fund |
| 2016/2017 | 30,000 | - | - | - | No exchequer approval due to compliance with PFM Act 2012 |
| 2017/2018 | 20,000,000 | 20,000,000 | 4,743,450 | 3 | Delayed exchequer |
| 2018/2019 | 20,000,000 | 20,000,000 | 34,300,000 | 46 | Revolving Amount |
| 2019/2020 | 10,000,000 | - | 45,650,000 | 25 | Revolving Amount |
| 2020/2021 | - | 10,000,000 | 46,500,000 | 26 | Revolving Amount |
| 2021/2022 | 10,000,000 | - | 24,700,000 | 10 | Revolving Amount but affected by COVID -19 |
| 2022/2023 | 5,000,000 | - | 27,400,000 | 12 | Affected by Prolonged Drought |
| | 175,000,000 | 58,000,000 | 191,243,450 | 156 | |

In 2015/2016 and 2016/2017, the Controller of Budget recommended that the legal framework be amended to be in line with the PFM Act 2012 and therefore the fund did not receive any funding from the Treasury until the closure of the financial year 2017/2018. This resulted to the first amendment of the Laikipia County Co-operative Societies Act 2017 and the rules thereunder.

In 2019/2020, the fund initiated the development of the Fund regulations, review of the lending policy, debt recovery policy and the code of conduct and ethics 2020. These policies were approved and adopted by the board to strengthen the operation and ensure the sustainability of the fund.

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The fund in its operation has greatly supported the working capital of savings and credit co-operative societies, initiated value addition programs of milk, hay, coffee, honey, and horticulture, micro finance activities with FOSAs and enhancement of farm inputs supply to the farmers across the county. Over 10,000 households have directly and indirectly benefited from the fund over time.

6.2 Achievements

a) Board Appointment and meetings

The Board members were appointed as per the provisions of the Laikipia County Co-operative Societies Act 2014 amended 2017 section 107(2) that provides that the Governor shall appoint an executive chairperson, County Executive Committee Member in charge of Co-operatives and two board members elected and appointed by the Laikipia County Co-operatives Societies Forum and thereafter appointed by the CECM in charge of Co-operatives Forum. The appointment was made on 17th March 2023 and gazetted. Thereafter the fund inducted the new board members on a two-day induction workshop on 27th and 28th March 2023.

The fund managed to conduct its board meetings in the third and the fourth quarter respectively on 31st March 2023 and 19th May 2023.

b) Loan disbursement, recoveries and follow-up

The fund issued loans worthy of Ksh, 27,400,000 to 12 co-operatives societies, and recovered Kshs 25,129,653.30 from loan recovery against the target of Kshs. 30 million each respectively. Thus the year ending 30th June 2023, the fund had cash at the bank of kshs.11,550,849.45.

The fund board follow-up committee conducted a seven day follow-up to induct and familiarize with the board members and to assess the operations, status, and utilization of the fund disbursed and the defaulters of the fund. The main aim of the follow was to know the areas of collaboration and where to inject more funds for the reactivation of the cooperative societies.

c) Reporting and compliance

The fund prepared its quarterly and annual reports to the county treasury to ensure compliance as stipulated in the PFM Act 2012. The board also signed the code of conduct and ethics as anticipated in Chapter 6 of the Constitution of Kenya.

d) Review and development of policies and plans

The technical staff made a review of the existing policies that formed the basis of the induction of the newly appointed board member during the development of the strategic plan 2023-2026.

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e) Public awareness and engagement

The fund Facilitated and participated in the development of a cooperative newsletter, analysing the performance of the movement for the last 5 years in the county. The newsletter was released by his Excellency the Governor during the Ushirika Day Celebrations.

The fund administrator attended co-operative Societies leaders Seminar on 15th March 2023 at Wawick Hotel, Nanyuki organised by Co-operative Insurance Company and used the forum to sensitize the co-operative societies on the fund's mandate.

f) Collaborations and partnership

The fund administrator-initiated collaboration with WE EFFECT for the supporting of the Nabosa Housing Co-operative Society Limited and, developed a funding application, and supported the development of a concept paper and later the funding proposal.

The Fund Administrator is currently working with CODIC-Kenya on the software development and integration, after holding two leaders training and mobilisation on their package to the co-operative societies.

6.3 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 more costly in terms of fund operations.

6.4 Risk Management Strategies

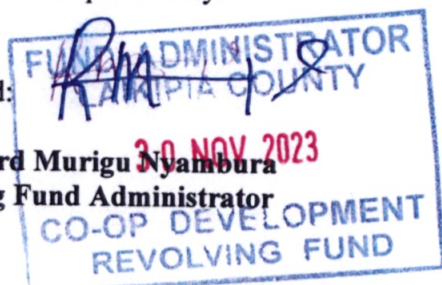
The board made the Risk Management policy an integral part of its operations, focusing on strategies to minimize impacts of risks towards achieving its strategic goals and maintaining its financial stability. The initial stage was to have a win - win situation where the board led by the chairman made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

6.4 CONCLUSION

The fund board remains committed to improving its effectiveness and efficiency in order to achieve the fund's vision of becoming a leading, vibrant and reliable Co-operative Revolving Fund in Laikipia County.

Signed:

Richard Murigu Nyambura
Acting Fund Administrator



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

Introduction

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

The key development objectives of the Fund as per the strategic plan are to:

1. To increase access to affordable loans for co-operative societies in Laikipia County.
2. To enhance efficiency and effectiveness of the Cooperative Development Revolving Fund.
3. To promote innovative and market driven production by co-operative societies in the count

Progress on attainment of Strategic development objectives

| Programme | Sub Programme | Objective | Outcome | Indicator | Performance |
|---------------------------------------|----------------------------|---|---|--------------------------|---|
| Cooperative Development and Marketing | Cooperative Revolving Fund | Increase accessible and affordable funding | Increased accessible and affordable fund | Amount of loan disbursed | Disbursed Kshs 27,400,000 against the planned budget of Kshs 30 million (91.3%) |
| | | | Increased number of funded co-operatives | No of Co-operatives | Issued loans to 12 co-operative societies against planned 15 societies - (80%) |
| | | Enhance efficiency and effectiveness of the Fund. | Increased recovery of loans | Amount of loan recovered | Recovered Kshs 25.2 million against budgeted Kshs 30 million (84%) |
| | | | Increased board meeting as per PFM Act 2012 | No of Meeting | Conducted 2 meetings out of 4 meetings due the delay in board appointment (50%) |

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| | | | | | |
|--|--|---|---------------------------------|---|--|
| | | Enhance efficiency and effectiveness of the Fund | Increased capacity building | No of training conducted to the boards No of policies developed No of reports submitted | Conducted two board training against the two planned (100%) Reviewed the strategic plan 2023-2026 (50%) 4 quarterly reports submitted (100%) |
| | | Promote innovative and market driven production by co-operative societies | Increased in value chain funded | No of partnership and collaboration No of value chain funded | Two partnerships established through funding FOSAs (100%) 4 value chains funded namely; 2 dairy, housing and micro finance (100%) |

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8. Corporate Governance Statement

8.1 Board Meetings

Under the provision made in the Laikipia County Co-operative Societies Rules (amended) 2017 Section 56(2) that states “(a) the board shall meet on quarterly basis but there is room for a special board if need arises and (b) Quorum- of at least 5 members of the board shall form the quorum to dispose any business. The following board meetings were held;

| | List of board Members | Board meeting | Board induction and strategic review Workshop | Board meeting | Remarks |
|---|-----------------------|---------------|---|---------------|--|
| | | 31/3/2023 | 27&28/3/2023 and 18/5/2023 | 19/05/2023 | Two board meeting were held in the Third and the fourth quarter of the year, |
| 1 | Sammy Githungu | ✓ | ✓ | ✓ | |
| 2 | Davidson Gachemi | ✓ | ✓ | ✓ | |
| 3 | Rosemary suge | ✓ | ✓ | ✓ | |
| 4 | Felix Ochieng | ✓ | ✓ | ✓ | |
| 5 | Grace Gathoni | ✓ | ✓ | ✓ | |
| 6 | Samuel Mahiga Njuki | ✓ | - | - | |
| 8 | Richard Murigu | ✓ | ✓ | ✓ | |
| 9 | Daniel Ngumi | ✓ | - | - | |

8.2 Succession Plan

The board members are appointed for a period of 3 years and renewable once. Two of the board members are automatic accounting officers in charge of finance and Co-operatives respectively who are in office for at least five years under the government in place and are deemed to induct and train those that are appointed. The issue of succession plan is usually considered while appointing or reappointing the board members. The board members elected by Laikipia County Co-operative Societies Forum are leaders with experience and exposure on co-operative societies matters and therefore competent to represent the views of the forum. The Fund Administrator is obligated to conduct thorough induction for the newly appointed board members and experience sharing forum.

