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REPORT

PARLIAMENT
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OF

THE AUDITOR-GENERAL

ON

EMBU COUNTY YOUTH TRUST FUND

FOR THE YEAR ENDED
30 JUNE, 2019



EMBU COUNTY YOUTH TRUST FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Embu County Youth Trust Fund is established by and derives its authority and accountability from public finance management Act (No. 18 of 2012) on 24th April, 2015. The Fund is wholly owned by the County Government of Embu and is domiciled in Kenya.

The fund's objective is to promote culture of savings and investment amongst the youth and to promote establishment of both new and existing small youth enterprises in the County.

The Fund's principal activity is economic empowerment of the youths which enables them to access finances to promote their business and enterprises, thereby enhancing economic growth towards the realization of vision 2030,

The fund addresses sustainable development goals No.1 (End poverty in all its forms), No.5 (achieve gender equity and empower women and girls), No.8 (promote sustained, inclusive and sustainable economic growth, full and productive empowerment and decent work for all) and No.10 (reduced inequity among countries) by providing affordable credit to youth, and youthful persons with disability)

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to

- (a) Expand access to finances in promotion of youth businesses and enterprises at the ward level for economic growth towards the realization of the goals of Vision 2030.
- (b) To generate gainful self- employment for the youth.
- (c) To model an alternative framework in funding youthful community driven development.

c) Board of Trustees/Fund Administration Committee

The Human Resources departmental committee discussed the issue and made a request for recruitment of the youth trust fund council members. Therefore the recruitment process is underway.

Embu County Youth Trust Fund.
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d) Key Management (current)

	Name	Position
1	Justa Kiura	CECM – Youth Empowerment, Sports, Gender, Culture, Children & Social Services.
2	John Njagi	CECM - Finance
3	Esther K Mbogo	Director Youth Empowerment/Fund Admin
4	Samuel Wachira	Chief Officer - Youth
5	Damiano Muthee	Chief Officer - Finance

e) Registered Offices

Embu County Government
P.O. Box 36 - 60100
Embu, KENYA

f) Fund Contacts

Youth Trust Fund
Telephone: (254) 753953515
E-mail: ytfembu@gmail.com

g) Fund Bankers

1. Equity Bank – Embu branch
P.O. Box 75104
City Square 00200
Nairobi, Kenya

2. Independent Auditors

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

3. Principal Legal Adviser

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

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

Name	Details of qualifications and experience
1.	
2.	
3.	
4.	
5.	

PS

The Fund does not have a board of trustees rather it has a council which is known as the Embu County Youth Trust Fund as stated under the Public Finance Management Act No 18 of 2012 Part 2 .

3. MANAGEMENT TEAM

	Name	Details of qualifications and experience
1. 	Damiano Muthee	6/11/1974 CPA(K) MBA Work Experience 15 Years
2. 	Samuel Wachira	3/6/1984, Masters in MA – Ongoing B.Ed Arts Work Experience 5 Years
3. 	Esther K. Mbogo	16/10/1978 Masters of Science in CN - Ongoing B.Ed Home Science and Technology, Senior Management Course Diploma in Community Development(Project Planning & Management) Work Experience - 7 years Experience

The county management team comprises of the;

- CEC Member – Youth Empowerment, Sports, Gender, Culture, Children & Social Services.
- Chief officer - Finance
- Chief Officer - Youth and Sports
- Director Youth Empowerment – Fund Administrator and the Secretary to the Council

Further, there is a Ward youth fund vetting committee as provided for in the regulations sub article 19 paragraph 2 that comprise of the following;

- Four (4) representatives’ youths in business
- Ward Administrator—Secretary

The ward committee is supervised by the Sub-county youth trust fund council member representative with the help of area sub county Administrator.

4. BOARD/FUND CHAIRPERSON'S REPORT

NB:

The Council member's term has already elapsed and therefore the process of recruiting new council members is underway.

FORWARD NOTE BY THE CECM.

