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OFFICE OF THE AUDITOR-GENERAL

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THE NATIONAL ASSEMBLY
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DATE:	25 FEB 2025	DAY. TUESDAY
TABLED BY:	DEPUTY MAJORITY WHIP HON. NAOMI WAQO, MP	
CLERK-AT THE-TABLE:	DAVID MCHARO.	

REPORT

OF

THE AUDITOR-GENERAL

ON

FINANCIAL INCLUSION FUND (HUSTLERS FUND)

FOR THE YEAR ENDED 30 JUNE, 2024

Hustler Fund
JIINUE - JIENDELEZE

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2024

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

Visit Our Website
www.hustlerfund.go.ke/

(Financial Inclusion Fund)
Annual Report and Financial Statements
for the year ended June 30, 2024.

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1. Acronyms, Abbreviations and Glossary of Terms

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank
VC	Vice Chancellor

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

(This list is an indication of the common acronyms and abbreviations; FIF should include all from the annual report and financial statements prepared)

2. Key FIF Information and Management

a) Background information

The Financial Inclusion Fund was established under The Public Finance Management (Financial Inclusion Fund) Regulations, 2022. Executive Order No. 1 of 2023 placed the Fund as one of the institutions under the State Department for Micro, Small and Medium Enterprise (MSMEs) in the Ministry of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs) Development.

The Kenya Kwanza Government established the fund to help cushion and mitigate financial shocks to the informal sector. The primary aim of the fund is to include all Kenyans by providing basic financial services without looking at a person's income, credit history or savings which has been a barrier to most Kenyans in accessing financial services. The focus of financial inclusion is mainly on credit, savings, pension, insurance and capacity building. Approximately 80% of Kenyans who are the informal sector were missing out on this crucial financial products thus necessitated establishment of Financial Inclusion Fund.

Since its establishment the Fund had received Kshs 12.8 bn from the Exchequer of which Kshs 12.4 bn was for onward lending to the target clients while Kshs 400 mn was used to match the long terms savings of the clients who had borrowed more that five times as the funds anniversary November 2023.

Beneficiaries were able to access the loans from the comfort of their phones through dialing *254# and following prompts. The services are facilitated by Mobile Network Operators (Safaricom, Airtel and Telcom) and Banks (KCB and Family Bank).

(b) Principal Activities

The Financial Inclusion Fund is primarily mandated to:

i. **Facilitate Financial Empowerment**: The Fund's core mission is to provide comprehensive financial empowerment to individuals and businesses at the bottom of the economic pyramid. This is achieved through the provision of affordable credit, competitive savings products, financial literacy, and access to essential services.

ii. **Support Economic Growth:** The Fund is committed to fostering economic growth in Kenya by extending financial services to those traditionally excluded from the formal financial sector. By providing access to credit and promoting responsible financial behaviour, The Fund aims to boost entrepreneurship and economic development.

iii. **Advance Financial Inclusion:** The Fund strives to advance financial inclusion by ensuring that even the most underserved populations have access to essential financial tools and services. This aligns with the Fund's vision of creating a financially inclusive society where all Kenyans can participate in economic activities.

iv. **Promote Sustainability:** The Fund recognizes the importance of sustainability in its operations. This includes reducing its environmental impact, adhering to ethical business practices, and actively engaging with the community through Corporate Social Responsibility (CSR) initiatives.

v. **Ensure Social Equity:** The Fund places a strong emphasis on social equity by promoting gender-inclusive hiring practices and stakeholder engagement. It seeks to create a diverse and inclusive workforce that mirrors the society it serves.

These functions are derived from the Public Finance Management (Financial Inclusion Fund) Regulations, 2022 and are in line with the Fund's vision of becoming a leading catalyst for financial inclusion and economic growth in Kenya.

(c) The Board of Directors

Ref	Directors	Details
1.	 Irene Muthoni Karimi – Chairperson - Independent Board Member (61 years)	Ms. Irene Karimi is an international development professional with more than 30 years' experience in project management, organizational development and training Ms. Karimi holds a B.A. in Business Administration from Andrews University, Berrien Springs, Michigan/University of Eastern Africa (Baraton)campus. She is a Certified Performance Technologist (ISPI, 2017) and holds certificates in Project Management, Project Analysis and Monitoring and Evaluation from the USDA Graduate School in Washington, DC.
2.	 Susan Auma Mang'eni- PS State department of Micro Small and	Hon. Susan Auma Mang'eni is the Principal Secretary State Department of Micro Small and Medium Enterprises (MSME) Development under the Ministry of Cooperative and Micro Small and Medium Enterprises (MSME). She is a governance and development expert with close to 15 years' experience in both the private and public sectors in areas of strategic leadership, public policy formulation, analysis and implementation, enterprise development, institutional building, oversight, youth and women empowerment. Prior to her current appointment, Hon. Susan Mang'eni served on the Boards of the Youth Enterprise Development Fund (YEDF), Kenya Institute of Public Policy Research and Analysis (KIPPRA)

-	Medium Enterprises Development (45 years)	and The Competition Tribunal of Kenya. She was also a member of the Working group on the socio-economic audit of the constitution of Kenya 2010, under the office of the Auditor General.
3.	 Paul Musyimi - Independent Board Member (39 years)	Mr. Musyimi is an Advocate of the High Court of Kenya in private practice. He has extensive experience in Energy Law, Contracts Law, Public-Private Partnerships, Constitutional and Devolution Law having served as Legal Officer at Rural Electrification Authority, Legal Advisor to the Governor of Nairobi and Advocate and Consultant at several Leading Law Firms. He holds a Bachelor of Laws (LLB) from the University of Nairobi and is currently pursuing his Master of Laws (LL.M) in International Trade and Investment Law at the same Institution. In addition, he has a Post-Graduate Diploma from the Kenya School of Law and an Entry Certificate to Arbitration from the Chartered Institute of Arbitrators (CIArb). He is a Member of Law Society of Kenya, East African Law Society, Kenya Institute of Management (KAM).
4.	 CCOP Symon C. J Mburia Alternate to PS Co-operatives (56 years)	CCOP. Symon C.J. Mburia is a Deputy Commissioner for Co-operative Development & immediate former Ag. Chief Executive Officer of Kenya Society of Professional Co-operators (KSPC) Mr. Symon Mburia joined the Government of Kenya in 1993 as a co-operative officer and has grown through the ranks to the current position. Symon C.J Mburia holds a Bachelor of Commerce degree from the University of Nairobi (UoN) a Msc. in Entrepreneurship from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Certificate in Public Policy Development from Strathmore University.
5.		

	 Jennifer Mwangagi – Independent Board Member	Jennifer Mwangagi is a Psychologist specialist professional with over 20 years of experience in research and writing, consultancy, counselling, youth mentorship, community psychosocial support and educational empowerment. Jennifer holds a Master of Arts (M.A.) - Counselling Psychology from Daystar University and Bachelor of Education (B.Ed., Arts), Linguistics and Literature from the University of Nairobi,
6.	 Edna Atisa- Alternate to Ps Treasury	**Ms. Edna Atisa** is an economist with vast experience in economic policy and formulation. She has worked at the National treasury and seats in many Boards as an Alternate to the PS Ms. Atisa holds a Master's Degree in Economics, a bachelor's of arts in Economics and a post-graduate diploma in education from the University of Nairobi.
7.	 Elizabeth N. Nkukuu, CFA Ag. Chief Executive Officer (43 years)	Ms. Elizabeth N. Nkukuu has close to Twenty years of experience in the Financial Services sector with a key focus on Investment Management in the Pension and Personal Wealth Creation programs Ms. Elizabeth N. Nkukuu is currently pursuing her Doctor of Philosophy(PHD) Degree in Business Administration (Finance) from Nairobi University. She has a Master of Business Administration(MBA) from Nairobi University and a Bachelor of Science in Actuarial Science from Nairobi University.

(d) Key Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

	Management	Details
1.	 Elizabeth Nkukuu CFA	Ms. Elizabeth N. Nkukuu has close to Twenty years of experience in the Financial Services sector with a key focus on Investment Management in the Pension and Personal Wealth Creation programs. Her specialty has been around Portfolio Management, Real Estate Investments and Development, Private Equity Management including deal sourcing and structuring, Fundraising among others. She is passionate about wealth creation and to this end she is a Financial Literacy training and Advisor. Ms. Elizabeth N. Nkukuu is passionate about helping people create businesses that last through training, coaching, and mentoring entrepreneurs. She has run a couple of businesses learning a lot from both worlds. Her combination of impressive professional and academic qualifications and the hands-on experience gained by running businesses, bring together a significant advantage of the theory and practical aspects of running successful businesses. Ms. Elizabeth N. Nkukuu is currently pursuing her Doctor of Philosophy (PHD) Degree in Business Administration (Finance) from Nairobi University. She has a Master of Business Administration (MBA) from Nairobi University and a Bachelor of Science in Actuarial Science from Nairobi University.