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8.3 Board Charter

The fund service charter has been incorporated in the departmental service charter and placed on a very strategic place in the office. The board members upon being appointed are expected to sign the Code of Conduct and Ethics. It defines board commitment to the highest standards of behaviour so as to contribute to the achievement of the fund mandate. By exemplifying the ethical behaviours and Board values described in the Code, the board will continue to uphold Article 10 of the Constitution of Kenya on National Values and Principles of Governance and Chapter 6 on Leadership and Integrity.

8.4 Appointment and Removal of Office of the Board

This clearly stipulated in Section 107(2) and 107(4) respectively of the Laikipia County Co-operative Societies (amendment) Act, 2017.

Section 107 (1) The fund shall be managed by a Board

(2) The Board shall consist of: -

- i. A non-executive chairperson appointed by the Governor from persons qualified and experienced in co-operatives development, finance, law, economics or business administration;
- ii. Two people appointed by the county executive member responsible for co-operatives from among professionals qualified and experienced in cooperatives development, law, finance, or business administration or any field related;
- iii. Two persons nominated by the co-operative's societies in accordance with the prescribed procedure and appointed by the county executive member responsible for co-operatives development;
- iv. Chief Officer responsible for co-operatives development;
- v. Chief Officer responsible for Finance;
- vi. The Fund Administrator appointed by the County Executive Committee Member responsible for Finance who shall be the secretary to the Board and an ex-officio member

(4) The members of the Board may be removed from the office on any of the following grounds-

- a) Incompetence
- b) Abuse of office
- c) Gross misconduct

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- d) Insanity
- e) Physical or mental incapacity rendering the member incapable of performing the duties of the office; or
- f) Gross violation of the constitution.

8.5 Roles and Functions of the Board

The Laikipia County Co-operative Societies (Amendment) Rule, 2017 Section 56. (1) Pursuant to section 106 of the Act, there is established a Laikipia County Co-operative Societies Development Revolving Fund board, whose functions shall be –

- (a) Formulate policy guidelines on co-operative sector funding;
- (b) Ensure all projects funded under this Act are consistent with the county priorities specified in the relevant policy documents;
- (c) Consider proposals submitted to it by applicants under these regulations;
- (d) Authorize expenditure from the fund;
- (e) Formulate or approve standards, guidelines and procedures for funding proposals under these regulations;
- (f) Approve the organization structure of the fund;
- (g) Provide oversight in the utilization of the fund; and
- (h) Perform any other function as may be conferred on it by the Act or any other written law

8.6 Board Induction and Training

Upon appointment of the current board on 17th March 2023 by the current government dispensation, the fund administrator in conjunction with officers from the County Attorney and Laikipia County Development Authority respectively managed to conduct an induction workshop on the fund legal framework, lending policy, debt Recovery Policy, Code of conducts and Ethics and the Risk Management Policy. The purpose of the training was to enable the newly appointed board and strategic partners understand and familiarize themselves with the operations and the functions of the fund. Thereafter, the board in conjunction with stakeholders participated in the development of the LCCDRF Strategic Plan 2023-2026.

8.7 Conflict of interest

Board members and employees maintain public confidence in the objectivity of their service by preventing and avoiding situations that could give the appearance of a conflict of interest or result in a potential or actual conflict of interest.

8.8 Board and Member Performance

The performance of the board is usually based on the targets as outlined in the work plan each year that stipulate among others; the number of beneficiaries, amount of disbursement and recoveries, number of collaboration and partnership, value chain funded and number of reports and meetings conducted.

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

8.9 Board Remunerations and Allowances

The board remunerations and allowances are restricted by Salary and Remuneration Commission circulars that stipulate the allowances to committee members appointed by the County Government. However, due to mobility and convenience of the operations, the board usually makes resolutions for facilitation.

8.10 Governance, Ethics and Conduct

All the appointed board members are obligated to sign a Code of conduct and ethics. The Code sets out expectations for individual behaviour necessary to meet these standards and includes requirements and guidance to help carry out role with integrity and in compliance with the law. By exemplifying the ethical behaviours and Board values described in the Code, the board will continue to uphold Article 10 of the Constitution of Kenya on National Values and Principles of Governance and Chapter 6 on Leadership and Integrity.

The fund is governed by a board and administered by the Fund Administrator. The Fund Administrator reports functionally to the Board and administratively to the Chief Officer of the department of Trade, Tourism and Cooperatives.

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

9. Management Discussion and Analysis

The period under review, the fund went through a prolonged dry spell that greatly affected the general business environment of the county and equally affected the performance of loans in terms repayment and applications.

The current Board members were appointed as per the provisions of the Laikipia County Co-operative Societies Act 2014 amended 2017 section 107(2). The appointment was made and gazetted on 17th March 2023.

The board noted that their strategic role is to support the Governor in actualizing his manifesto and achieving his vision of having mashinani development for the growth of Laikipia County. The mandate of the board includes supervision and control of the fund activities, preparing budgets and plans for better administration of the fund and imposes conditions and restriction on the use of fund as may be necessary. In order to achieve this, the board needs to be vigilant in decision making especially on public fund utilization, loan approvals, public engagement and awareness and continuous monitoring and evaluation.

The fund board conducted 7 days loan follow up and familiarization visits to all the beneficiaries with a view their operations, loan repayment status, areas of collaboration and way to recover the defaulted loans. This exercise gave the board an insight of the performance and the bases of further collaboration with all the beneficiaries.

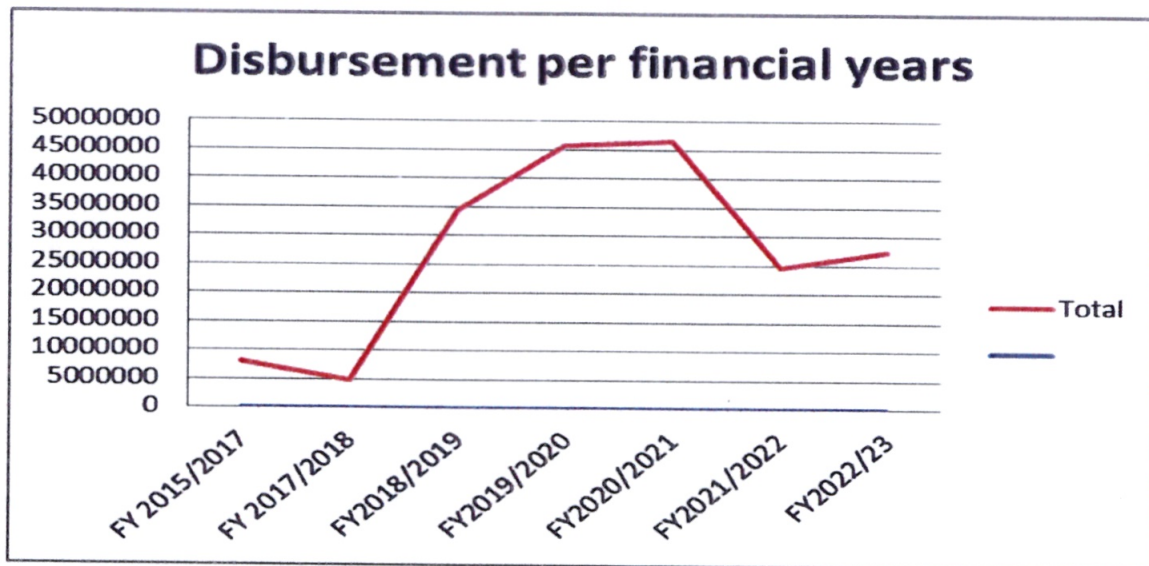
The fund managed to issue loans worthy Kshs. 27,400,000 and recovered Kshs. 25,129,653.30. This was 91.3% and 84% respectively in comparison with the budgeted figures.

