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# REPORT

OF

## THE AUDITOR-GENERAL

ON

PAPERS LAID	
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TABLED BY	SML
COMMITTEE	-
CLERK AT THE TABLE	GETRUDE

## KIAMBU COUNTY JIJENGE FUND

FOR THE YEAR ENDED  
30 JUNE, 2020



20 JAN 2021



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**COUNTY GOVERNMENT OF KIAMBU**  
*(KIAMBU COUNTY JIJENGE FUND)*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2020**

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

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**KIAMBU COUNTY JIJENGE FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2020**

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# KIAMBU COUNTY JIJENGE FUND

## Reports and Financial Statements

For the year ended June 30, 2020

### 1. KEY ENTITY INFORMATION AND MANAGEMENT

#### a) Background information

KiambuJijengeFundisestablishedbyandderivesitsauthorityandaccountabilityfrom PFM Act and Kiambu County 'The KiambuJijenge Fund Act 2018'.TheFundiswhollyownedbythe CountyGovernment ofKiambu and is domiciled in Kenya.

Thefund's objectiveis to empower the youth, women and persons with disabilities from all wards to access capital for enterprise start-ups, local purchase order/local service order, expansion of already existing businesses, asset financing and Agri-business financing.

#### b) Principal Activities

Theprincipal activity/mission/ mandate of the Fund is to

- Providing accesstocapitalandfinancingfacilitiestomicroand smallenterprisesownedby theyouth,womenandpersons with disabilities resident in the County.
- attracting and facilitating investment in micro and small enterprises oriented commercial infrastructure;
- supportingyouth,womenandpersons withdisabilitiesoriented micro and small enterprises to develop linkages with large enterprises;
- providing technical assistance in product and market development
- facilitatingtraining,mentorshipandtheprovisionofbusiness developmentstocapitalandfinancingfacilitiestoyouth,women andpersons with disabilities entrepreneursin the County
- facilitatingtechnology acquisition,adoptionandutilizationfor beneficiaries under this Fund

#### c) Board of Trustees/Fund Administration Committee

NOT APPLICABLE

#### d) Key Management

Ref	Name	Position
1	PENINAH NJOKI KAMAU	CHIEF OFFICER YOUTH AFFAIRS & SPORTS
2	JOHN GITAU MWANGI	Ag. FUND DIRECTOR
3	DANSON MBUGUA	FUND ADMINISTRATOR
4	WILLIAM KIMANI	CHIEF OFFICER FINANCE & ECONOMIC PLANNING

#### e) Registered Offices

P.O. Box 2344-00900  
Kiambu, KENYA

**f) FundContacts**

Telephone:(254)0675858141  
Email:enterprise@yas.kiambu.go.ke  
Website:[www.kiambu.go.ke](http://www.kiambu.go.ke)

**g) FundBankers**

1. Kenya Commercial  
Bank  
Kiambu branch
2. Rafiki Microfinance  
Thika Branch, Kenya
3. Family Bank  
Thika Branch, Kenya

**f) Independent Auditors**

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





**g) Principal Legal Adviser**

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

**2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)**

NOT APPLICABLE

**3. MANAGEMENT TEAM**

Name	Details of qualifications and experience
 PENINAH NJOKI KAMAU	Chief Officer Youth Affairs, Sports and Communication. Account Signatory DOB: 1993 BCOM
 JOHN GITAU MWANGI	Ag. Fund Director DOB: 11/07/1977 MBA CPA-K
 DANSON MBUGUA GAKUBU	Fund Administrator Account Signatory DOB: 14/09/1990 BBA CPA
 WILLIAM KINYANJUI	Chief Officer Finance, Economic Planning and ICT Account Signatory DOB : 25/08/1977 MBA CPA-K
<p><i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i></p>	

**4. BOARD/FUND CHAIRPERSON'S REPORT**

The *Kiambu County Jijenge Fund* was established through the Kiambu County Jijenge Fund Act, of June 2018. The fund was officially launched by H.E. The Governor on Tuesday 9<sup>th</sup> April 2019 with members of County Assembly, stakeholders and members of the public invited to witness the occasion and there after the application forms were distributed to all the Sixty Wards.