- The Changes in the Fund during the year (in terms of the board or key management team) are as follows

Chief Officer - Finance

Ruth Ndirangu —————> Damiano Muthee

Chief Officer – Youth Empowerment

Samuel Wachira

Fund Administrator

Esther K. Mbogo

- **Future outlook of the Fund**

The management made a resolution to devolve the fund to the ward level.

Embu County Youth Trust fund



Ward Committee

- **Any other matters deemed necessary**

There is a need to review the fund act and operation guidelines annually because it has not captured various things like recovery process and so on.

- **Conclusion**

The Youth Trust Fund being one of the flagship projects, is doing well in realizing one of its major mandates of economically empowering youths of Embu County and is enabling them to access finances to promote their business and enterprises, thereby enhancing economic growth towards the realization of vision 2030,

Signed:

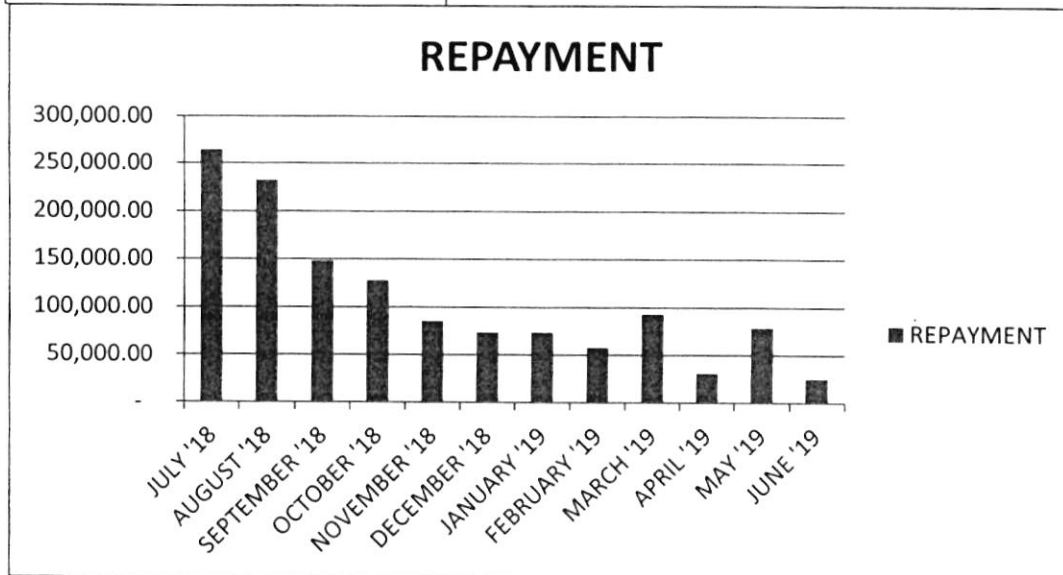
JUSTA KIURA
CECM – YOUTH EMPOWERMENT, SPORTS, GENDER, CULTURE, CHILDREN &
SOCIAL SERVICES.

Embu County Youth Trust Fund.
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5. REPORT OF THE FUND ADMINISTRATOR

- **The Review of the Fund’s performance**

<i>MONTH</i>	<i>REPAYMENT</i>
JULY '18	264,484.00
AUGUST '18	232,423.00
SEPTEMBER '18	148,205.00
OCTOBER '18	127,899.00
NOVEMBER '18	85,635.00
DECEMBER '18	73,985.00
JANUARY '19	73,926.00
FEBRUARY '19	58,195.00
MARCH '19	93,410.00
APRIL '19	31,000.00
MAY '19	78,900.00
JUNE '19	25,400.00



- **Future outlook of the Fund**

There is a need to put in place an ERP system to run the fund for easy management as the fund grows with time.

- **Any other matters deemed necessary**


Some of the major drawbacks include:

- Lack of proper induction and training for the office bearers.
- Lack of Credit officers.
- Low management fund allocation that hinders proper Administration and recovery of money disbursed.
- The Fund does not have its own means of transport for making follow-ups.

- **Conclusion**

The above mentioned challenges have slowed down the repayment and recovery measures. However, the Youth Trust Fund being one of the flagship projects requires constant funding from treasury for 10 years as per the youth trust fund act.