Key Information and Management

(e) Fiduciary Oversight Arrangements

To effectively carry out its mandate the Board shall have the following key committees.

i. *Audit, Risk and Compliance Committee*- This Committee shall be established Subject to paragraph (2) of Public Finance Management (PFM) regulations 2015 to provide oversight of the financial reporting process, the audit process, and internal controls in compliance with laws and regulations.

ii. *Strategy, Programs and Resource Mobilization*- The Fund's strategy is often dependent on and implemented through its core programmes. To this end, it is proposed that Strategy, Programs and Resources Mobilization Committee is formed with the responsibility of providing oversight on strategy matters, planning, service delivery and implementation of its core mandate.

iii. *Finance and General-Purpose Committee*- The Public Finance Management (PFM) Act 2012, clause 10 (7) states that the administrator of a national public fund shall ensure that money held in the fund, including any earnings or accruals is spent only for the purposes for which the fund is established. Clause 10 further requires national public funds to, a) Prepare financial statements for each financial year in a form specified by the Accounting Standards Board; and (b) not later than three months after the end of each financial year, submit those statements to the Auditor-General and a copy of the statements to the National Treasury, Commission on Revenue Allocation and the Controller of Budget. The committee will oversee all the support functions of the fund including, Human Resources and Procurement.

The membership of the various committees is as below:

1. Audit and Risk

S/No.	Name	Responsibility
1.	Paul Musyimi	Chairperson
2.	Edna Akisa	Member
3.	Susan Man'geni	Member
4.	Elizabeth Nkukuu	Member

2. Strategy, Programs and Resource Mobilization

S/No.	Name	Responsibility
1.	Jennifer Mwangangi	Chairperson
2.	Mr. Paul Musyimi	Member
3.	Susan Man'geni	Member
4.	Symon Mburia	Member
5.	Ms. Elizabeth Nkukuu	Member

3.1.1 Finance and General-Purpose Committee

S/No.	Name	Responsibility
1.	Edna Akisa	Chairperson
2.	Jennifer Mwangangi	Member
3.	Symon Mburia	Member
4.	Elizabeth Nkukuu	Member

(f) Headquarters

P.O. Box 30547
KIBT Building
Ojijo Road
Nairobi, KENYA

(g) Contacts

Telephone: (254) 728600576
E-mail: ceo@hustlerfund.go.ke
Website: www.hustlerfund.go.ke

(h) Bankers

1. Central Bank of Kenya
   Haile Selassie Avenue
   P.O. Box 60000 -00200
   NAIROBI, KENYA

2. Kenya Commercial Bank
   Milimani
   P.O. Box 48400- 00100
   NAIROBI, KENYA

3. Family bank
   Family Bank Plaza
   P.O. Box 74145- 00100
   NAIROBI, KENYA/

(i) Independent Auditor
Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084 -00100
Nairobi, Kenya

(j) Principal Legal Adviser
The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112 - 00200
Nairobi, Kenya

3. The Board of Directors

S/No	Name	Designation
1.	Irene Muthoni Karemi	Chairperson
2.	Edna Akisa	Board member
3.	Paul Musyimi	Board Members
4.	Susan Mang'eni	Board Member
5.	Symon Mburia	Board Member
6.	Jennifer Mwangangi	Board Member
7.	Elizabeth Nkukuu	Ag. CEO

4. Key Management Team

	Management	Details
1.	Elizabeth Nkukuu	Ag. Chief Executive Officer

5. Chairman's Statement

gives me great pleasure to present to you the financial statements of the Financial Inclusion Fund popularly known as the Hustler Fund.

As you may be aware the Hustler Fund is one of the major projects by the Kenya Kwanza Government. The Fund is aimed at providing support to the people at the bottom of the Economic Pyramid. The Fund during the last financial year has made great progress in achieving its goals. Our aim is to provide financially inclusive products to the people at the bottom of the pyramid. To effectively deliver on this mandate the fund has to focus on the following key pillars

a. Provision of affordable credit to people and businesses with the aim of graduating the beneficiaries to access credit from other financial institutions.
b. Provision of competitive savings products to all;
c. Financial Literacy and Business Capacity Building for the beneficiaries;
d. Provision of the Universal Health Care; and
e. Goal-based investments for housing, education among other safety nets.

During the period under review, loan value disbursed rose to 53.5 bn from 32bn disbursed in the previous financial year. The personal loan product attracted an additional 1.48 million borrowers in the review period. Over 18.8 million Kenyans having borrowed from the fund. Loans disbursed to groups amounted to Ksh 178 million with an average loan ticket of Ksh 7,735 from Eighty-Two million with the average loan size being Kenya Shillings Six thousand eight hundred shillings (Kshs 6,800).

The savings product also performed well, as at the end of the last financial year, the total mandatory savings stood at over Kenya shillings Three billion three Hundred Thousands. (Kshs 3.3 bn) while by the end of this review period, involuntary savings rose to (Ksh 2.1bn) and the voluntary savings increased to 190 million at the end of this review period.

The fund despite the achievements, it has also had its fair share of challenges, which includes staffing levels, low funding, poor repayment rates among other operational issues. There will be a need to focus on strengthening the Fund's internal capacity to support the growth and development of strategies to boost repayment

The fund will also be focusing on further product development across all the products under the funds mandate. The loan products will focus largely on businesses loans with the aim of upgrading the clients who have been good payers. The fund will also focus at improving customer experience and fully operationalizing the fund secretariat.

Irene Muthoni Karimi
Chairperson

6. Report of the Chief Executive Officer

The Financial Inclusion Fund was launched on November 30th 2022 by His Excellency the President, William Samoei Ruto. The fund is aimed at providing financial products to people at the bottom of the economic pyramid. Since its launch the fund has made significant strides having launched two credit products and having rolled out mandatory and voluntary savings.

The fund performed well during the year under review having received Kenya shillings 800 million from the National Treasury supplementing the initial 12 million that was disbursed in the previous review period. The total disbursement from the fund since inception stood at to Kenya shillings 53.4 Billion from Thirty Two billion (Ksh 32bn) at the end of the last review period. The personal loan product was still the most popular loan product of the fund attracting an additional 1.48 million additional borrowers in the review period. Over 20 million Kenyans have borrowed from the fund and the average loan ticket size standing at Kenya shillings Eight hundred and ninety (890).

The group loan product was launched on June 1st, 2023 a month before end of the 2022/23 review period. Cumulatively, loans disbursed to groups amounted to Ksh 178 million with an average loan ticket of Ksh 7,735 as at the end of the financial year

The Fund's savings product has also done well in the review period. The product has two categories: first is the mandatory savings which is five percent (5%) of the loan amount and is deducted at the loan disbursement point and two the voluntary savings for people willing to save for very specific needs. At the end of the last financial year, the total mandatory savings stood at over Kenya shillings Three billion three Hundred Million (Kshs 3.3 bn) while by the end of this review period, involuntary savings rose to (Ksh 2.67bn) and the voluntary savings increased from Kshs 24 million to 190 million.

The fund is largely dependent on the repayment rates for it to revolve, and be available for beneficiaries to access at all times. We have witnessed varying trends in repayment per region across the country with the highest repayment coming from Nyeri at 84.6%, Kiambu 83.9%, Nairobi 82.9%, and Murang'a 82.4%. The counties with low repayment rates are those from Northern Kenya, Mandera being the lowest with 41.9%, Wajir 42. % and Garrissa at 54.2%.

During the review period, the fund has made great strides in setting up its operational instruments. Officers from the State Department for MSMEs Development were deployed to support the fund before employment of the fund staff. They embarked on setting up the instruments in collaboration with other experts from various government institutions. Operational instruments developed includes the draft Fund's Strategic plan, Human Resource Manual, ICT Manual, Supply Chain Manual, Finance and Accounts Manual, Risk Management manual, Service Charter among other documents.

Despite the great performance, the fund has which had some challenges that has impacted the performance of the fund which include the slow pace of the setup of the secretariat that has led to a lot of reliance on the third-party providers which at times can be inefficient, reduced funding from the exchequer affected rollout of some products also affecting loan availability to customers, low repayment rates affecting availability of the products to consumers.