The Fund has set aside Ksh 92 Million to be allocated equally in all the Sixty Wards translating to Ksh 1.53 Million per ward. This is the balance carried forward from the financial year 2019/2020 and also forming the balance from the previous Kiambu County Youth, Women and Persons with Disabilities Enterprise Development Fund.

The fund missed its allocation of Ksh 100 Million in the last financial year however it has an allocation of Ksh 100 Million in this FY 2020/2021 which will add the ward allocation another Ksh 1.5 Million to make it a total of Ksh 3 Million revolving in the ward.

Signed: \_\_\_\_\_ -

## **5. REPORT OF THE FUND ADMINISTRATOR**

KiambuJijenge Fund have cumulatively disbursed approximately Ksh 265M since its inception in the FY 2014/2015 with about 4,600 youths, women and persons with disabilities benefitting either individually or in groups.

Majority of this disbursement was asset financing with main the main assets and products being Bodabodas, Water tanks, dairy cows, green houses, poultry farming, pig farming etc. There was also a component of value addition funding and existing business stock boost funding.

The fund also has defaulted loans amounting to approximately 25% of the total amount of fund disbursed though most of this defaulters have been listed with the Credit Reference Bureau (CRB) and the fund is exploring all ways to recover the defaulted loans

The Fund did not disburse any loan in this financial year ending June 30th 2020 and also missed on the financial year budgetary allocation of Ksh 100M.

The FY 2020/2021 allocation is Ksh 100M which will be added to the existing balances for continuous disbursement, the Fund will still continue to empower the Youths, Women, Vulnerable persons and Persons with disabilities by promotion of self-employment, promotion of enterprise development and establishing a framework for investing in and facilitating growth of micro and small enterprises to spur economic growth in the county of Kiambu.

New products will be developed to cope with the existing needs of the targeted persons while increasing the lending base while also aiming to reduce the bad loans provisions.

Danson M Gakubu  
Fund Administrator



## **6. MANAGEMENT DISCUSSION AND ANALYSIS**

KiambuJijenge Fund have cumulatively disbursed approximately Ksh 265M since its inception in the FY 2014/2015 with about 4,600 youths, women and persons with disabilities benefitting either individually or in groups.

Majority of this disbursement was asset financing with main the main assets and products being Bodabodas, Water tanks, dairy cows, green houses, poultry farming, pig farming etc. There was also a component of value addition funding and existing business stock boost funding.

The fund also has defaulted loans amounting to approximately 25% of the total amount of fund disbursed though most of this defaulters have been listed with the Credit Reference Bureau (CRB) and the fund is exploring all ways to recover the defaulted loans

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New products will be developed to cope with the existing needs of the targeted persons while increasing the lending base while also aiming to reduce the bad loans provisions.

**7. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Kiambu County Youth, Women and People Living with Disability Enterprise Development Fund *Act* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kiambu County Youth, Women and People Living with Disability Enterprise Development Fund. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

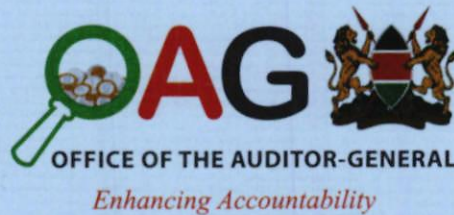
The Fund's financial statements were approved by the Board on \_\_\_\_\_ 2020 and signed on its behalf by:



\_\_\_\_\_  
Administrator of the County Public Fund

# REPUBLIC OF KENYA

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Anniversary Towers  
Monrovia Street  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KIAMBU COUNTY JIJENGE FUND FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Kiambu County Jijenge Fund set out on pages 10 to 24, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kiambu County Jijenge Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Kiambu Jijenge Fund Act, 2018 and the Public Finance Management Act, 2012.

#### Basis for Adverse Opinion

##### 1.0 Inconsistencies in the Notes to the Financial Statements

The statement of financial performance reflects other income, Kshs.1,232,591 as Note 5, fund administration expenses, Kshs.162,100 as Note 6 and general expenses, Kshs.462,579 as Note 7. However, the Notes to the financial statements reflect other income as Note 1, fund administration expenses (staff cost) as Note 3 and general expenses (loans written off) as Note 2. Also, finance cost, Kshs.74,384 is reflected as Note 8 in the statement of financial performance but the figure is disclosed as staff cost at Note 2 to the financial statements. In addition, the statement of financial performance reflects an amount of Kshs.162,100 in respect of fund administration expenses, which is at variance with a figure of Kshs.536,963.88 disclosed in Note 2 to the financial statements.