Signed: _____



ESTHER MBOGO
DIRECTOR YOUTH EMPOWERMENT- FUND ADMINISTRATOR

6. CORPORATE GOVERNANCE STATEMENT

The Council held no meetings during the FY 2018/2019. However the Departmental Human Resources Committee held a meeting in July 2018 to initiate the recruitment of the council members' process.

The attendance of the meetings was as below

DATE	MEMBERS PRESENT	MEMBERS ABSENT WITH APOLOGY	MEMBERS ABSENT WITHOUT APOLOGY	IN-ATTENDANCE
24/7/2018	5	1	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0

- **Remuneration of the Council**

The Council Chairman is paid an allowance of Ksh. 15,000 per sitting.

The Council Vice Chairman is paid an allowance of Ksh. 12,000 per sitting.

The Council Members are paid an allowance of Ksh. 10,000 per sitting.

The Other Ex-officio are paid 4,000 per sitting.

- **Appointment Process**

The council after expiry of their term is to be competitively sourced from the four sub-counties who shall be youths provided that at least one person shall be of the opposite gender.

- **Removal of a Council Member**

A member of the Council will cease to hold office if –

- He or she resigns upon giving one month's notice in writing to the appointing authority;
- Is removed from office by the appointing authority upon recommendation of the Council to terminate the appointment of a member of the Council on any of the following grounds–
 - (a) violation of the Constitution or any other law;
 - (b) gross misconduct, whether in the performance of the member's functions or otherwise;
 - (c) physical or mental incapacity to perform the functions of office or;
 - (d) Incompetence or neglect of duty.
- Whenever the office of a member becomes vacant before the expiry of the term the appointing authority may appoint another person to be a member. Provided that such other person shall hold office only for the unexpired term of office of the person who vacated such office.

- **Roles and Functions of the Council.**

The functions of the Council are –

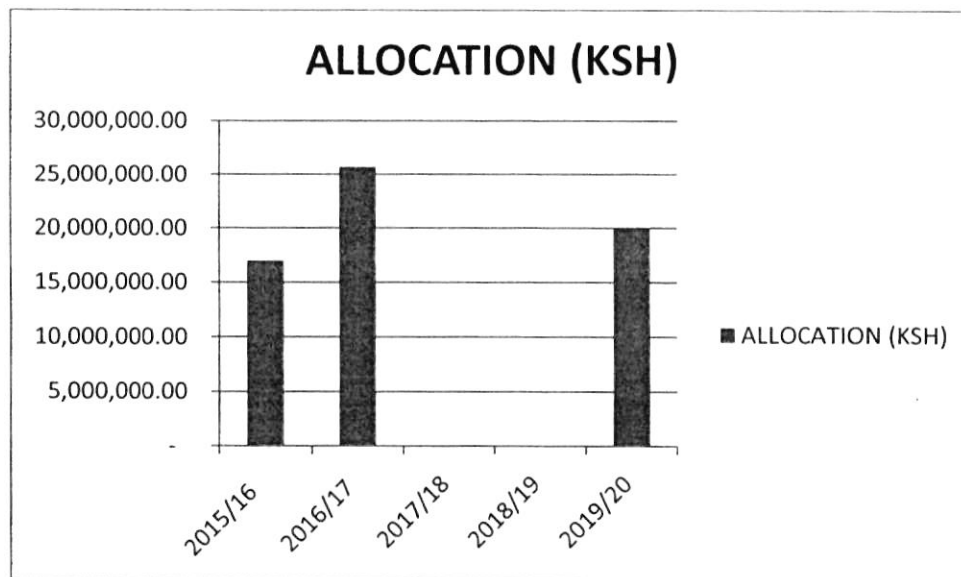
- (a) to supervise the administration of the Fund;
- (b) to consider applications for loans in accordance with the existing terms and conditions of borrowing;
- (c) to advise the Executive member on the programmes relating to youth affairs and development;
- (d) to coordinate funded youth activities;
- (e) to evaluate funded and to be funded youth programmes
- (f) assist and encourage organizations interested in youth development in the initiation of youth training and development programmes;

**Embu County Youth Trust Fund.
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7. MANAGEMENT DISCUSSION AND ANALYSIS

The Fund has been growing steadily and the performance has been good in terms of allocation however financial year 2017/18 and 2018/19 did not have any allocations as per the requirement by the Youth Trust Fund ACT. (See below chart).