The last financial year's key focus was setting up the fund' operational instruments, development of strategies to enhance repayment and management of the Fund products. The focus for the next financial year is the other pillars that include financial literacy and capacity building, enhancing repayment and developing the other products especially the business loan product.

The recurrent expenditure in the last financial year was approximately 60 million. This was incurred in the formation and the Fund structures, operationalizing the secretariat and creating the important systems to run the institution.

7. Statement of Performance against Predetermined Objectives for FY 2023/2024-1

The Fund's mandate is to provide comprehensive financial products and services to individuals at the bottom of the economic pyramid to support the Government's vision of transforming its citizens from social protection to social security.

The key performance pillars shall include:

i. Provision of affordable credit for people at the bottom of the pyramid across the country
ii. Provision of competitive savings products
iii. Capacity building
iv. Market linkages

8. Corporate Governance Statement

The Financial Inclusion Fund aims to adhere to the highest codes of governance. According to the formative regulations the fund shall be managed by an Advisory Board. There will be a management team that is headed by the Chief Executive Officer who will be the Fund's Administrator.

During this financial year 2023/24, the Board held four (4) full board meetings and twelve (12) committee meetings. The board had a three-day board retreat to go through and approve operational manuals developed by FIF staff in collaboration with other stakeholders. The board also attended a workshop to be taken through the draft FIF strategic plan and provide their input, also in the same workshop, the board was sensitized on recruitment instruments and financial process.

9. Management Discussion and Analysis

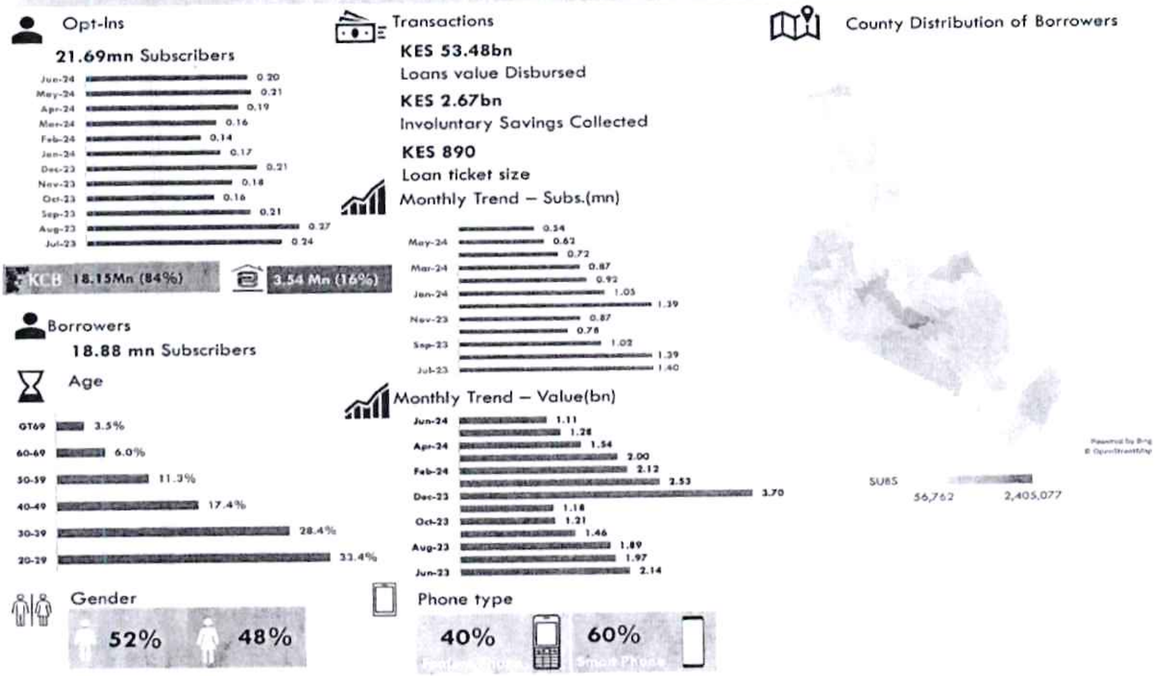
The fund is set up to deliver financial inclusive solutions for people at the bottom of the economic pyramid. In order to reach all the people across the country the fund access is digital and so far we have seen significant success in the same. The fund has funded people in all counties. The fund so far works with the private sector that is the banks and the Mobile Network Operators to serve its clientele. The framework is for joint execution and also the same would apply when it comes to the collection of the funds.

The Fund's key objective is to ensure that they provide financially inclusive products and services that are accessible to the entire eligible population.

Some the Key success metrics as at the end of the Financial Year include:

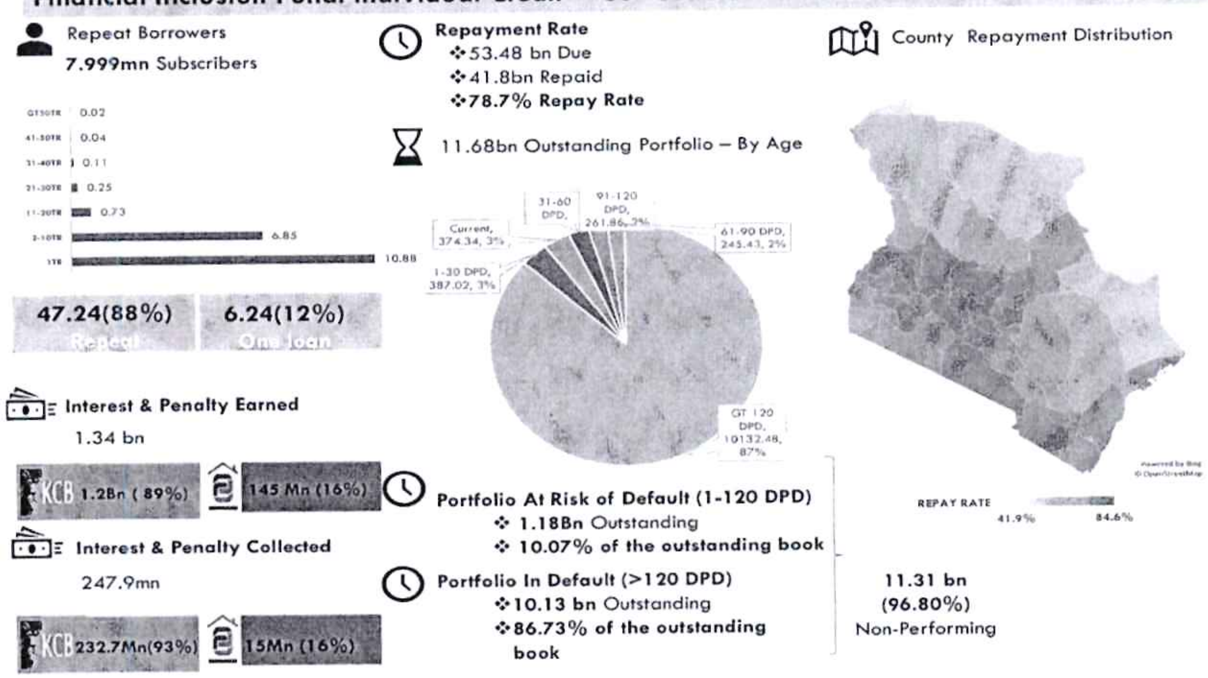
The fund has been accessible to people across the country as can be shown from the chat below which is a Safaricom Dashboard.