In addition, cash and cash equivalents balance of Kshs.92,400,445 is reflected as Note 10 in the statement of financial position but the item is disclosed at Note 5 in the Notes to the financial statements.

No explanation has been provided for these anomalies.

In the circumstances, the accuracy of the notes to the financial statements for the year ended 30 June, 2020 could not be confirmed.

## **2.0 Statement of Cash Flows**

The statement of cash flows reflects closing cash and cash equivalents balance of Kshs.169,563,599 as at 30 June, 2019. However, it is not clear why a similar figure has not been carried forward to 2019/2020 financial year as opening balance as at 01 July, 2019, but instead an amount of Kshs.92,400,445 has been shown in the statement. The resultant difference of Kshs.77,163,154 has not been explained or reconciled. Further, the statement of cash flows did not balance and the closing balance as at 30 June, 2020 appear to be an arbitrary balance not supported by opening balance adjusted for net increase/decrease in cash and cash equivalents.

Consequently, the accuracy and completeness of the cash flow statement for the year ended 30 June, 2020 could not be confirmed.

## **3.0 Cash and Cash Equivalents**

A review of records maintained by the Fund Administrator indicates that the Fund operates sixty-three (63) bank accounts consisting of sixty-one (61) accounts at Kenya Commercial Bank (KCB), one (1) account at Rafiki Microfinance and one (1) account at Family Bank. However, the respective cash books and bank statements for the bank accounts, were not provided for audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.92,400,446 as at 30 June, 2020 could not be confirmed.

## **4.0 Variance between the Statement of Comparison of Budget and Actual Amounts and the Statement of Financial Performance**

The statement of comparison of budget and actual amounts reflects Kshs.91,897,206 under both budget and actual receipts items and described as transfers from County Government. However, the amount has been omitted in both the statement of financial performance and statement of cash flows.

In the circumstances, the accuracy and completeness of the transfers from county government of Kshs.91,897,206 reflected in the statement of comparison of budget and actual amounts for the year ended 30 June, 2020 could not be ascertained.

## **5.0 Inaccuracies in the Statement of Changes in Net Assets**

The statement of financial position reflects comparative net assets balance of Kshs.169,563,599 as at 30 June, 2019 while the statement of changes in net assets reflects a corresponding balance of Kshs.102,784,352, resulting in unexplained and unreconciled variance of Kshs.66,779,247. Further, movement schedules and relevant documentation were not provided for audit, and the opening and closing fund balances appear arbitrary figures without any basis. In addition, the surplus for the year under review of Kshs.533,527 and comparative year surplus of Kshs.66,779,300 have been omitted in the statement of changes in net assets. The fund administrator has not provided reconciliation or explanation for these anomalies.

In the circumstances, the accuracy, validity, and completeness of balances reflected in the statement of changes in net assets as at 30 June, 2020 could not be ascertained.

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

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Sustainability of the Fund and Failure to Comply with the Fund's Regulations**

As disclosed under information on Management Discussion and Analysis at page 8 of the financial statements, the Fund has cumulatively disbursed approximately Kshs.265,000,000 since inception in 2014/2015, and beneficiaries have defaulted on loans amounting to approximately 25% of the total amounts disbursed. The high non-

performing loans casts serious doubts on sustainability of the fund, which was intended to be a revolving fund.

Further, review of the Funds operations revealed the following non-compliance with the approved Regulations of the Fund:

- i. Section 15(2) of Jijenge Fund Act, 2018, states that the officer administering the Fund shall submit quarterly reports to County Executive Member on the operations and activities of the Fund. However, these quarterly reports were not provided for audit. It was therefore not possible to confirm whether the reports were being prepared and submitted to the County Executive Member as required by law.
- ii. Paragraph 6.12. of Memorandum of Understanding (MOU) between Family Bank and the County Government states that the Bank shall provide monthly, quarterly, and annual reports to the County Government on approved form. However, no such reports were provided for audit review.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not not effective.