YEAR	ALLOCATION (KSH)
2015/16	17,000,000.00
2016/17	25,700,000.00
2017/18	0.00
2018/19	0.00
2019/20	20,000,000.00(UN-ALLOCATED)



Some of the major drawbacks include:

- Lack of proper induction and training for the office bearers.
- Lack of Credit officers.
- Low management fund allocation that hinders proper Administration and recovery of money disbursed.
- The Fund does not have its own means of transport for making follow-ups.

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

**Embu County Youth Trust Fund.
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For the year ended June 30, 2019**

9. REPORT OF THE TRUSTEES

Despite the Youth Trust Fund Council Members not having been recruited the report was submitted together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund affairs.

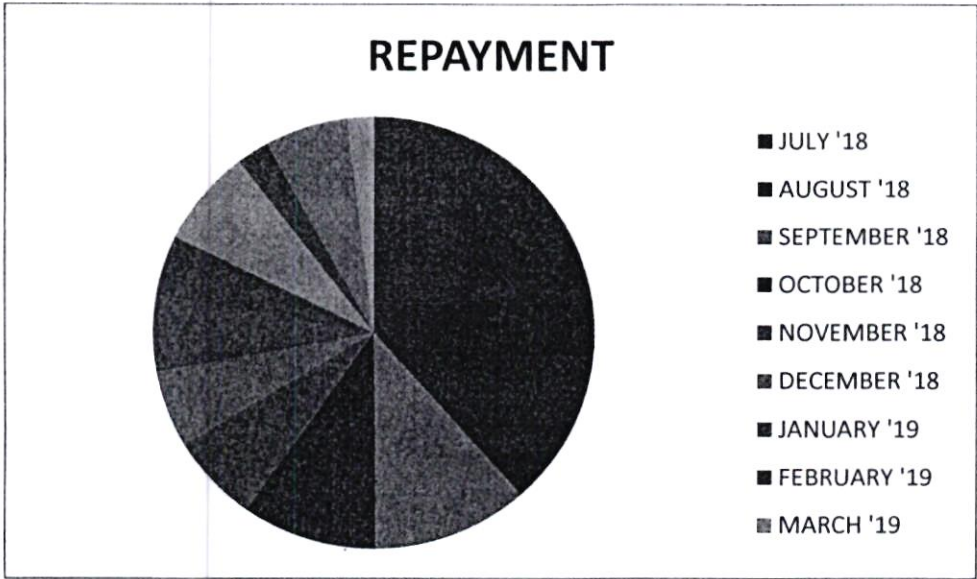
Principal activities

The principal activities of the Fund are economic empowerment of the youth which enables them to access finances to promote their business and enterprises, thereby enhancing economic growth towards the realization of vision 2030,

The fund addresses sustainable development goals No.1 (End poverty in all its forms), No.5 (achieve gender equity and empower women and girls), No.8 (promote sustained, inclusive and sustainable economic growth, full and productive empowerment and decent work for all) and No.10 (reduced inequity among countries) by providing affordable credit to youth, and youthful persons with disability)

Results

<i>MONTH</i>	<i>REPAYMENT</i>
JULY '18	264,484.00
AUGUST '18	232,423.00
SEPTEMBER '18	148,205.00
OCTOBER '18	127,899.00
NOVEMBER '18	85,635.00
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MARCH '19	93,410.00
APRIL '19	31,000.00
MAY '19	78,900.00
JUNE '19	25,400.00



Trustees

The recruitment is in progress to have a complete committee membership.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. for the year/period ended June 30, 2019 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

Member of the Board

Date: 16/10/19

10. 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 **public finance management (No 18 of 2012) (Embu county (youth trust) fund Regulations, 2015** to 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, 2019. 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.