Financial Inclusion Fund: Individual Credit – 30th June 2024



COUNTY	SUBS	DISBURSEMENTS (Bn)
Nairobi	2,405,077	9.16
Kiambu	1,363,552	5.42
Nakuru	964,023	3.21
Machakos	716,705	1.89
Kakamega	670,916	1.70
Meru	627,190	1.66
Kilifi	584,276	1.26
Mombasa	564,163	1.87
Kajiado	554,401	1.79
Uasin Gishu	552,149	1.85
Bungoma	543,790	1.48
Kisumu	501,278	1.13
Kisii	466,353	0.86
Murang'a	425,608	1.42
Kitui	422,963	0.80
Narok	389,749	0.85
Homa Bay	386,438	0.63
Kericho	370,248	1.18
Bomet	367,660	1.06
Nandi	366,779	1.18
Makueni	365,413	0.74
Siaya	357,408	0.69
Trans Nzoia	357,153	1.06
Nyeri	353,726	1.40
Migori	351,973	0.62
Busia	303,933	0.73
Embu	298,655	0.99
Kwale	287,672	0.59
Kirinyaga	281,947	0.90
Nyamira	234,144	0.47
Nyandarua	231,699	0.77
Laikipia	229,208	0.79
Baringo	215,624	0.66
Turkana	204,626	0.26
Vihiga	193,218	0.50
Tharaka-Nithi	187,003	0.49
Elgeyo-Marakwet	159,381	0.41
Taita Taveta	146,760	0.40
Garissa	136,160	0.17
West Pokot	127,743	0.21
Tana River	109,192	0.17
Wajir	101,944	0.10
Marsabit	95,113	0.12
Mandera	87,424	0.08
Samburu	82,368	0.13
Isiolo	75,809	0.15
Lamu	56,762	0.13
Grand Total	**18,875,328**	**54**

Financial Inclusion Fund: Individual Credit – 30th June 2024



County	REPAY RATE
Nyeri	84.6%
Kiambu	83.9%
Nairobi	82.9%
Murang'a	82.4%
Laikipia	82.3%
Nyandarua	82.2%
Embu	82.1%
Kericho	81.8%
Nakuru	81.7%
Nandi	81.8%
Uasin Gishu	81.7%
Mombasa	81.5%
Kirinyaga	81.4%
Baringo	80.9%
Kajiado	80.4%
Trans Nzoia	80.2%
Bomet	80.1%
Bungoma	78.8%
Meru	78.3%
Tharaka-Nithi	78.7%
Taita Taveta	78.1%
Vihiga	77.9%
Elgeyo-Marakwet	77.8%
Kakamega	77.3%
Machakos	76.8%
Busia	76.1%
Lamu	75.6%
Kilifi	73.7%
Kisumu	73.6%
Narok	73.4%
Kwale	72.6%
Nyamira	72.4%
Makueni	71.3%
Siaya	70.5%
Isiolo	70.5%
Kitui	69.9%
Kisii	69.6%
Migori	67.9%
West Pokot	66.7%
Homa Bay	65.5%
Samburu	64.5%
Tana River	63.9%
Turkana	57.5%
Marsabit	54.3%
Garissa	54.2%
Wajir	43.8%
Mandera	41.9%
Total	**73.7%**

Financial Inclusion Fund: Voluntary Savings – 30th June 2024

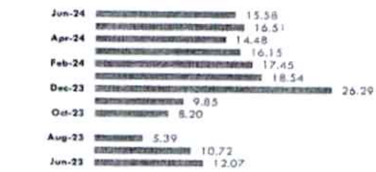
Performance(launch to-date)

157,913
Unique subscribers

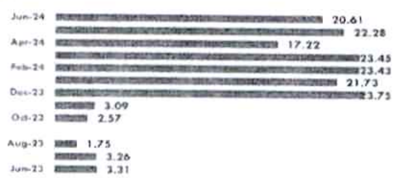
578.4K
Transaction Vol

KES 190mn
Transaction Values (deposited)

Monthly Trend – Subs.(000s)



Monthly Trend – Value(mn)



Transactions

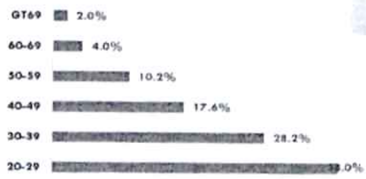
3.66
Av. Transactions per subscriber

KES 329
Av. Ticket Size

Gender

66% **34%**

Age



Phone type

38% **62%**

County distribution

COUNTY	VALUE(Mn)
Nairobi	33.91
Kiambu	19.09
Nakuru	10.62
Meru	4.92
Uasin Gishu	8.97
Machakos	5.95
Kakamega	4.45
Kajiado	6.97
Bungoma	4.68
Muranga	4.67
Kericho	3.75
Mombasa	6.98
Bomet	4.10
Nyeri	4.95
Nandi	2.99
Embu	4.14
Kilifi	4.33
Trans Nzoia	3.89
Narok	3.98
Kisumu	3.06
Nyandarua	2.26
Kirinyaga	1.95
Kisii	3.49
Laikipia	2.33
Busia	2.41
Baringo	2.54
Makueni	2.03
Homa Bay	1.65
Migori	1.76
Tharaka-Nithi	1.43
Kwale	1.58
Vihiga	1.76
Nyamira	1.24
Elgeyo-	1.06
Taita Taveta	2.08
Turkana	1.05
West Pokot	0.87
Tana River	0.44
Lamu	0.31
Garissa	1.14
Isiolo	0.40
Samburu	0.26
Marsabit	0.17
Wajir	0.19
Mandera	0.61
Total	181406

Financial Inclusion Fund: Group Credit – 30th June 2024

Groups

650,556
No. of Groups

49,181 (7.56%)
Active Groups

Members

1,737,332
Total Members

1,185,162
Approved Members

664,907
Members in Active Groups

Transactions

KES 178.05
Loans value Disbursed

22,386
Loans disbursed

22,799
Borrowing Groups

KES 7,735
Average Ticket Size

Gender

55% **45%**

30 Day Repayment Rates on Principal

- 175.50mn Due
- 38.19 mn Repaid
- 21.76% Repay Rate

Interest & Penalty Earned

2.75mn

Interest & Penalty Collected

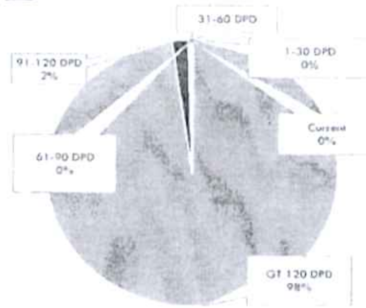
345.37k (13%)

Age

Phone type

40% **60%**

137.31 Mn Outstanding



Portfolio At Risk of Default (1-120 DPD)

- 0.70 mn Outstanding
- 0.50% of the outstanding book

Portfolio In Default (>120 DPD)

- 136.60mn Outstanding
- 98.19% of the outstanding book

137. 31 Mn
(98.19%)
Non-Performing

The Fund secretariat is under formation and in the process of coming up with the key processes and procedures across all the departments including Finance and accounting.

10. Environmental and Sustainability Reporting

Sustainability Strategy and Profile

The Financial Inclusion Fund's resolute dedication to sustainability is anchored in a strategic framework centered around technology. Notable aspects encompass:

i. **Integration of Technology:** Technology occupies a central role in the fund's product development and distribution processes. This integration minimizes environmental impact, reduces paper usage, and aligns with the global trend towards digitization.

ii. **Leadership Commitment:** The leadership's proactive involvement, particularly the accounting officer, serves as a driving force in championing sustainable practices throughout the organization. This top-level endorsement is pivotal in fostering a culture of responsibility.

iii. **Navigating Trends:** The fund actively engages with prevailing political and macroeconomic trends that mold sustainability priorities. By adapting to these broader influences, the fund ensures its sustainability initiatives remain relevant and effective.

iv. **Guided by International Best Practices:** The Hustler Fund adheres to internationally recognized sustainability best practices, emphasizing alignment with established norms to foster credibility and effectiveness.

v. **Balanced Assessment:** Acknowledging both accomplishments and areas requiring enhancement, the fund maintains transparency by openly addressing successes and setbacks. This balanced approach fuels continuous improvement.

ii) Environmental Performance

The Hustler Fund's unwavering dedication to environmental responsibility is encapsulated within its meticulously designed environmental policy. This policy serves as a cornerstone, guiding the organization's commitment to sustainable practices.

i. **Clear Outline of Environmental Policy:** At the heart of the fund's operations is a well-defined environmental policy. This policy articulates the fund's pledge to minimize its ecological footprint, advocating for conscientious practices that contribute to a healthier planet.

ii. **Policy in Action:** The environmental policy translates into tangible actions that resonate with the fund's commitment. This is vividly evident in the strategic efforts employed to reduce carbon emissions, effectively manage waste, conserve water resources, and protect biodiversity.

iii. **Evidence of Achievements:** A testament to the fund's effectiveness in environmental stewardship is its remarkable accomplishments. Notably, the introduction of a digital lending platform has led to a significant reduction in paper consumption, aligning its practices with contemporary ecological standards.

iv. **Acknowledgement and Mitigation of Shortcomings:** The Hustler Fund operates within a framework of continuous improvement. This entails a candid appraisal of areas where environmental impact needs mitigation. Proactive measures are being undertaken to address these shortcomings, reflecting the fund's commitment to responsible practices.

iii) Employee Welfare

Employee well-being is an integral facet of the Hustler Fund's organizational fabric and is evidenced in the following ways.