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

9.1. Performance of the fund

9.1.1 Disbursement of the fund per Sub County

| SUB COUNTY | FY 2015/2017 | FY 2017/2018 | FY2 018/ 2019 | FY 2019/ 2020 | FY 2020/ 2021 | FY 2021/ 2022 | FY 2022/2023 | TOTAL |
|----------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Laikipia west | 3,300,000 | 2,228,550 | 12,400,00 | 26,450,000 | 20,100,000 | 9,500,000 | 8,000,000 | 81,978,550 |
| Laikipia east | 3,650,000 | 2,514,900 | 14,900,000 | 11,100,000 | 14,700,000 | 11,800,000 | 12,600,000 | 71,264,900 |
| Laikipia North | 1,000,000 | - | 7,000,00 | 8,100,000 | 11,700,000 | 3,400,000 | 6,800,000 | 38,000,000 |
| Total | 7,950,000 | 4,743,450 | 34,300,000 | 45,650,000 | 46,500,000 | 24,700,000 | 27,400,000 | 191,243,450 |



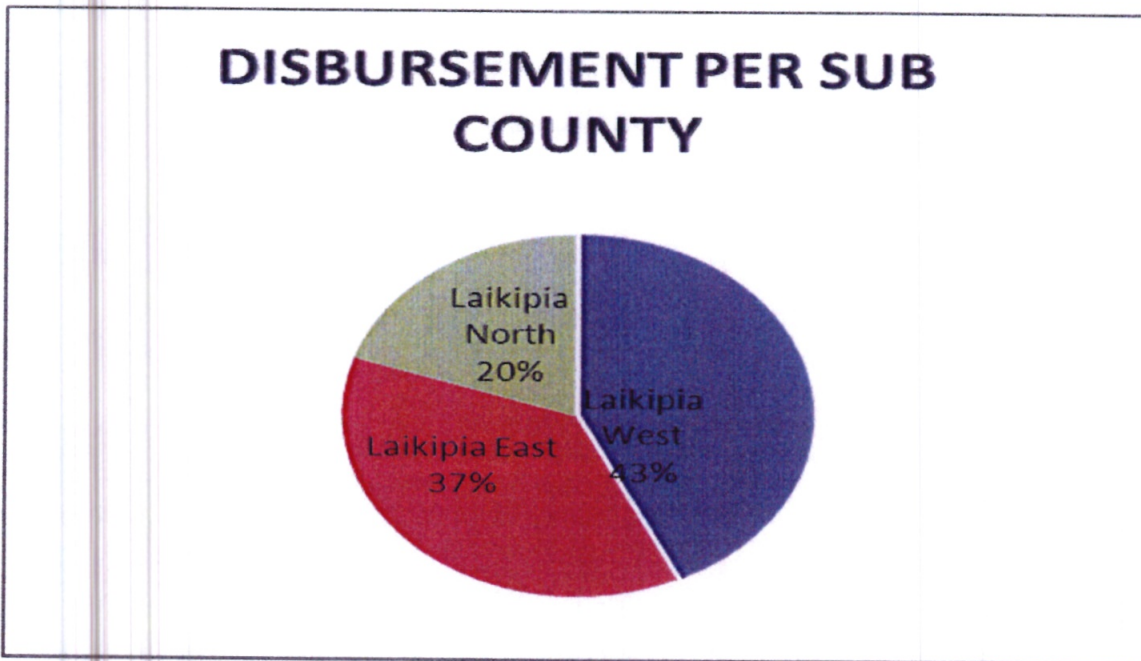
Graphic representation of the disbursement of the fund per year from inception of the fund

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

9.1.2 Cumulative Loans Disbursement per Sub County

| Sub County | Total Disbursed |
|-------------------|------------------------|
| Laikipia West | 81,978,550 |
| Laikipia East | 71,264,900 |
| Laikipia North | 38,000,000 |
| Total | 191,243,450 |

Total distribution of funds per sub counties



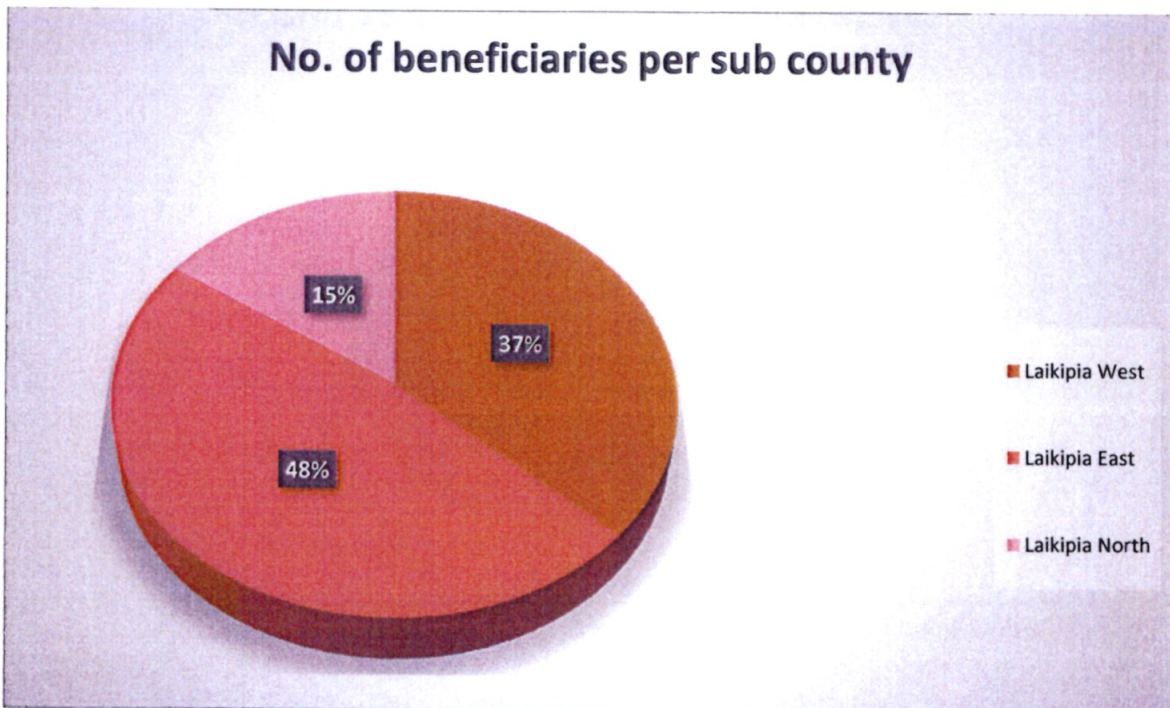
Percentage distribution of funds per sub counties

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

9.1.3 No of beneficiaries (Co-operatives) per Sub County

| No | Sub-County | FY 2015/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 | Total |
|----|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|
| 1 | Laikipia West | 14 | 2 | 14 | 13 | 9 | 2 | 3 | 57 |
| 2 | Laikipia East | 15 | 1 | 26 | 8 | 13 | 5 | 7 | 75 |
| 3 | Laikipia North | 5 | - | 6 | 4 | 4 | 3 | 2 | 24 |
| | Total | 34 | 3 | 46 | 25 | 26 | 10 | 12 | 156 |