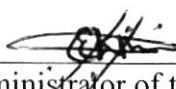
The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and **(public finance management (18 of 2012) (embu county (youth trust) fund regulations, 2015** 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, 2019, 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 management on 20th August 2019 and signed on its behalf by:

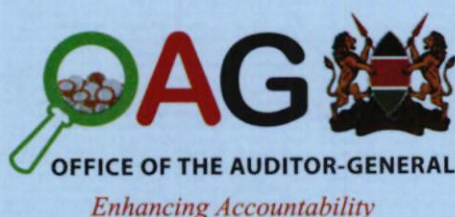
Signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON EMBU COUNTY YOUTH TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Embu County Youth Trust Fund set out on pages 19 to 51, which comprise the statement of financial position as at 30 June, 2019, 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, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Embu County Youth Trust Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the County Government Act, 2012, the Public Finance Management Act, 2012, and the Public Finance Management (Embu County Youth Trust) Fund Regulations, 2015.

Basis for Qualified Opinion

1. Presentation of Financial Statements

The Public Sector Accounting Standards Board (PSASB) guidelines require financial statements to include a progress on follow up of auditor recommendations which should reflect the status of the audit issues and management comments that were provided to the auditor. However, the status of four (4) audit issues raised in 2017/2018 is reflected as resolved but no evidence on how the issues were resolved was availed for audit review.

In the circumstances, the financial statements have not been presented in accordance with guidelines issued by the PSASB.

2. Unsecured Loan Balances

Note 12 to the financial statements reflects receivables from exchange transactions balance of Kshs.34,199,937, comprising of Kshs.12,740,233 and Kshs.21,459,704 in respect to current loan repayments due and long-term loan repayments due respectively. However, though the loans were secured by title deeds and logbooks bearing the names of the loanees or guardians, the securities were not binding since they were not charged or registered in the joint ownership of the Fund and the loanees contrary to Section 13(1) of the Public Finance Management (Embu County Youth Trust) Fund Regulations, 2015 which requires an application for a loan from the Fund to be accompanied by documents, security and collateral as the Council may determine.

Further, the Kshs.12,740,233 in respect to current portion of long-term receivables from exchange transactions was issued between July 2015 and February 2016 and therefore it has been outstanding for more than three (3) years contrary to Section 15 of Public Finance Management (Embu County Youth Trust) Fund Regulations, 2015 which states that a loan granted under these Regulations shall be fully repaid at the end of the term not exceeding 3 years.

In the circumstances, the Fund management is in breach of the law and the full recoverability of the outstanding loan balance of Kshs.34,199,937 as at 30 June, 2019 could not be ascertained.

3. Material Uncertainty on Continued Sustainability of Service

The statement of financial performance for the year ended 30 June, 2019 reflects a deficit of Kshs.91,940 for the year ended 30 June, 2019 leading to depletion of accumulated fund from negative Kshs.2,322,565 as at 1 July, 2018 to negative Kshs.2,414,505 as at 30 June, 2019. If strategies are not put in place to reverse the deficit trend, the revolving fund will be depleted with time, which will impact negatively on the objective of the Trust Fund, to boost the economic power of the youth in Embu County.

In the circumstance, the Fund may not be able to realize its objectives in future.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Controls and Performance

1.1 Revenue Analysis

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects a nil balance in respect to budgeted total revenue and actual revenue of Kshs.10,500 resulting to an excess revenue budget of Kshs.10,500.

The excess revenue of Kshs.10,500 may be an indicator of poor budget planning process. There is need therefore for the management to review its budgeting mechanism with a view to coming up with a more realistic revenue budget.

1.2 Expenditure Analysis

The statement of comparison of budget and actual amounts for the year under review reflects a nil budgeted total expenditure and actual expenditure of Kshs.102,440 resulting to an over expenditure of Kshs.102,440.

In overall, the Fund over spent by Kshs.102,440 without approval contrary to Section 43 (2) of Public Finance Management Act (County Regulations), 2015 which states that county government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund, or supplementary estimates.