i. **Policies for Fair Hiring:** The organization's commitment to equitable practices is reflected in its hiring policies. Notably, a focus on gender ratio and stakeholder engagement ensures an inclusive and diverse workforce, enhancing the Fund's social impact.

ii. **Continuous Improvement in Hiring Practices:** The Hustler Fund is committed to the evolution of its hiring practices in line with industry best practices. This commitment ensures that the organization consistently attracts and retains top talent.

iii. **Empowering Skill Development and Career Growth:** The Fund actively invests in its workforce by fostering skill enhancement and career development opportunities. This empowerment enhances both employee satisfaction and organizational growth.

iv. **Recognition and Rewards:** The Hustler Fund's ethos of recognition is realized through robust appraisal and reward systems. Employee contributions are acknowledged, motivating exceptional performance and fostering a culture of excellence.

v. **Safety and Compliance:** The organization upholds the highest standards of safety and compliance with the Occupational Safety and Health Act of 2007 (OSHA). This commitment to employee well-being underscores the Fund's dedication to holistic care.

iv) Market Place Practices

The Hustler Fund's ethical foundation extends to its marketplace practices.

i. **Ethical Competition Measures:** The organization is steadfast in ensuring competition practices adhere to the highest ethical standards. This includes robust anti-corruption measures, responsible political engagement, championing fair competition, and respecting competitors.

ii. **Ethical Supplier Relations:** The Hustler Fund nurtures relationships with suppliers based on ethics and integrity. Adherence to contracts and equitable payment practices not only sustains partnerships but also reflects the Fund's commitment to ethical business conduct.

iii. **Ethical Marketing Commitment:** Transparency and honesty underscore the Fund's marketing endeavours. A steadfast commitment to ethical marketing practices ensures that information is presented accurately, promoting trust with stakeholders.

iv. **Consumer-Centric Product Stewardship:** Safeguarding consumer rights is paramount. The Hustler Fund takes active measures through product stewardship, ensuring adherence to stringent ethical standards that prioritize consumer well-being and satisfaction.

v) Corporate Social Responsibility / Community Engagements

The Hustler Fund's engagement with the community is a cornerstone of its identity. This section highlights:

i. **Focused CSR Initiatives:** The Fund's commitment to societal betterment is channeled through initiatives emphasizing financial literacy, entrepreneurship, and community development. These initiatives align with the fund's goal of fostering lasting positive impact.

ii. **Tangible Societal Impact:** Through these initiatives, the Hustler Fund has measurably empowered communities. Evident outcomes include enhanced community empowerment and elevated financial literacy levels, which testify to the tangible improvements realized.

iii. **Concrete Community Engagement:** The Hustler Fund's engagement extends beyond intention, manifested through actionable steps. This includes charitable contributions, Corporate Social Investment, and diverse community-centric initiatives that embody the Fund's commitment to creating lasting change.

11. Report of the Directors

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

i) Principal activities

The principal activities of FIF are the provision of financial inclusive products and services to people at the bottom of the economic pyramid.

ii) Results

The results of FIF for the year ended June 30, 2024, are set out on page 24

iii) Directors

The members of the Board of Directors who served during the year are shown on page 11.

All the directors were was appointed During the year with the appointment dates as shown below:

S/No	Name	Date of taking office
1.	Irene Muthoni Karemi	20th January 2023
2.	Edna Atisa	8th November 2023
3.	Paul Musyimi	20th January 2023
4.	Susan Mang'eni	20th January 2023
5.	Symon Mburia	10th May 2023
6.	Jennifer Mwangangi	15th September 2023
7.	Elizabeth Nkukuu	1st March 2023

iv) Surplus remission

The Financial Inclusion Fund did not make any surplus during the year (FY 2023 Kshs Nil) and hence no remittance to the Consolidated Fund

v) Auditors

The Auditor-General is responsible for the statutory audit of the Financial Inclusion Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 Fund for the year/period ended June 30, 2023, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

....

Name Elizabeth Nkukuu
Corporation Secretary/Secretary to the Board

12. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and require the Directors to prepare financial statements in respect of that Financial Inclusion Fund (Fund), which give a true and fair view of the state of affairs of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Directors are also required to ensure that the Fund keeps proper accounting records that disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

The Directors are responsible for the preparation and presentation of the Funds 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 (period) ended on June 30, 2024. 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 Directors accept responsibility for the Financial Inclusion 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 under the provisions of the section 24(4) of the Public Finance Management Act, 2012. The Directors are 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, 2024, and of the Entity's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Fund's, 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 Directors 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 Financial Inclusion Fund financial statements were approved by the Board on ________________ 2024 and signed on its behalf by:

....	....
Name	**Name** Elizabeth Mkukuy
For **Chairperson of the Board/Council**	**Accounting Officer**

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

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON FINANCIAL INCLUSION FUND (HUSTLERS' FUND) FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

A. Report on 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 the 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 the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Disclaimer of Opinion is issued when the Auditor-General is unable to obtain sufficient appropriate audit evidence to form an opinion on the financial statements. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Financial Inclusion Fund (Hustlers' Fund) set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of 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.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.3,346,510,887 as disclosed in Note 10 to the financial statements. However, certificates of bank balances for Mpesa float balance at Safaricom and Principal float balance at other Telcos of Kshs.38,094,937 and Kshs.6,123,170 respectively both totalling Kshs.44,218,107 were not provided for audit. Further, included in reconciliations is a cheque balance of Kshs.142,400 relating to PAYE payment which had become stale but had not been reversed in the cash book.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.3,346,510,887 could not be confirmed.

2. Unsupported Receivables

The statement of financial position reflects receivables balance of Kshs.13,571,908,132 as disclosed in Note 11 to the financial statements which includes a balance of Kshs.1,199,641,809 reflected as interest receivable on loans. Management had computed the amount using the interest paid instead of interest accrued from the disbursed Safaricom Group loans. Further, the receivables balance includes various loans advanced by the Fund to Safaricom, Airtel and Telkom as detailed below;

Service Provider	Amount (Kshs)
Telkom	2,520,146
Airtel	5,280,469
Safaricom	12,174,624
Suspense Telkom/Kcb	574,141
Airtel suspense	301,240
Airtel deposit error on repayment	(984,705)

However, at the close of the financial year, the service providers had not accounted for the funds. Further, the schedule includes balances of Kshs.574,141, Kshs.301,240 and Kshs.984,705 for suspense Telkom/KCB, Airtel suspense and Airtel deposit error on repayment respectively, which were not supported. In addition, provision of the accrued interest from the disbursed loan has not been provided.

In the circumstances, the accuracy and completeness of accounts receivables balance of Kshs.13,571,908,132 could not be confirmed

3. Understatement of Interest Income

The statement of financial performance reflects interest income balance of Kshs.955,854,402 and as disclosed in Note 6(a) to the financial statements. The available documents indicated that the Fund receive was to an amount of Kshs.110,901,076 as share of interest paid by borrowers while the service providers receive the same as provided in the contract all amounting Kshs.221,802,151. However, documents provided indicated that the total amount received by the service providers was Kshs.253,889,996, therefore the Fund was to receive a total of Kshs.126,944,998 as total interest income from service providers resulting to a variance of Kshs.16,043,922. It is not clear why service providers did not disburse the funds collected as stated in the contracts.

In the circumstances, the accuracy and completeness of interest income of Kshs.955,854,402 could not be confirmed.

4. Long Outstanding Payables

The statement of financial position reflects trade and other payables totaling Kshs.599,820,906 as further disclosed in Note 14 to the financial statements. Further, review of records/documents provided revealed that interest payable by the partners totaling Kshs.121,893,705 has remained outstanding for a period of more than one year without settlement.

In the circumstances, the ability of the Fund to settle the payables as they fall due could not be confirmed.

5.High Non-Performing Loans

The statement of financial position reflects receivables balance of Kshs.13,571,908,132 as disclosed in Note 11 to the financial statements. Included in the amount is Kshs.1,199,641,809 and Kshs.12,333,495,176 as interest receivable and the principal loan from the borrowers respectively. Further, records provided indicated that approximately Kshs.8,737,216,077 or 64% of the Fund's total loans receivables as at 30 June, 2024 were outstanding for more than one (1) year hence casting doubt if the Fund will recover the loans issued to borrowers.

In the circumstances, the recoverability of the non-performing loans of Kshs.8,737,216,077 could not be confirmed.