Number of beneficiaries across the sub counties from the inception of the fund



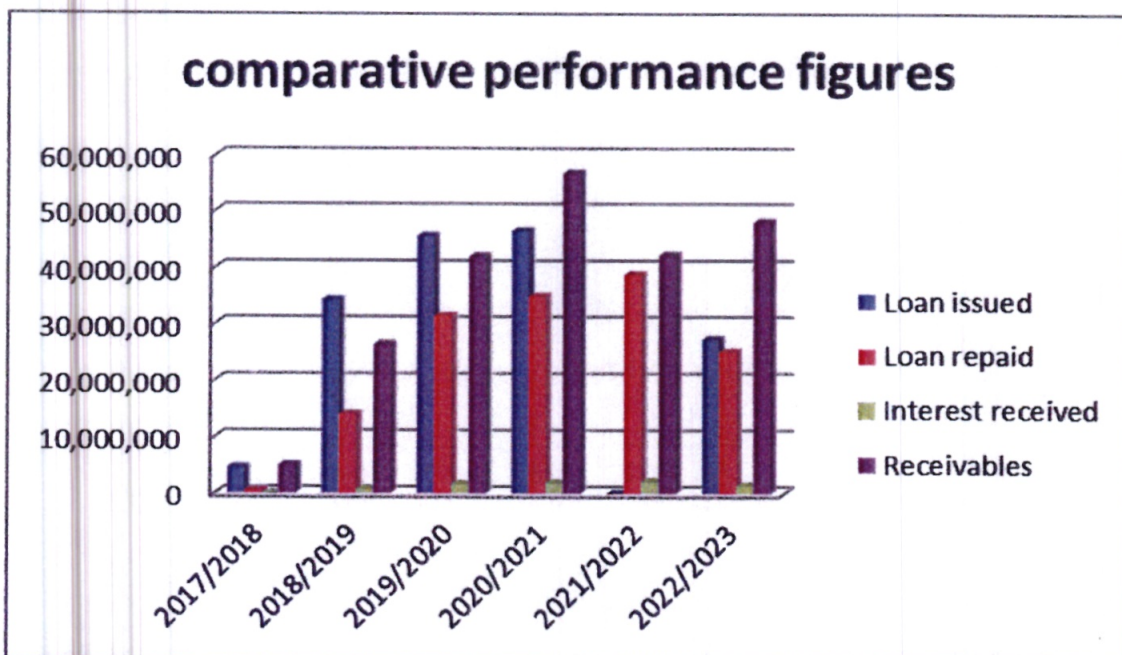
Percentage of beneficiaries per county from inception

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

9.1.4 Loans Comparative figures for the last five years

| ITEM | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
|-------------------|-----------|------------|------------|------------|------------|------------|
| Loan issued | 4,743,450 | 34,300,000 | 45,650,000 | 46,500,000 | 24,700,00 | 27,400,000 |
| Loan repaid | 525,000 | 14,071,155 | 31,394,394 | 34,877,861 | 38,714,826 | 25,129,653 |
| Interest received | 26,250 | 703,558 | 1,678,618 | 1,948,775 | 2,189,862 | 1,414,786 |
| Receivables | 5,142,522 | 26,426,558 | 42,060,705 | 56,889,484 | 42,247,480 | 47,922,518 |

The performance of the loans issued, loan repaid, interest and loan outstanding(receivables) for the the last 6 years



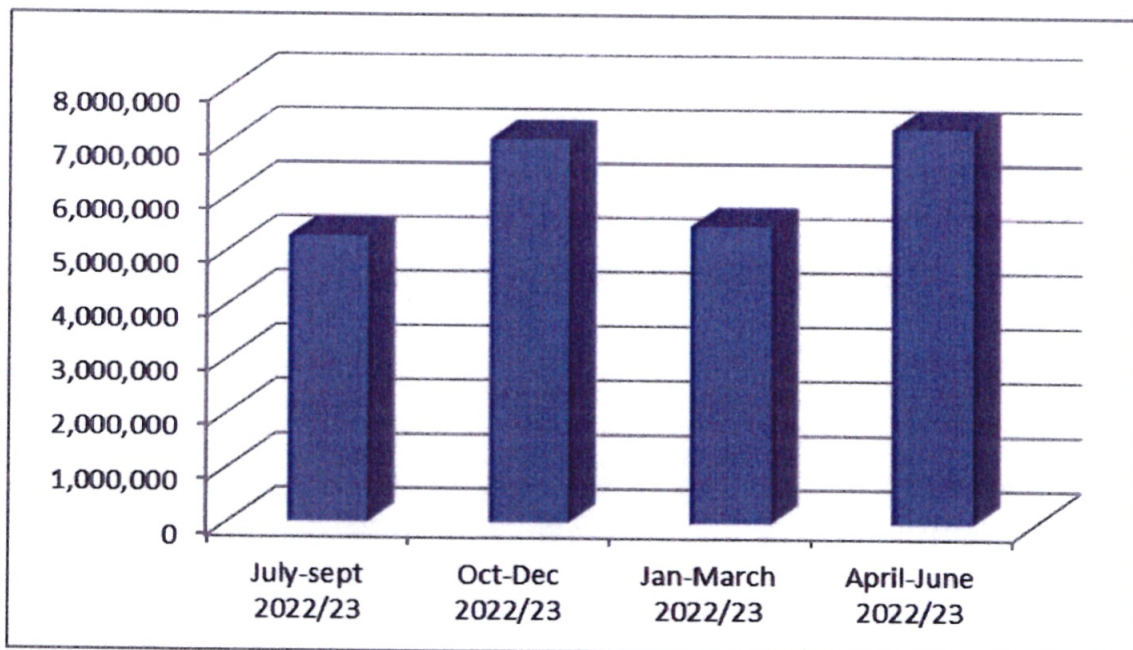
Digrammatic comparison of loan issued, loan repaid, interest received and loan outstanding (receivables)

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

9.1.5. Quarterly Loan repayment performance

| Period | Amount (Kshs) |
|--------------------|----------------------|
| July-Sep 2022/23 | 5,273,130 |
| Oct-Dec 2022/23 | 7,078,616 |
| Jan-March 2022/23 | 5,481,233 |
| April-June 2022/23 | 7,296,674.30 |
| Total | 25,129,653.30 |

Patterns of loan repayments on quarterly basis in the year 2022/2023



Diagrammatic presentation of the quarterly loan repayment in the year 2022-2023

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

10. Environmental and Sustainability Reporting

Laikipia County Co-operative Development Revolving Fund exists to transform cooperative society's enterprises: this is our purpose and the driving force behind everything we do. It's within the spirit of the fund that the funded cooperatives have CSR components in place as stated below:

1. Sustainability strategy and profile -

To ensure that the fund is sustainable, the County came up with the revolving aspect through its backing law, that is, the Laikipia County Cooperatives Act 2014. The fund is mandated to impose an interest rate which is currently pegged at 6%. This ensures that the funds revolve back for onward lending and essentially increases over time. Additionally, the fund is bound by the provisions of the PFM Act and the PFM, county regulations. Regulation 197(1) (d) provides that the administration cost of a fund such as this will be limited to a maximum of 3% of the fund. This together with the interest rate charged ensures that the fund is not depleted by administrative costs.

In addition, the Board has come up with policies tailored towards ensuring that repayment of loans taken under the fund is sustainable.

2. Environmental performance

The fund supports cooperatives engaged in a wide range of activities. Most of the cooperatives are engaged in Agriculture. Over time, these cooperatives have initiated environmentally friendly agriculture through their members. By extension, the fund is making an environmental impact through the cooperatives it supports noting that the fund has been encouraging environmentally friendly practices during its trainings as well as other engagements with cooperatives.

3. Employee welfare

The engagement of the Board members is guided by the provisions of the Laikipia County Cooperatives Act and its attendant amendments as well as its regulations. Additionally, the County Executive member for Trade, Tourism and cooperatives in appointments is duty bound by the Constitution of Kenya to ensure that not more than one third of the members are from the same gender.