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, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Embu County Youth Trust Fund Council

Section 6(1) of the Public Finance Management (Embu County Youth Trust Fund Regulations), 2015 provides that the Fund should have eight (8) Council Members. Section 6(4) states that the quorum shall be the Chairman and five (5) other members. However, the term of office of five (5) Council members expired on 31 May, 2018, leaving only two (2) members and one ex-officio member who could not make a quorum for a council meeting. The Fund therefore operated without a functional council in the financial year ended 30 June, 2019.

In the circumstances, the effectiveness of internal controls, risk management and governance could not be ascertained for the year ended 30 June, 2019.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 governance.

In preparing the financial statements, Management is responsible for assessing the Embu County Youth Trust Fund ability to continue 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 Embu County Youth Trust 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 Embu County Youth Trust Fund 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 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 Embu County Youth Trust Fund 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 going concern 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 Embu County Youth Trust Fund ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Embu County Youth Trust Fund to cease to sustain its services.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Embu County Youth Trust 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.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 October, 2021

12. FINANCIAL STATEMENTS

12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
 30th JUNE 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	0	0
Fines, penalties and other levies	3	-	-
		0	0
Revenue from exchange transactions			
Interest income	4	10,500	352,164.55
Other income	5	0	0
		0	-
Total revenue		10,500	352,164.55
Expenses			
Fund administration expenses	6	78,000	1,640,080.00
General expenses	8	0	1,000,000.00
Finance costs	9	24,440	34,650.00
Total expenses		102,440	2,674,730.00
Other gains/losses			
Gain/loss on disposal of assets	10		
Surplus/(deficit) for the period		(91,940)	(2,322,565.45)

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12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

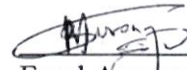
	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	6,085,558	4,753,660.00
Current portion of long term receivables from exchange transactions	12	12,740,233	35,623,776.00
Prepayments	13	-	-
Inventories	14	-	-
		18,825,791	40,377,436.00
Non-current assets			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	21,459,704	-
		21,459,704	-
Total assets		40,285,495	40,377,436.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	18	-	-
Employee benefit obligations	19	-	-
		0	-
Non-current liabilities			
Non-current employee benefit obligation	19	-	-
Long term portion of borrowings	18	-	-
		0	-
Total liabilities		0	0
Net assets		40,285,495	40,377,436.00
Revolving Fund		42,700,000	42,700,000.00
Reserves		0	0
Accumulated surplus		(2,414,505)	(2,322,565.00)
Total net assets and liabilities		40,285,495	40,377,435.00

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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 16/10 2019 and signed by:



Administrator of the Fund
Name: ESTHER K MBUGU



Fund Accountant
Name: Bonface Mbugu
ICPAK Member Number: 20312

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12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	42,700,000	0	(2,322,565)	40,377,435
Surplus/(deficit) for the period	0	0	(91,940)	(91,940)
Funds received during the year	0	0	-	0
Return	-	0	0	0
Balance as at 30 June 2019	42,700,000	0	(2,414,505)	40,285,495

(Provide details on the nature and purpose of reserves)

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12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	No.	15/2018/2019	15/2017/2018
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		0	0.00
Transfers from the County Government		0	0.00
Interest accrued		10,500	352,164.55
Receipts from other operating activities		0	0.00
Total Receipts		10,500	352,164.55
Payments			
Fund administration expenses		78,000	1,640,080.00
General expenses		0	1,000,000.00
Finance cost		24,440	34,650.00
Total Payments		102,440	2,674,730.00
Net cash flows from operating activities	25	(91,940)	(2,322,565.45)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(0)	(0.00)
Proceeds from sale of property, plant and equipment		0	0.00
Proceeds from loan principal repayments		1,644,338	1,201,066.00
Loan disbursements paid out		(220,500)	(19,840,000.00)
Net cash flows used in investing activities		1,423,838	(18,638,934.00)
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	0.00
Additional borrowings		0	0.00
Repayment of borrowings		(0)	(0.00)
Net cash flows used in financing activities		0	0.00
Net increase/(decrease) in cash and cash equivalents		1,331,898	(20,961,499.45)
Cash and cash equivalents at 1 JULY 2018	15	4,753,660	25,715,159.55
Cash and cash equivalents at 30 JUNE 2019	15	6,085,558	4,753,660.10