6. Irregular Closure of Loan Accounts

Review of loans accounts revealed that 1,041 Safaricom loan accounts, whose principal amount had not been fully repaid were closed. The loans disbursed amounted to Kshs.1,465,515 but were closed after repayment of Kshs.646,870 leaving a balance of Kshs.818,645, which ought to have been collected before closing the accounts. Further, there were 30 loan accounts with a total of Kshs.598,987 that were closed without repayment of the loan balance.

In the circumstances, the regularity of the closure of accounts and recoverability of balances in those accounts could not be confirmed.

7. Duplicated Outstanding Loans

Review of records on the outstanding loans revealed there were 880,013 duplicate outstanding Safaricom loans amounting to Kshs.1,606,311,681.

Further, there were 235,628 loans disbursed amounting to Kshs.210,447,077 which had not been repaid and were not included in the outstanding loans balance as at 30 June 2024.

In the circumstances, the accuracy and completeness of loan accounts balance could not be confirmed

8. Over Reliance on the Service Providers

The Fund does not have control of the loans management including disbursements, repayments, withdrawal of savings and maintenance of records of the outstanding loans. Instead, the Fund relies heavily on the systems and data processed by the service providers. This exposes the Fund to operational, financial and data integrity issues.

In the circumstances, the accuracy of loan management could not be confirmed

9. Unreceived Revenue from Service Providers

The statement of financial performance reflects interest income amount of Kshs.955,854,402 as disclosed in Note 6(a) to the financial statements. Review of documents provided for audit revealed that, during the year under review, the Fund received an amount of Kshs.110,901,076 as share of interest paid by borrowers implying that service providers had the same share from the interest paid However, documents provided for audit indicated that the total amount received by the service providers was Kshs.253,889,996, indicating that the Fund was to receive a total of Kshs 126,944,998 as total revenue paid from service providers as provided in the contract agreement resulting to a variance of Kshs.16,043,922 It is not clear why service providers did not disburse the funds collected in the equal ratio as stated in the contracts

In the circumstances, the accuracy and completeness of unreceived revenue could not be confirmed.

10. Underage Customers

Review of the customers and opted in data sets provided revealed customers who were below the required mandatory age of eighteen (18) years and others whose birthdates was in the future after 30 June 2024 as summarized below:

i. Customers whose Birthdates are between 1 July 2024 and 31 December 2073

Telco	Total Customers	Customers Paid	Amount (Kshs)
Safaricom	243,208	32,483	24,588,216
Airtel	10,110	10,099	6,260,874
Telkom	399	399	286,600
Total	**253,717**	**42,981**	**31,135,690**

ii. Underage Customers between 10 days and 17 years

Telco	Total Customers	Customers Paid	Amount (Kshs)
Safaricom	1,358	1,186	681,395
Airtel	18	-	-
Telkom	1	-	-
Total	**1,377**	**1,186**	**681,395**

The records are therefore unreliable and the resultant data in the systems may not have adequate controls

In the circumstances, loan agreements with underage individuals are potentially unenforceable and increases the likelihood of default.

11. Budget Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.120,000,000 and Kshs.110,901,074 resulting in an under-realization of Kshs.9,098,926 or 8 % of the budget. However, the Fund spent an amount of Kshs.75,229,550 against actual receipts of Kshs.110,901,074 resulting in under-utilization of Kshs.35,671,524 or 32% of actual revenue.

In the circumstances, the under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

12. Lack of Procurement Documents for Service Providers

The statement of financial performance reflects interest income amount of Kshs.955,854,402 as disclosed in Note 6(a) to the financial statements. Review of documents provided for audit revealed that the Fund involved service providers; Kenya

Commercial Bank, Family Bank, Safaricom, Airtel and Telkom as partners in the management and disbursement of loans issued to its clients. However, the Management and those charged with governance of Financial Inclusion Fund did not provide procurement documentation for acquisition of service providers.

In the circumstances, it was not possible to establish how the services providers were identified and contracted and whether the relevant provisions of law were followed.

13. Staff Establishment

The Fund's Human Resource Instruments indicate that the Public Service Commission approved the staff establishment for the Fund with a total of 119 staff. However, the Fund had not recruited staff to fill in positions as per the approved staff establishment but relied on members of staff deployed from the State Department for Micro, Small and Medium Enterprises Development. The total number of staff seconded from State Department for Micro, Small and Medium Enterprises Development were 16 staff only, resulting to a shortfall of 103 members of staff. The Fund is operating with a very limited number of staff therefore, adversely affecting its service delivery.

In the circumstance, the operations of the Fund could not confirmed as functioning optimally.

14. Acting Chief Executive Officer for a Period more than Six Months

The Fund was established under the Public Finance Management Regulations, 2022 Executive Order No. 1 of 2023. The Fund's Chief Executive Officer has been on an acting capacity from inception of the Fund for a period of two (2) years one (1) month exceeding the stipulated 6 months period. It was not clear why the Board of Directors had not yet done competitive recruitment on the position of the Chief Executive Officer of the Fund.

15. Failure to Establish Internal Audit Unit and Audit Committee

During the year under review, the Fund did not establish an Audit Committee. This was contrary to Section 73(1) of the Public Finance Management Act, 2012 which states that every National Government entity shall ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board. Further, the Fund did not have an established Audit Committee during the year under review. This was contrary to Regulation 174 (1) of the Public Finance Management (National Government) Regulations 2015 which provides for the establishment of an Audit Committee. As such the Fund did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

In the circumstances, the effectiveness of internal controls and risk management could not be confirmed.

16. Lack of Proper Loan Management System/ERP System

The statement of financial position reflects revolving fund balance of Kshs.12,398,822,364 as further reflected in the statement of changes in net assets. Review of documents provided for audit revealed that the Fund had received an amount of Kshs.12.8 billion from the Exchequer since it was established out of which an amount of Kshs.12.4 billion was for onward lending to the target clients while Kshs.401 million was used to match the long-term savings of the clients who had borrowed more than five times. However, it was noted that despite the Funds' mandate to manage and oversee the lending and savings activities, it had not invested in a proper loan management system. The Fund is fully dependent on the service providers loan management systems resulting to various challenges that may have been avoid if the Fund had its own loan management systems.

Further, Management does not have credit policy and collection strategy for non-performing loans. Therefore, the recoverability of the defaulted loans is doubtful since no recovery strategy for the defaulted loans. Credit Policy protects the Fund from late payments and helps it maintain a healthy working capital position.

In the circumstances, it is not possible to determine Management ability to provide real time on loan management status.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

14. Statement of Financial Performance for the year ended 30 June 2024

	Note	2023-24 Ksh	2022-23 Ksh
Revenue from exchange transactions			
Interest Income from Loans	6 (a)	955,854,402	465,589,559
Other Income	7		805,475
Total Revenue		**955,854,402**	**466,395,034**
Expenses			
Use of Goods and services	8(a)	521,066,453	232,795,259
Board expenses	9	6,122,804	
Total Expenses		**527,189,257**	**232,795,259**
Surplus		**428,665,145**	**233,599,774**

The notes set out on pages 22 to 26 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

....	....	....
Name: Elizabeth Mikuku	**Name:** SOLOMON KIRATU	**Name:**
Accounting Officer	**Head of Finance**	**Chairman of the Board**
	ICPAK M/No: 12540	
Date: 26/11/2024	**Date:** 26/11/2024	**Date:** 15/11/2024

15 Statement of Financial Position as at 30 June 2024

	Note	2023-24 Ksh	2022-23 Ksh
Current Assets			
Cash and cash equivalent	10	3,346,510,887	3,006,579,704
Receivables	11	13,571,908,132	10,950,075,612
Total Current Assets		**16,918,419,018**	**13,956,655,317**
Non-Current Assets			
Property Plant and Equipment	12	14,027,892	
Total Non-Current Assets		**14,027,892**	-
Total Assets		**16,932,446,910**	**13,956,655,317**
Current Liabilities			
Customer Savings	13	3,273,147,062	1,500,260,763
Trade and other payables	14	599,820,906	232,794,780
Total current liabilities		**3,872,967,968**	**1,733,055,543**
Net Assets		**13,059,478,942**	**12,223,599,774**
Revolving fund		12,398,019,499	12,106,397,390
Surplus		661,459,443	117,202,385
Total Net Assets and liabilities		**16,932,446,910**	**13,956,655,317**

The financial statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

....