The staff of the Fund are public officers. As such the laws, regulations and policies guiding the engagement, disciplinary as well as the exit of public officers apply to them. Career progression and training of public officers is well laid out in the public Service Manuals.

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

4. Market place practices

The Board have put into place measures to ensure that:

- a) All items procured for its use are procured using the procedures outlined in the PPADA and its regulations;
- b) Processing of loan applications is done in a transparent manner with laid out eligibility criteria being followed to ensure that the process is interference proof and hence not prone to corruption;
- c) The activities of the Board such as training sessions are communicated to all cooperatives in a timely manner to ensure their proper participation; and
- d) Advertisement on available loans is done in an accurate manner that is free from misrepresentation.

5. Community Engagements

The fund aims at empowering the residents of Laikipia, through cooperatives, by providing loans at a subsidized interest rate of 6% p.a. this, in its core, ensures that the residents' financial prowess is boosted.

In addition to providing loans to the cooperatives, the board in collaboration with the Directorate of Co-operatives carries out training to members of the various cooperatives on issues such as book-keeping, financial analysis, cooperative management best practices and marketing. Additionally, the staffs of the Board have been available to advise cooperatives on various issues on a need-and-request- basis.

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

11. Report of the Board

During the period under review the fund was composed of the Finance and Administration Sub committee, Loan follow up and technical committee that were charged with the strategic functions of offering the technical advice to the board and the beneficiaries. Often, these committee would Co-opt the Director for Co-operatives in order to align the functions of the fund to the Laikipia County Co-operative Societies Act 2014 and other Regulations thereunder.

10.1 Principal activities

The key activities of the fund are;

1. Oversee the daily running of the fund
2. Research, prepare and implement fund adopted and approved policies.
3. Preparation and maintenance of the fund books of account.
4. Reporting to the county treasury and relevant authorities to ensure compliance with the PFM Act 2012
5. Inquire carefully and diligently into the character and financial conditions of each loan applicant (appraise all loans issued)
6. Dealing with all delinquent loans reported to the board
7. Liaising with the County Executive Committee Member in charge of co-operatives

10.2 Performance

The performance of the Fund for the year ended June 30, 2023, are set out on page xvii to xxi as reported by the fund administrator

10.3 Fund Board

The members of the Administration Committee who served during the year are shown on page iv-ix in the key entity information and management. During the period under review, the appointments were made and gazetted by the current government dispensation.

10.4 Auditor

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 Administration committee



**Sammy K. Githungu
Chairperson of the fund**

Date: _____

**Laikipia County Co-operative Development Revolving 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 (Laikipia County Co-operative Societies Act 2014 Section 106 and 107 amended 2017) 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 (Laikipia County Co-operative Societies Act 2014 Section 106 and 107 amended 2017). 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

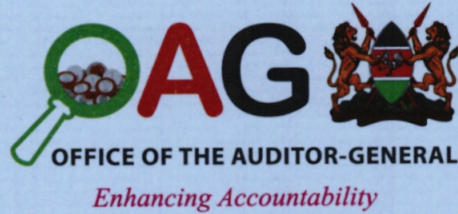
The Fund's financial statements were approved by the Board on 27/11/ 2023 and signed on its behalf by:

FUND ADMINISTRATOR
LAIKIPIA COUNTY
30 NOV 2023
CO-OP DEVELOPMENT
Revolving Fund
Richard Murigu Nyambara
Fund Administrator

Laikipia County Co-operative Development Revolving Fund

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON LAIKIPIA COUNTY CO-OPERATIVE DEVELOPMENT REVOLVING 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 Co-operative Development Revolving Fund set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance,

Report of the Auditor-General on Laikipia County Co-operative Development Revolving Fund for the year ended 30 June, 2023

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Laikipia County Co-operative Development Revolving 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 Laikipia County Co-operative Development Revolving Fund Regulations, 2020.

Basis for Qualified Opinion

Non-Performing Loans

The statement of financial position and Note 13 to the financial statements reflects current portion of long-term receivables from exchange transactions balance of Kshs.45,335,737. As previously reported, the balance includes non-performing loan balances of Kshs.16,324,352 whose recoverability is doubtful and the provision for doubtful debts of Kshs.925,219 disclosed in the financial statements in respect of receivables from exchange transactions appears inadequate.

As a result, the valuation and accuracy of current portion of long-term receivables from exchange transactions balance of Kshs.45,335,737 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 Co-operative Development Revolving 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, one (1) issue was raised under Report on Financial Statements and one (1) issue on Report on Lawfulness and Effectiveness in Use of Public

Resources. However, although Management has indicated that some have been 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

Unbalanced Budget

The statement of comparison of budget and actual amounts reflects Ksh.70,623,884 and Kshs.32,118,717 in respect of receipts and expenditure final budget, respectively resulting to a budget deficit of Kshs.38,505,167 contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that at all times during budget formulation and approval, budgeted revenue and expenditure appropriations shall be balanced.

In the circumstances, Management was in breach of the law.

Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain 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 financial reporting process, reviewing the effectiveness of how the 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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

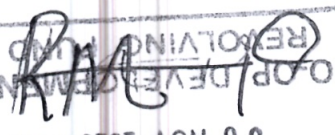
18 January, 2024

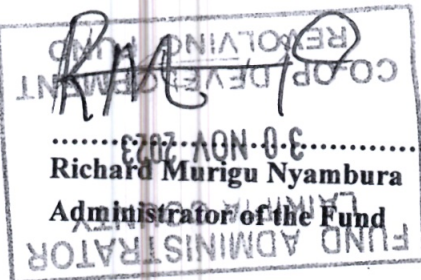
**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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

| Description | Note | FY 2022-2023 | FY 2021-2022 |
|---|------|------------------|-------------------|
| | | Kshs | Kshs |
| Revenue From Non-Exchange Transactions | | | |
| Transfers From the County Government | 2 | 500,000 | 11,000,000 |
| Fines, Penalties and Other Levies | 3 | 21,600 | 464,818 |
| | | 521,600 | 11,464,818 |
| Revenue From Exchange Transactions | | | |
| Interest Income | 4 | 1,644,000 | 1,482,000 |
| | | 1,644,000 | 1,482,000 |
| Total Revenue | | 2,165,600 | 12,946,818 |
| Expenses | | | |
| Use of goods and services | 7 | 1,838,346 | 1,488,295 |
| Depreciation and Amortization Expense | 8 | 115,500 | - |
| Finance Costs | 9 | - | 15,250 |
| Provision for bad and doubtful debts | 24 | 925,219 | 862,193 |
| Total Expenses | | 2,879,065 | 2,365,738 |
| Surplus/(Deficit) for the Period | | (713,465) | 10,581,080 |

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 27/11 2023 and signed by:



Richard Murigu Nyambura
 Administrator of the Fund




Caleb Mwangi
 Fund Accountant
 ICPAK Member Number:10187

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

15. Statement of Financial Position as at 30 June 2023

| Description | Note | FY 2022-2023 | FY 2021-2022 |
|--|------|-------------------|-------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 12 | 11,541,845 | 16,076,404 |
| Current Portion of Long- Term Receivables From Exchange Transactions | 13 | 45,335,737 | 42,247,480 |
| Receivables from non-Exchange transactions | 14 | 10,500,000 | 10,000,000 |
| Total current assets | | 67,377,582 | 68,323,884 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 17 | 234,500 | 350,000 |
| Long Term Receivables from Exchange Transactions | 13 | - | - |
| Total non- current assets | | 234,500 | 350,000 |
| Total Assets | | 67,612,082 | 68,673,884 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables from Exchange Transactions | 20 | 80,065 | 2 |
| Unremitted Tax on board allowances | 22 | - | 428,400 |
| Total current liabilities | | 80,065 | 428,402 |
| Non-Current Liabilities | | | |
| Total Liabilities | | 80,065 | 428,402 |
| Net Assets | | 67,532,017 | 68,245,482 |
| Revolving Fund | | 56,963,853 | 56,963,853 |
| Reserves | | - | - |
| Accumulated Surplus | | 10,568,165 | 11,281,630 |
| Total Net Assets and Liabilities | | 67,532,018 | 68,245,483 |