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

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12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	0	(0)	0	0	(0)	
Transfers from County Govt.	10,000,000	(10,000,000)	0	0	0	
Interest income	500,000	(500,000)	0	10,500	0	100%
Other income	0	-	0	0	0	
Total income	10,500,000	(10,500,000)	0	10,500	0	100%
Expenses						
Fund administration expenses	500,000	(500,000)	0	78,000	0	100%
General expenses	0	(0)	0	0	0	0
Finance cost	100,000	(100,000)	0	24,440	0	100%
Total expenditure	600,00	(600,000)	0	102,440	0	
Surplus for the period	9,900,000	0	(0)	(91,940)	0	

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14 – This was due to lack of budget.
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)- This was due to reallocation of funds
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

12.6. 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 2019

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: 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 which are covered purely under Public Sector combinations as amalgamations.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 applies this yield to the principal outstanding to determine interest income each period.

4. Budget information

The Youth Trust Fund Council is the one taxed with the budgeting and approvals.

The original budget for FY 2018/2019 was approved by the County Assembly on xxxx. 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 xxxxx on the 2018-2019 budgets following the governing body's approval.

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. 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.

7. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a entity of financial assets is impaired. A financial asset or a 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 cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

9. 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.

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

11. 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.

12. Employee benefits – Retirement benefit plans

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

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

13. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. Related parties

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

16. 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by **public finance management (No 18 of 2012) (Embu county (youth trust) fund Regulations, 2015** under the Ministry of youth empowerment, sports, Gender, Culture, Children and Social Service. Its ultimate parent is the County Government of Embu.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. 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.

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. Additional disclosure of these estimates of provisions is included in Note xxx.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. 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 company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	34,199,937	34,199,937	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	6,085,558	6,085,558	0	0
Total	40,285,495	40,285,495	0	0
At 30 June 2018				
Receivables from exchange transactions	35,623,776.00	35,623,776.00	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	4,753,660.05	4,753,660.05	0	0
Total	40,377,436.05	40,377,436.05	0	0

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The entity has significant concentration of credit risk on amounts due from xxxx

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2018				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

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

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2019			
Financial assets (investments, cash ,debtors)	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2018			
Euro	10%	0	0
USD	10%	0	0
2017			
Euro	10%	0	0
USD	10%	0	0

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2017: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2017 – KShs xxx)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2019	2018
	KShs	KShs
Revaluation reserve	0	0.00
Revolving fund	42,700,000	42,700,000.00
Accumulated surplus	(2,414,505)	(2,322,565.45)
Total funds	40,285,495	40,377,434.55
Total borrowings	0	0.00
Less: cash and bank balances	6,085,558	4,753,660.05
Net debt/(excess cash and cash equivalents)	34,199,937	35,623,774.50
Gearing	18%	13.34%

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12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Donation from development partners	0	0.00
Contributions from the public	0	0.00
Total	0	0.00

2. Transfers from County Government

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from County Govt. – operations	0	0.00
Payments by County on behalf of the entity	0	0.00
Total	0	0.00

3. Fines, penalties and other levies

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Late payment penalties	0	0.00
Fines	0	0.00
Total	0	0.00

4. Interest income

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest income from loans(mortgage or car loans)	10,500	352,164.55
Total interest income	0	352,164.55

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5. Other income

Description	FY2018/2019 KShs	FY2017/2018 KShs
Insurance recoveries	0	0.00
Income from sale of tender documents	0	0.00
Miscellaneous income	0	0.00
Total other income	0	0.00

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

6. Fund administration expenses

Description	FY2018/2019 KShs	FY2017/2018 KShs
Staff costs (Note 7)	0	240,000.00
Loan processing costs	78,000	1,400,080.00
Professional services costs	0	0.00
Total	78,000	1,640,080.00