Name
Chairman of the Board
Date 15/11/2024

Name Elizabeth Nkukuu
Accounting Officer
Date 26/11/2024

Name SOLOMON KIRATU
Head of Finance
ICPAK Member Number: 12541
Date 26/11/2024

15. Statement of Changes in Net Assets for the year ended 30 June 2024

Details	Revolving Fund	Surplus	Total
As at 1st July 2022			
Additions	11,990,000,000	233,599,775	**12,223,599,775**
Transfer to revolving Fund	116,397,390	- 116,397,390	-
As at 30th June 2023	**12,106,397,390**	**117,202,385**	**12,223,599,775**
As at 1st July 2023	**12,106,397,390**	**117,202,385**	**12,223,599,775**
Additions	810,000,000		810,000,000
Government Savings marching	(401,980,501)		(401,980,501)
Transfer to the revolving fund	(115,594,525)	115,594,525	-
Surplus for the year		428,665,145	426,578,985
Reversal of interest income		(805,476)	(805,476)
As at 30th June 2024	**12,398,822,364**	**660,656,579**	**13,057,392,782**

17. Statement of Cash Flows for the year ended 30 June 2024

	Note	2023-24 Ksh	2022-23 Ksh
Receipts			
Interest received			
Safaricom interest income	6(b)	138,084,402	
Other telco's interest income	6(b)	915,061	82,802,688
Total Receipts		**138,999,462**	**82,802,688**
Payments			
Use of Goods and services	8 (b)	154,040,328	480
Board expenses	9	6,122,804	0
Total Payments		**160,163,132**	**480.00**
Net Cash flows from operations		**(21,163,670)**	**82,802,209**
Cash flows from investing			
Purchase of PPE	12	(14,027,892)	
Loan disbursement	15	(22,255,837,948)	(32,133,879,719)
Loan repayment	16	20,468,960,123	21,567,396,452
Total Cash flows from investing activities		**(1,800,905,717)**	**(10,566,483,267)**
Cash flows from financing Activities			
Client savings	13	1,352,000,569	1,500,260,763
Revolving fund	17	810,000,000	11,990,000,000
Total Cash flows from financing activities		**2,162,000,569**	**13,490,260,763**
Net increase/(decrease) in cash & Cash equivalents		**339,931,182**	**3,006,579,704**
Cash and cash equivalent at the beginning		3,006,579,704	-
Cash and cash equivalent at the end		**3,346,510,887**	**3,006,579,704**

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 20xx

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c* 100
Revenue						
Finance Income	120,000,000	-	120,000,000	110,901,074	9,098,926	92.4%
Agency Income						
Other Income						
Total Income	**120,000,000**	-	**120,000,000**	**110,901,074**	**9,098,926**	**92.4%**
Expenses						
Use of Goods and Services	69,000,000	-	69,000,000	43,137,122	25,862,878	62.5%
Employee costs	14,000,000	-	14,000,000	-	14,000,000	0%
Remuneration of Directors	11,000,000	-	11,000,000	8,208,964	2,791,036	74.6%
Total Expenditure	**120,000,000**	-	**120,000,000**	**63,287,818**	**56,712,182**	**52.7%**
Surplus for the period	-	-	-	-	-	-
Capital Expenditure	**26,000,000**	-	**26,000,000**	**11,941,732**	**14,058,268**	**45.9%**

19. Notes to the Financial Statements

1. General Information

The Financial Inclusion Fund (FIF) was established 2022 under the provisions of the section 24(4) of the Public Finance Management Act, 2012. FIF is headquartered in Nairobi, Kenya.

FIF represents a significant initiative aimed at providing crucial financial services to individuals at the bottom of the economic pyramid. Its inception in November 2023, following a collaborative effort between private sector experts and public officials, marks a milestone in the realm of Public-Private Partnerships. The Fund's core mission is to comprehensively empower its target audience by focusing on pillars such as affordable credit, competitive savings products, financial literacy, universal health care, and goal-based investments.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of FIF. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** 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 FIF future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an FIF risk management strategy and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting FIF provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by FIF. (b) The key features of the operation of those social benefit schemes; and

Standard	Effective date and impact:
	(c) The impact of such social benefits provided on FIF financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** 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 guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	***Applicable 1st January 2023*** • *IPSAS 22 Disclosure of Financial Information about the General Government Sector*. Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits.* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement.** Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

Notes to the Financial Statements (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43	***Applicable 1st January 2025*** 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 FIF. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii. Early adoption of standards

FIF did not early – adopt any new or amended standards in the financial year.

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

FIF does not recognize revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to FIF and the fair value of the asset can be measured reliably.

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 FIF and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

FIF does not recognize revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to FIF.

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.

b) Budget information

The original budget for the Current FY was assented to by the president on 26th June 2023. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No additional appropriations were added to the original budget by FIF in order to conclude the final budget.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

FIF budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section *xxx* of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where FIF does not operate and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable FIF and the same taxation authority.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) 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, FIF 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

e) 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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

f) Research and development costs

FIF expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when FIF can demonstrate:

i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
ii) Its intention to complete and its ability to use or sell the asset.
iii) How the asset will generate future economic benefits or service potential
iv) The availability of resources to complete the asset.
v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

g) 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. FIF 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 FIF and a financial liability or equity instrument of another FIF. At initial recognition, FIF 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.

a) Financial assets

Classification of financial assets

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

Based on the business model and the cash flow characteristics, FIF 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.

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.

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 FIF 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.

b) Financial liabilities

Classification

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

h) Provisions

Provisions are recognized when FIF 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 FIF 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. FIF 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 FIF will incur in fulfilling the present obligations represented by the liability.

j) Contingent liabilities

FIF 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Contingent assets

FIF 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 FIF 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.

l) Nature and purpose of reserves

FIF does not maintain any reserves in the financial statements .

m) Changes in accounting policies and estimates

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

n) Related parties

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

o) Service concession arrangements

FIF analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, FIF recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, FIF also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

p) 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.

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of FIF 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:

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 FIF 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 FIF. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

a) The condition of the asset based on the assessment of experts employed by FIF.
b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
c) The nature of the processes in which the asset is deployed.
d) Availability of funding to replace the asset.
e) Changes in the market in relation to the asset

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 40. 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).

Notes to the Financial Statements (Continued)

6. Interest Income

Description	2023-2024 Kshs.	2022-2023 Kshs.
Safaricom	906,426,271	437,277,052
Other Telcos	49,428,131	28,412,506
Other Interest income		805,475
Total Interest Income	**955,854,402**	**466,395,034**

6 (a) Cashflow Income

Description	2023-2024 Kshs.	2022-2023 Kshs.
Cashflow Income		
Safaricom received interest income	138,084,402	
Other telcos received interest income	915,061	82,802,689
Total Interest Received	**138,999,462**	**82,802,689**

7. Other Income

Description	2023-2024 Kshs.	2022-2023 Kshs.
Income on Interest from Treasury Bills		805,475
Total Other Income		**805,475**

8. (a) Use of Goods and Services

Description	2023-2024 Kshs.	2022-2023 Kshs.
Interest Share	477,927,201	232,794,779
Bank charges	2,130	480
Fuel & Car Maintenance	444,044	
DSA Process Manuals	8,848,900	
Publicity	23,823,000	
Other Utilities	6,255,533	
Travel	3,765,645	
Total	**521,066,453**	**232,795,259**

9. Board expenses

Description	2023-2024 Kshs.	2022-2023 Kshs.
Board Allowances	6,122,804	
Total	**6,122,804**	

10. Cash and Cash equivalent

Description	2023-2024 Kshs.	2022-2023 Kshs.
Cash at KCB bankika	437,690	873,755,609
Client Cash Savings	3,078,929,008	1,448,399,476
Cash at KCB Entrepreneur Bank savings		31,803,132
Cash at Family Bank savings	175,312,824	393,594,934
Mpesa float balance at Safcom	38,094,937	96,390,511
Principal float balance at other telcos	6,123,170	79,833,353
Other Telcos float Interest Bal	-	978,343
Safaricom float interest Bal	-	81,824,346
Hustler operation Account	47,613,258	
Total Cash and Cash Equivalent	**3,346,510,887**	**3,006,579,704**

11. Receivables from Exchange Transactions

(a) Receivables from Exchange Transactions (Current)

Description	2023-2024 Kshs.	2022-2023 Kshs.
Interest receivable	1,199,641,809	382,786,870
From Savings(investments)		805,475
Duplicates disbursed Telkom	2,520,146	-
Duplicate airtel	5,280,469	

Suspense Telkom/kcb	574,141	
Airtel suspense	301,240	
Airtel deposit error on repayment	(984,705)	
Client Savings Interest receivable from Family bank	18,905,230	
From Loan borrowers	12,333,495,176	10,566,483,267
Total Receivables	**13,571,908,132**	**10,950,075,612**

(b) Ageing analysis for Receivables from exchange transactions

Description	2023-2024 Kshs	
	Current FY	**% of the total**
Less than 1 year	4,834,692,055	36%
Less than 2 years	8,737,216,077	64%
Total (a+b)	**13,571,908,132**	**100%**

12. Property, Plant and Equipment

Cost	Motor vehicles Kshs	Office Equipment Kshs	Total Kshs
As At 1 July 2023	**0**	**0**	**0**
Additions	9,085,000	4,942,892	**14,027,892**
NBV as of 30th June 2024	**9,085,000**	**4,942,892**	**14,027,892**

The FIF Policy states that noncurrent assets are not depreciated in the year of acquisition. Instead, depreciation begins in the subsequent year.