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 27/11/2023 and signed by:

FUND ADMINISTRATOR
LAIKIPIA COUNTY
Richard Murigu Nyambura
.....3-0 NOV 2023.....
Richard Murigu Nyambura
Administrator of the Fund
CO-OP DEVELOPMENT
REVOLVING FUND

Caleb Mwangi


.....
Caleb Mwangi
Fund Accountant
ICPAK Member Number:10187

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

16. Statement of Changes in Net Assets for the year ended 30 June 2023

| Description | Revolving Fund | Revaluation Reserve | Accumulated surplus | Total |
|------------------------------------|-------------------|---------------------|---------------------|-------------------|
| | KShs | KShs | KShs | KShs |
| Balance as at 1 July 2021 | 56,963,853 | - | 700,550 | 57,664,403 |
| Surplus/(deficit) for the period | - | - | 10,581,080 | 10,581,080 |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Period ended 30 June 2022 | 56,963,853 | - | 11,281,630 | 68,245,483 |
| Balance as at 1 July 2022 | 56,963,853 | - | 11,281,630 | 68,245,483 |
| Surplus/(deficit) for the period | - | - | (713,465) | (713,465) |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Period ended 30th June 2023 | 56,963,853 | - | 10,568,165 | 67,532,018 |

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 27/11 2023 and signed by:


**FUND ADMINISTRATOR
LAIKIPIA COUNTY**
 Richard Muriuki Njambura
 Administrator of the Fund
 CO-OP DEVELOPMENT
 REVOLVING FUND



.....
Caleb Mwangi
Fund Accountant
ICPAK Member Number:10187

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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

| Description | Note | FY 2022-2023 | FY 2021-2022 |
|--|------|--------------------|-------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from the county government | 2 | - | 1,000,000 |
| Interest received | 13 | 1,414,817 | 2,189,861 |
| Receipts from Fines, Penalties and Other Levies | 13 | 57,031 | - |
| Trade and other payables from exchange transactions - Overpayments | 20 | 80,063 | - |
| Total receipts | | 1,551,911 | 3,189,861 |
| Payments | | | |
| Use of goods and services | 7 | 1,838,346 | 1,365,895 |
| Purchase of property, plant, equipment and Intangible assets | 17 | - | 350,000 |
| Finance cost | 9 | - | 15,250 |
| Refund of Overpaid loans | 20 | - | 204,534 |
| Income tax deducted from board members allowances | 22 | 428,400 | - |
| Total Payments | | 2,266,746 | 1,935,679 |
| Net cash flows from operating activities | 25 | (714,835) | 1,254,182 |
| Cash flows from investing activities | | | |
| Proceeds from loan principal repayments | 13 | 23,580,276 | 36,524,965 |
| Loan disbursements paid out | 13 | (27,400,000) | (24,700,000) |
| Net cash flows used in investing activities | | (3,819,724) | 11,824,965 |
| Cash flows from financing activities | | - | - |
| Net cash flows used in financing activities | | (-) | (-) |
| Net increase/(decrease) in cash & cash Equivalents | | (4,534,559) | 13,079,147 |
| Cash and cash equivalents at 1 July | 12 | 16,076,404 | 2,997,257 |
| Cash and cash equivalents at 30 June | 12 | 11,541,845 | 16,076,404 |

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 27/11/2023 and signed by:

**FUND ADMINISTRATOR
LAIKIPIA COUNTY**
Rm
30 NOV 2023
.....
Richard Murigu Nyambura
Administrator of the Fund

Caleb Mwangi
.....

Caleb Mwangi
Fund Accountant
ICPAK Member Number:10187

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

18. Statement of Comparison of Budget and Actual Amounts for the Period Ended 30 June 2023

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % Utilisation |
|---|-------------------|-------------|-------------------|----------------------------|------------------------|---------------|
| | KShs | KShs | KShs | KShs | KShs | KShs |
| | a | b | c=(a+b) | d | e =(c-d) | f=d/c*100 |
| Revenue | | | | | | |
| Transfers from County Govt.-Recurrent | 500,000 | - | 500,000 | - | 500,000 | 0% |
| Transfers from County Govt-Development | 10,000,000 | - | 10,000,000 | - | 10,000,000 | 0% |
| Interest income | 1,800,000 | - | 1,800,000 | 1,414,817 | 385,183 | 79% |
| Opening Bank Balance | 16,076,404 | - | 16,076,404 | 16,076,404 | - | 100% |
| Opening Fund Balance | 42,247,480 | - | 42,247,480 | 42,247,480 | - | 100% |
| Total Revenue | 70,623,884 | | 70,623,884 | 59,738,701 | 10,885,183 | |
| Expenditure | | | | | | |
| Use of Goods and Services | 2,118,717 | - | 2,118,717 | 1,838,346 | 280,371 | 86% |
| Capital expenditure | 30,000,000 | - | 30,000,000 | 27,400,000 | 2,600,000 | 91% |
| Total Expenditure | 32,118,717 | | 32,118,717 | 29,238,346 | 2,880,371 | |
| Surplus (Deficit) for the period | 38,505,167 | | 38,505,167 | 30,500,355 | 8,004,812 | |

Budget Notes


- i. On Use of Goods and Services, there was an under-utilization of 14% attributed to late approval of loan applications. The board was appointed in the Third Quarter.
- ii. On interest income, 79% was utilized causing a balance of 21%. This was as a result of lower amount of loans disbursed than budgeted for.

**Laikipia County Co-operative Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

STATEMENT OF RECONCILIATION BETWEEN STATEMENT OF FINANCIAL PERFORMANCE AND STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

| DESCRIPTION | STATEMENT OF FINANCIAL PERFORMANCE | STATEMENT OF COMPARISON OF BUDGET AND ACTUAL | VARIANCE | REMARKS |
|---|------------------------------------|--|--------------|--|
| Revenue | KShs | KShs | KShs | |
| Transfers from County Govt Allocation FY2022/23 | 500,000 | 10,500,000 | (10,000,000) | Accounts receivable from County Executive |
| Interest income | 1,644,000 | 1,414,817 | (229,183) | The board was established in quarter 3, loans were approved and disbursed at the end of the same quarter limiting the interest income. |

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 27/11 2023 and signed by:


 FUND ADMINISTRATOR
 LAIKIPIA COUNTY
 30 NOV 2023
 Richard Murigu Nyambura
 Administrator of the Fund
 CO-OP DEVELOPMENT
 REVOLVING FUND



 Caleb Mwangi
 Fund Accountant
 ICPAK Member Number:10187

Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

19. Notes to the Financial Statements

1. General Information

- entity is established by and derives its authority and accountability from - Act. The entity is wholly owned by the - County Government and is domiciled in Kenya. The entity's principal activity is -

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

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

| Standard | Effective date and impact |
|---|--|
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to |

**Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

| Standard | Effective date and impact |
|---|--|
| | <p>impairment testing; and</p> <ul style="list-style-type: none"> • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. 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>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS</p> |

**Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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

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

| Standard | Effective date and impact: |
|---|--|
| IPSAS 43 | <p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| IPSAS 44: Non-Current Assets Held for Sale and Discontinued | <p>Applicable 1st January 2025</p> <p>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</p> |

**Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

| Standard | Effective date and impact: |
|------------|---|
| Operations | 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 or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

1. 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 2022-23 was approved by the County Assembly on 28th 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.

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 - 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 an year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(entity to amend appropriately)* 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 Company'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.

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.

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.

Summary of Significant Accounting Policies (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

The 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 e.g.

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note -.