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gatungu, CBS  
AUDITOR-GENERAL

Nairobi

10 February, 2022

**DUNTY JIJENGE FUND**  
**Financial Statements**  
**Year ended June 30, 2020**

**FINANCIAL STATEMENTS**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED**  
**30<sup>th</sup> JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Revenue from exchange transactions			
Interest income	4	-	-
Other income	1	1,232,591.00	1,055,056.91
<b>Total revenue</b>		<b>1,232,591.00</b>	<b>1,055,056.91</b>
<b>Expenses</b>			
Fund administration expenses	2	162,100.00	15,514,496.10
General expenses	4	462,579.34	2,160,000.00
Finance costs	3	74,384.54	4,933,250.00
<b>Total expenses</b>		<b>699,063.84</b>	<b>22,607,746.10</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	9		
<b>Surplus/( deficit) for the period</b>		<b>533,527.16</b>	<b>66,779,300.66</b>




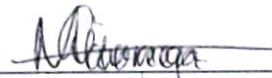
**KIAMBU COUNTY JIJENGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

**8.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	2019/2020	2018/2019
		KSh's	KSh's
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	92,400,445.68	169,563,598.79
<b>Total assets</b>		92,400,445.68	169,563,598.79
<b>Total liabilities</b>			
<b>Net assets</b>		92,400,445.68	169,563,598.79
<b>Total net assets and liabilities</b>		<b>92,400,445.68</b>	<b>169,563,598.79</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25<sup>th</sup> September 2020 and signed by:

  
 \_\_\_\_\_  
 Administrator of the Fund  
 Name: DANSON MBUGUA

  
 \_\_\_\_\_  
 Fund Accountant  
 Name: MAUREEN GITONGA

**KIAMBU COUNTY JIJENGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

**8.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

	Revolving Fund	Total
<b>Balance as at 1 July 2018</b>	102,784,352.00	102,784,352.00
Surplus/(deficit) for the period	-	-
Funds received during the year	-	-
Revaluation gain	-	-
<b>Balance as at 30 June 2019</b>	<b>102,784,352.13</b>	<b>102,784,352.13</b>
<b>Balance as at 1 July 2019</b>	<b>102,784,352.13</b>	<b>102,784,352.13</b>
Surplus/(deficit) for the period	-	-
Funds received during the year	-	-
Revaluation gain	-	-
<b>Balance as at 30 June 2020</b>	<b>92,400,445.68</b>	<b>92,400,445.68</b>

**KIAMBU COUNTY JIJENGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

**8.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Cashflows from operating activities</b>			
<b>Receipts</b>			
<b>Total Receipts</b>		<b>xxx</b>	<b>xxx</b>
<b>Payments</b>			
Fund administration expenses		162,100.00	35,408,867.69
General expenses		462,579.34	3,071,349.00
Finance cost		74,384.54	
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments		1,232,591.00	2,475,165.00
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		<b>1,232,591.00</b>	<b>2,475,165.22</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at 1 JULY	15	92,400,445.68	169,563,598.79
<b>Cash and cash equivalents at 30 JUNE</b>	<b>15</b>	<b>92,400,445.68</b>	<b>169,563,598.79</b>

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**8.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2020**

	Original budget 2020	Adjustment 2020	Final budget 2020	Actual on comparable basis 2020	Performance difference 2020	% Utilisation 2020
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Transfers from County Govt.	91,897,206.62		91,897,206.62	91,897,206.62		
Other income	1,232,591.00	-	1,232,591.00	1,232,591.00	xxx	
<b>Total income</b>	<b>93,129,797.62</b>	<b>(xxx)</b>	<b>93,129,797.62</b>	<b>93,129,797.62</b>	<b>(xxx)</b>	
<b>Expenses</b>						
Fund administration expenses	600,000.00	-	600,000.00	162,100.00	437,900.00	2.70
General expenses	6,170,000.00	(xxx)	6,170,000.00	462,579.34	5,707,420.00	7.5
Finance cost	100,000.00	(xxx)	100,000.00	74,384.54	25,615.46	7.43
<b>Total expenditure</b>	<b>6,870,000.00</b>	<b>(xxx)</b>	<b>6,870,000.00</b>	<b>699,063.88</b>	<b>6,170,936.12</b>	<b>10.18</b>
<b>Surplus for the period</b>	<b>86,259,797.62</b>	<b>xxx</b>	<b>86,259,797.62</b>	<b>92,430,733.74</b>	<b>(6,170,936.12)</b>	<b>10.7</b>