13. Customer Deposits

Customer Deposits Description	2022-2023 Kshs.	2022-2023 Kshs.
Opening Customer Savings	1,500,260,763	1,500,260,763
Customer Contributions	1,046,987,309	
Interest on Savings	323,918,490	
Amount paid as Savings marching by FIF(Revolving fund)	401,980,501	
Total	**3,273,147,062**	**1,500,260,763**

14. Trade and Other Payables

Description	2023-2024 Kshs.	2022-2023 Kshs.
Interest payable to partners	599,820,906	232,794,780
Total trade and other payables	**599,820,906**	**232,794,780**

(b) Ageing analysis for Receivables from exchange transactions

Description	2023-2024 Kshs	
	2023-2024	**% of the total**
Less than 1 year	477,927,201	80%
Less than 2 years	121,893,705	20%
Total (a+b)	**599,820,906**	**100%**

15. Loan Disbursement

Description	2023-2024 Kshs.	2022-2023 Kshs.
Telcos disbursement	22,255,837,948	32,133,879,719
Other disbursements	-	
Total Disbursement	**22,255,837,948**	**32,133,879,719**

16. Loan Repayment

Description	2023-2024 Kshs.	2022-2023 Kshs.
Safaricom	20,426,198,285	21,422,407,599
Other Telcos	42,761,838	144,988,853
Total Loan Repayment	**20,468,960,123**	**21,567,396,452**

17. Revolving Fund

Description	2023-2024 Kshs.	2022-2023 Kshs.
Transfer from State Department for Cooperatives	12,800,000,000	11,990,000,000
Total	**12,800,000,000**	**11,990,000,000**

Financial Risk Management

FIF activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. FIF 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. FIF does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. FIF financial risk management objectives and policies are detailed below:

i) Credit risk

FIF 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 FIF management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing FIF 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
As at 30th June (Current FY)				
Receivables from exchange transactions	13,571,908,132	13,571,908,132		

Receivables from non-exchange transactions	0	0		
Bank balances	3,346,510,887	3,346,510,887		
Total	**16,918,419,019**	**16,918,419,019**		
As at 30 June (Previous FY)				
Receivables from exchange transactions	10,950,075,612	10,950,075,612		
Receivables from non-exchange transactions	0	-		
Bank balances	3,006,579,704	3,006,579,704		
Total	**13,956,655,316**	**13,956,655,316**		

(NB: The totals column should tie to the individual elements of credit risk disclosed in FIF statement of financial position).

Financial Risk Management

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 FIF has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. FIF has significant concentration of credit risk on amounts due from xxx. The board of directors sets FIF credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with FIF directors, who have built an appropriate liquidity risk management framework for the management of FIF short, medium and long-term funding and liquidity management requirements. FIF manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by FIF 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**
As at 30th June (Current FY)				
Trade payables			599,820,906	599,820,906
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
Total			**599,820,906**	**599,820,906**
As at 30th June (Previous FY)				
Trade payables			232,794,780	232,794,780
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total			**232,794,780**	**232,794,780**

Financial Risk Management

iii) Market risk

FIF has put in place an internal audit function to assist it in assessing the risk faced by FIF 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 FIF 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. FIF 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 FIF exposure to market risks or the way it manages and measures the risk.

1. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to FIF 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.

Government of Kenya

The Government of Kenya is the principal shareholder of FIF, holding 100% of FIF equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of FIF, both domestic and external.

Other related parties include:

i) The Parent Ministry.

ii) County Governments

iii) Other SCs and SAGAs

iv) Key management.

v) Board of directors.

Notes to the Financial Statements (Continued)

2. Events after the Reporting Period

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

3. Ultimate and Holding FIF

FIF is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of cooperatives and Micro, Small and Medium Enterprises Development. Its ultimate parent is the Government of Kenya.

4. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

20. Appendices

Appendix 1: Implementation Status of Auditor-General'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: *(Put a date when you expect the issue to be resolved)*
4.1.1	Failure to Provide source Documents	-The daily data summaries were provided from MNOs -Given the	Not Resolved	1st November 2024
4.1.2	Presentation of Financial Statements	The Fund corrected and updated the financial statements to be in line with applicable accounting standards and as per audit recommendations showing the Funds received and also adhering to the 30th June 2023 cutoff date.	Not Resolved	1st November 2024
4.1.3	Inaccuracies of the financial statements	The numbers were corrected in the last financial statement that was filed with the OAGs office.	Not Resolved	1st November 2024
4.1.4	Unsupported balances	Bank Statements confirming the existence of the Customer Savings,Statements showing Interest on loan were availed for review .	Not resolved	1st November 2024
4.1.4	Unsupported Statements of	The transfers to the revolving fund and the secretariat were	Not resolved	1st November 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	Changes in Net Assets Balances	done as per regulation ,the same was not reflected in the FiF Trial balance since it was simply a re-organization of the composition of the FiF Net assets but did not alter the overall Net assets position of the FiF.		
4.2	Unconfirmed Cash and Cash Equivalents	The Fund provided all the account statements including the balance certificates, to assist in the confirmation of the cash at bank and pay bill balances from the banks.	Not resolved	1st November 2024
4.4	Irregularities in Loan Disbursements	An explanation of the loan management system was given i.e. The Loan management system is configured such that for the first 14-days the loan is charged at 8% per annum and when there is default the rate increases to 9.5% with effect from the 15th day.	Not resolved	1st November 2024
	Irregular Procurement of Service Providers	All the Mobile Network Operators in the country were on boarded to partner with the Fund in the	Not resolved	1st November 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		provision of the Fund products and services.Service level agreements were provided for review.		
4.6	Lack of staff establishment and Staffing Structure	Public Service Commission and Salary & Remuneration Commission have approved the Fund's staff establishment and job grading structure vide their letters dated December, 2023 and May, 2024.	Resolved	
4.7	Lack of ICT and Risk Management Policies	The delay in formulation and documentation of ICT policy and risk management policy was occasioned by lack of staff in the Secretariat. The Risk management policy has since been developed while the ICT Policy is almost being completed with the key outstanding part being the procurement of the ERP system and how the same shall be utilized.	Not resolved	1st November 2024

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Entity responsible for the implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to the National Treasury.

Appendix II: Projects implemented by*(Financial inclusion fund*

There is no project implemented by FIF during the year.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)

Appendix III: Transfers from Other Government Entities

		Where Recorded/recognized	
Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Capital Fund	Total Transfers during the Year
MSME	07/07/2023	10,000,000	10,000,000
MSME	26/01/2024	800,000,000	800,000,000
Total		**810,000,000**	**810,000,000**

Appendix IV- Inter-Entity Confirmation Letter

Name of Transferring entity: State Department for Micro, Small and Medium Enterprises (MSMEs) Development

Name of Beneficiary entity: Financial Inclusion Fund

Confirmation of amounts received by financial inclusion fund as at 30th June 2024					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	07/07/2023	10,000,000	nil	10,000,000	funded
FT24026X4LNX	26/01/2024	nil	800,000,000	800,000,000	funded
Total		10,000,000	800,000,000	810,000,000	funded

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

Head of Accounts Department - Disbursing Entity:

Name .... Amount 800,000,000 Sign ....Date ....

Name .... Amount 10,000,000 Sign ....Date ....

Head of Accounts Department - Beneficiary Entity:

Name SOLOMON KIRATH......... **Sign** .... **Date**.. 26/11/2024

Appendix V: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix VI: Reporting on Disaster Management Expenditure

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

Hustler Fund

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2024 ANNUAL REPORT

The Financial Inclusion Fund

KIBT Building Ojijo Road Nairobi, KENYA