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.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

6. Notes to The Financial Statements

1. Public contributions and donations

| Description | FY 2022-2023 | FY 2021-2022 |
|------------------------------------|--------------|--------------|
| | Kshs | Kshs |
| Donation From Development Partners | - | - |
| Contributions From the Public | - | - |
| Total | - | - |

2. Transfers from County Government

| Description | FY 2022-2023 | FY 2021-2022 |
|--|----------------|-------------------|
| | Kshs | Kshs |
| Transfers From County Govt. - Operations | 500,000 | 1,000,000 |
| Transfers From County Govt. - Development | - | 10,000,000 |
| Payments By County on Behalf of The Entity | - | - |
| Unconditional Development grants | - | - |
| Total | 500,000 | 11,000,000 |

This relates to transfers from county executive budget allocation.

3. Fines, penalties and other levies

| Description | FY 2022-2023 | FY 2021-2022 |
|------------------|---------------|----------------|
| | Kshs | Kshs |
| Additional Fines | 21,600 | 464,818 |
| Fines | - | - |
| Total | 21,600 | 464,818 |

(Fines were calculated at the rate of 6% of the loan balance)

4. Interest income

| Description | FY 2022-2023 | FY 2021-2022 |
|--------------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Interest Income from Loans disbursed | 1,644,000 | 1,482,000 |
| Total Interest Income | 1,644,000 | 1,482,000 |

(Interest income is at the rate of 6% of the loan issued)

Laikipia County co-operatives Development Revolving Fund
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Notes to the Financial Statements Continued

5. Other income

| Description | FY 2022-2023 | FY 2021-2022 |
|---------------------------|--------------|--------------|
| | Kshs | Kshs |
| Insurance Recoveries | - | - |
| Total Other Income | - | - |

6. Employee Costs

| Description | FY 2022-2023 | FY 2021-2022 |
|--------------------|--------------|--------------|
| | Kshs | Kshs |
| Salaries And Wages | - | - |
| Total | - | - |

7. Use of Goods and Services

| Description | FY 2022-23 | FY 2021-2022 |
|---|------------------|------------------|
| | KShs | KShs |
| Printing and stationery | 41,400 | 98,510 |
| Lunches and Subsistence | - | 86,685 |
| Evaluation | - | 18000 |
| Trainings/ capacity building and mobilization | 271,800 | - |
| Board meetings Allowances | 602,400 | 285,600 |
| Catering Services | 139,966 | - |
| Staff Allowance and Subsistence | 747,660 | 742,200 |
| Fuel and Trasport | 20,000 | 83,800 |
| CRB Subscription | - | 40,600 |
| Legal Fees | - | 10,500 |
| Bank Charges | 15,120 | - |
| Sub total | 1,838,346 | 1,365,895 |
| Accrued expenses | | |
| Unremitted tax on paid Board allowance | - | 122,400 |
| | - | 122,400 |
| Grand total | 1,838,346 | 1,488,295 |

8. Depreciation and Amortization Expense

| Description | FY 2022-2023 | FY 2021-2022 |
|------------------------------|----------------|--------------|
| | Kshs. | Kshs. |
| Property Plant and Equipment | 115,500 | - |
| Total | 115,500 | - |

Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements Continued

9. Finance costs

| Description | FY 2022-2023 | FY 2021-2022 |
|-----------------------------|--------------|--------------|
| | Kshs | Kshs |
| Interest On Bank Overdrafts | - | - |
| Total | - | - |

10. Gain/(loss) on disposal of assets

| Description | FY 2022-2023 | FY 2021-2022 |
|-------------------------------|--------------|--------------|
| | Kshs | Kshs |
| Property, Plant and Equipment | - | - |
| Total | - | - |

11. Gain/ (loss) on Fair Value Investments

| Description | FY 2022-2023 | FY 2021-2022 |
|---|--------------|--------------|
| | Kshs | Kshs |
| Investments at Fair Value- Equity investments | - | - |
| Total Gain | - | - |

12. Cash and cash equivalents

| Description | FY 2022-2023 | FY 2021-2022 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Current Account | 11,541,845 | 16,076,404 |
| Total Cash and Cash Equivalents | 11,541,845 | 16,076,404 |

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

| Financial Institution | Account number | FY 2022-2023 | FY 2021-2022 |
|---------------------------|----------------|-------------------|-------------------|
| | | Kshs | Kshs |
| a) Current Account | | | |
| Cooperative Bank of Kenya | 01141366165000 | 11,541,845 | 16,076,404 |
| Grand Total | | 11,541,845 | 16,076,404 |

Laikipia County co-operatives Development Revolving Fund
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Notes to the Financial Statements Continued

13. Receivables from exchange transactions

| Description | FY 2022-23 | FY 2021-2022 |
|---|-------------------|-------------------|
| | KShs | KShs |
| Current Receivables | | |
| Bal b/d | 42,247,480 | 55,751,694 |
| New loans | 27,400,000 | 24,700,000 |
| Interest receivable | 1,644,000 | 1,482,000 |
| Current loan repayments -Principle | (23,580,276) | (36,524,965) |
| Current loan repayments -Interest | (1,414,817) | (2,189,861) |
| Add Back Loan overpayments | - | 4,002 |
| Penalties and fines on defaulters | 21,600 | 464,818 |
| Paid Fines and penalties | (57,031) | |
| Loan offset from overpayments | - | (578,015) |
| Provision for Bad and doubtful debts | (925,219) | (862,193.) |
| Total Current receivables | 45,335,737 | 42,247,480 |
| Non-Current receivables | - | - |
| Total receivables from exchange transactions | 45,335,737 | 42,247,480 |

Additional disclosure on interest receivable

| Description | FY 2022-2023 | FY 2021-2022 |
|--|--------------|--------------|
| | Kshs | Kshs |
| Interest Receivable | | |
| Interest receivable from current portion of long-term loans of previous years | - | - |
| Accrued interest receivable from of long-term loans of previous years | - | - |
| Interest receivable from current portion of long-term loans issued in the current year | - | - |
| Current loan repayments due | | |
| Current portion of long-term loans from previous years | - | - |
| Accrued principal from long-terms loans from previous periods | - | - |
| Current portion of long-term loans issued in the current year | - | - |

Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements Continued

14. Receivables from non-Exchange transactions

| Description | FY 2022-2023 | FY 2021-2022 |
|--------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Balance Brought Forward | 10,000,000 | - |
| Additional receivables | 500,000 | - |
| Total | 10,500,000 | 10,000,000 |

15. Inventories

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

16. Investments in financial assets

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

Laikipia County co-operatives Development Revolving Fund
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Notes to the Financial Statements Continued

Movement of Equity Investments

| Impairment allowance/ provision | FY 2022-2023 | FY 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 | - | - |

e) 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 | No of shares | | | Nominal 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 co-operatives Development Revolving 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 | Motor vehicles | Furniture and fittings | Computers and office equipment | Total |
|-------------------------------------|---------------------------|-----------------------|-------------------------------|---------------------------------------|----------------|
| Cost | Kshs | Kshs | Kshs | Kshs | Kshs |
| At 1st July 2021 | - | - | - | - | - |
| Additions | - | - | - | - | - |
| Disposals | (-) | (-) | - | - | (-) |
| Transfers/Adjustments | - | (-) | - | (-) | (-) |
| At 30th June 2022 | - | - | - | - | - |
| At 1st July 2022 | | | | | |
| Additions | - | - | - | - | - |
| Disposals | (-) | - | - | - | (-) |
| Transfer/Adjustments | (-) | - | - | (-) | (-) |
| At 30th June 2023 | - | - | - | - | - |
| Depreciation And Impairment | | | | | |
| At 1st July 2021 | (-) | (-) | (-) | (-) | (-) |
| Depreciation | (-) | (-) | (-) | (-) | (-) |
| Impairment | (-) | - | - | - | (-) |
| At 30th June 2022 | - | - | - | 350,000 | 350,000 |
| At 1st July 2022 | | | | | |
| Depreciation | (-) | (-) | (-) | (115,500) | (115,500) |
| Disposals | - | - | - | - | - |
| Impairment | (-) | (-) | - | - | (-) |
| Transfer/Adjustment | - | (-) | (-) | - | - |
| At 30th June 2023 | - | - | - | 234,500 | 234,500 |
| Net Book Values | | | | | |
| At 30th June 2023 | - | - | - | 234,500 | 234,500 |
| At 30th June 2023 | - | - | - | 234,500 | 234,500 |

**Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Notes to the Financial Statements (Continued)

18. Intangible assets

| Description | FY 2022-2023 | FY 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 | - | - |
| NBV | - | - |

19. Investment Property

| Description | FY 2022-2023 | FY 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 co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

20. Trade and other payables from exchange transactions

| Description | FY 2022-23 | FY 2021-2022 |
|--|---------------|--------------|
| | KShs | KShs |
| Loans Overpayments Brought Forward | 2 | 778,549 |
| Additional overpayment | 159,063 | 4,002 |
| Refunds of loans overpayment | - | (204,534) |
| Loans (Accounts Receivables from exchange transactions) offset from overpayments | (79,000) | (578,015) |
| Total trade and other payables | 80,065 | 2 |

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 | - | - | - | - |

22. Unremitted Tax

| Description | FY 2022-2023 | FY 2021-2022 |
|--|----------------|----------------|
| | Kshs | Kshs |
| Unremitted tax BF | 428,400 | 428,400 |
| Additional income tax on board members | 156,300 | |
| Paid Tax | (584,700) | |
| Total | - | 428,400 |

Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

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

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

23. Employee benefit obligations

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

Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

24. Provision for bad and doubtful debts

| Description | FY 2022-2023 | FY 2021-2022 |
|------------------------------|----------------|----------------|
| | Kshs | Kshs |
| Provision for doubtful Debts | 925,219 | 862,193 |
| Total | 925,219 | 862,193 |

25. Cash generated from operations

| Description | FY 2022-2023 | FY 2021-2022 |
|---|--------------|--------------|
| | Kshs | Kshs |
| Surplus/ (Deficit) For the Year Before Tax | - | - |
| Adjusted For: | | |
| Depreciation | - | - |
| Amortisation | - | - |
| Fines | (-) | - |
| Refunds on overpayments | - | - |
| Gains/ Losses on Disposal Of Assets | (-) | (-) |
| Interest Income | (-) | (-) |
| Working Capital Adjustments | | |
| Increase In Inventory | (-) | (-) |
| Increase In Receivables | (-) | (-) |
| Increase In Payables | - | - |
| Net Cash Flow from Operating Activities | (-) | - |

**Laikipia County co-operatives Development Revolving 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 | FY 2022-2023 | FY 2021-2022 |
|---------------------------------|--------------|--------------|
| | Kshs | Kshs |
| Transfers From Related Parties' | - | - |
| Transfers To Related Parties | - | - |

c) Key management remuneration

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

d) Due from related parties

| Description | FY 2022-2023 | FY 2021-2022 |
|----------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Due From Parent Ministry | - | - |
| Due From County Government | 10,500,000 | 10,000,000 |
| Total | 10,500,000 | 10,000,000 |

Laikipia County co-operatives Development Revolving Fund
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Other Disclosures Continued

e) Due to related parties

| Description | FY 2022-2023 | FY 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 | FY 2022-2023 | FY 2021-2022 |
|-------------------------------|---------------------|---------------------|
| | Kshs | Kshs |
| Court Case - Against the Fund | - | - |
| Bank Guarantees | - | - |
| Total | - | - |

Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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 | 45,335,737 | 45,335,737 | 17,046,805 | - |
| Receivables From Non-Exchange Transactions | 10,500,000 | 10,500,000 | - | - |
| Bank Balances | 11,541,845 | 11,541,845 | - | - |
| Total | 67,377,582 | 67,377,582 | 17,046,805 | - |
| At 30 June 2021 | | | | |
| Receivables From Exchange Transactions | 42,247,480 | 42,247,480 | 16,324,352 | - |
| Receivables From Non-Exchange Transactions | 10,000,000 | 10,000,000 | - | - |
| Bank Balances | 16,076,404 | 16,076,404 | - | - |
| Total | 68,323,884 | 68,323,884 | 16,324,352 | - |

**Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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 County Government of Laikipia.

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 | 80,065 | - | - | 80,065 |
| Current Portion of Borrowings | - | - | - | - |
| Provisions | 925,219 | - | - | 925,219 |
| Employee Benefit Obligation | - | - | - | - |
| Total | 1,005,284 | - | - | 1,005,284 |
| At 30 June 2022 | | | | |
| Trade Payables | 2 | - | - | 2 |
| Current Portion of Borrowings | - | - | - | - |
| Provisions | 862,193 | - | - | 862,193 |
| Employee Benefit Obligation | - | - | - | - |
| Total | 862,195 | - | - | 862,195 |

**Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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 (Current FY) | | | |
| Financial Assets | - | - | - |
| Investments | - | - | - |
| Cash | - | - | - |
| Debtors/ Receivables | | | |
| Liabilities | | | |
| Trade And Other Payables | - | - | - |
| Borrowings | - | - | - |
| Net Foreign Currency Asset/(Liability) | - | - | - |

**Laikipia County co-operatives Development Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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 currency rate | Effect on surplus/ deficit | Effect on equity |
|-------------------------|----------------------------|-------------------------------|---------------------|
| | Kshs | Kshs | Kshs |
| (Current FY) | | | |
| 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 of Kshs - (2022: Kshs -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs - (2021 - Kshs -).

**Laikipia County co-operatives Development Revolving 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 | FY 2022/2023 | FY 2021/2022 |
|---|-------------------|-------------------|
| | Kshs | Kshs |
| Revaluation reserve | - | - |
| Revolving fund | 6,342,409 | 6,342,409 |
| Accumulated surplus | 61,189,608 | 61,903,074 |
| Total funds | 67,532,017 | 68,245,483 |
| Total borrowings | - | - |
| Less: cash and bank balances | (11,541,845) | (16,076,404) |
| Net debt/(excess cash and cash equivalents) | 11,541,845 | 16,076,404 |
| Gearing | -17% | -23% |

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 entity is a County Public Fund established by - Act (*state the legislation establishing the Fund*) under the Ministry of -. Its ultimate parent is the County Government of -.

31. Currency

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

**Laikipia County co-operatives Development Revolving Fund
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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: |
|---|--|---|--|-------------------|
| Non-performing outstanding loans | Inaccuracy of the exchange transaction Balance of Ksh42,247,480 due to non-performing loans of Ksh 17,046,805 | The effects of drought and Covid -19 resulted to low business levels and low production of farm produce that enormously escalated the cost of living thus loan defaulting The newly elected Board of Management board made a follow up of the defaulters and have decided to constitute a ADR task force of analysing the situation and develop a concrete way forward on recovery | Not Resolved | June 2024 |

FUND ADMINISTRATOR
LAIKIPIA COUNTY
30 NOV 2023
CO-OP DEVELOPMENT
REVOLVING FUND

Richard Murigu Nyambura

Fund Administrator

Laikipia County cooperative revolving Fund

**Laikipia County co-operatives Development Revolving Fund
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**Annex II: Inter-Fund Confirmation Letter
Laikipia county Cooperatives development revolving fund**

NIL

The Laikipia county Cooperatives development revolving fund wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

| Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 2023 | | | | | | | |
|--|----------------|---|-----------------|-----------------------|-------------------|--|------------------------------|
| Reference Number | Date Disbursed | Amounts Disbursed by <i>Laikipia county Cooperatives development revolving 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) | | |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name Mary H. Kigochi Sign [Signature] Date 30th NOVEMBER, 2023

Laikipia County co-operatives Development Revolving 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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**Laikipia County co-operatives Development Revolving Fund
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Annex IV: Reporting on Disaster Management Expenditure

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