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**8.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Statement of Compliance and Basis of Preparation**

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**2. Adoption of New and Revised Standards**

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cashflows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"><li>• 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;</li><li>• Applying a single forward-looking expected credit loss</li></ul>

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Standard	Effective date and impact:
	<p>model that is applicable to all financial instruments subject to impairment testing; and</p> <ul style="list-style-type: none"> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>

**c) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.

**3. Revenue Recognition**

**i) Revenue from Non-Exchange Transactions**

**Transfers from other Government Entities**

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

**ii) Revenue from Exchange Transactions**

***Interest Income***

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

**4. Budget Information**

The original budget for FY 2019/2020was approved by the County Assembly on ... Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Ksh100,000,000on the FY 2019/2020budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were

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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 ... of these financial statements.

**5. Financial Instruments**

*Financial Assets*

*Initial Recognition and Measurement*

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

*Loans and Receivables*

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

*Held-to-Maturity*

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

*Impairment of Financial Assets*

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

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

***Financial Liabilities***

***Initial Recognition and Measurement***

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

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

***Loans and Borrowing***

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

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

**6. Provisions**

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

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

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

**7. Changes in Accounting Policies and Estimates**

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

#### **8. 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.

#### **9. Comparative Figures**

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

#### **10. Events after the Reporting Period**

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

#### **11. Ultimate and Holding Entity**

The entity is a County Public Fund established by Youth, Women and Persons with Disability Enterprise Development Act 2014 under the Ministry of Youth Affairs, Sports & Communications. Its ultimate parent is the County Government of Kiambu.

#### **12. Currency**

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

#### **13. Significant Judgments and Sources of Estimation Uncertainty**

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

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

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

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#### **Useful Lives and Residual Values**

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

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

#### **Provisions**

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

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

#### **14. Financial Risk Management**

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

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

##### **a) Credit Risk**

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

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

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

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

**b) Liquidity Risk Management**

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

**i. Interest Rate Risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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

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**8.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Other income**

Description	2019/2020	2018/2019
	KShs	KShs
Loan repayments	1,232,591.00	2,475,162.22
<b>Total other income</b>	<b>1,232,591.00</b>	<b>2,475,162.22</b>

**2. Fund administration expenses**

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)	74,384.54	32,008,213.69
Loans written off	462,579.34	00
<b>Total</b>	<b>536,963.88</b>	<b>32,008,213.69</b>

**3. Finance costs**

Description	2019/2020	2018/2019
	KShs	KShs
Staff training expenses	74,384.54	4,933,250.00
<b>Total</b>	<b>74,384.54</b>	<b>4,933,250.00</b>

**4. General expenses**

Description	2019/2020	2018/2019
	KShs	KShs
Other expenses	00	3,071,349.00
<b>Total</b>	<b>00</b>	<b>3,071,349.00</b>

**5. Cash and cash equivalents**

Description	2019/2020	2018/2019
	KShs	KShs
Current account	92,400,445.68	169,563,598.79
<b>Total cash and cash equivalents</b>	<b>92,400,445.68</b>	<b>169,563,598.79</b>

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

Financial institution	Account number	2019/2020	2018/2019
		KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank	1200767527	21,328,656.70	20,951,309.80
Family Bank	005000047657	3,355,667.78	3,355,787.28
Rafiki Microfinance	0061004000031	67,716,121.20	145,256,501.70
<b>Sub- total</b>		<b>92,400,445.68</b>	<b>169,563,598.79</b>
<b>Sub- total</b>		<b>92,400,445.68</b>	<b>169,563,598.79</b>
<b>Grand total</b>		<b>92,400,445.68</b>	<b>169,563,598.79</b>

**6. Related party balances**

**a) Nature of Related Party Relationships**

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

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

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**9. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)