7. Staff costs

Description	FY2018/2019 KShs	FY2017/2018 KShs
Salaries and wages	0	240,000.00
Staff gratuity	0	0.00
Staff training expenses	0	0.00
Social security contribution	0	0.00
Other staff costs	0	0.00
Total	0	240,000.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumables	0	0.00
Electricity and water expenses	0	0.00
Fuel and oil costs	0	0.00
Insurance costs	0	0.00
Postage	0	0.00
Printing and stationery	0	0.00
Rental costs	0	0.00
Security costs	0	0.00
Telecommunication	0	0.00
Hospitality	0	0.00
Depreciation and amortization costs	0	0.00
Other expenses	0	1,000,000.00
Total	0	1,000,000.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest on Bank overdrafts	0	0.00
Bank charges	24,440	34,650.00
Total	24,440	34,650.00

10. Gain on disposal of assets

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Property, plant and equipment	0	0.00
Intangible assets	0	0.00
Total	0	0.00

11. Cash and cash equivalents

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed deposits account	0	0.00
On – call deposits-Repayment account	2,977,098	3,011,351.50
Current account	2,509,939	2,808,160.00
Others-Mpesa	598,521	326,149.00
Total cash and cash equivalents	6,085,558	4,753,660.50

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	FY2018/2019	FY2017/2018
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		0	0.00
Equity Bank,	0190264375530	0	0.00
Sub- total		0	0.00
b) On - call deposits			
Kenya Commercial bank		0	0.00
Equity Bank		0	0.00
Sub- total		0	0.00
c) Current account			
Equity bank		2,977,098	1,619,351.50
Equity Bank	0190264375530	2,509,939	2,808,159.55
Sub- total		5,487,037	4,427,511.05
d) Others(specify)			
Cash in transit		0	0.00
Cash in hand		0	0.00
M Pesa		598,521	326,149.00
Sub- total		598,521	326,149.00
Grand total		6,085,558	4,753,660.05

12. Receivables from exchange transactions

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Current Receivables		
Interest receivable	0	0
Current loan repayments due	12,740,233	35,623,776.00
Other exchange debtors	0	0
Less: impairment allowance	0	0
Total Current receivables	12,740,233	35,623,776.00
Non Current receivables		
Long term loan repayments due	21,459,704	0
Total Non current receivables	21,459,704	0
Total receivables from exchange transactions	34,199,937	35,623,776.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Prepaid rent	0	0.00
Prepaid insurance	0	0.00
Prepaid electricity costs	0	0.00
Total	0	0.00

14. Inventories

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumable stores	0	0.00
Spare parts and meters	0	0.00
Catering	0	0.00
Total inventories at the lower of cost and net realizable value	0	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2016	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	-	0.00
Disposals	0.00	0.00	0.00	-	0.00
Transfers/adjustments	0.00	0.00	0.00	0.0	(0.00)
At 30th June 2017	0.00	0.00	0.00	0.00	0.00
At 1st July 2017					
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	(0.00)	-	-	-	(0.00)
Transfer/adjustments	(0.00)	0.00	0.00	(0.00)	(0.00)
At 30th June 2018	0	0	0	0	0
Depreciation and impairment					
At 1 st July 2016	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Depreciation	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Impairment	(0.00)	-	-	-	(0.00)
At 30th June 2017	0.00	0.00	0.00	0.00	0.00
At 1st July 2017					
Depreciation	(0.00)	(0.00)	(0.00)	-	(0.00)
Disposals	0	-	-	-	0
Impairment	(0.00)	(0.00)	-	-	(0.00)
Transfer/adjustment	0.00	(0.00)	(0.00)	0.00	0.00
At 30th June 2018	0	0	0	0	0
Net book values					
At 30th June 2017	0.00	0.00	0.00	0.00	0.00
At 30th June 2018	0	0	0	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	FY2018/2019		FY2017/2018	
	KShs		KShs	
Cost				
At beginning of the year		0		0.00
Additions		0		0.00
At end of the year		0		0.00
Amortization and impairment				
At beginning of the year		0		0.00
Amortization		0		0.00
At end of the year		0		0.00
Impairment loss		0		0.00
At end of the year		0		0.00
NBV		0		0.00

17. Trade and other payables from exchange transactions

Description	FY2018/2019		FY2017/2018	
	KShs		KShs	
Trade payables		0		0.00
Refundable deposits		0		0.00
Accrued expenses		0		0.00
Other payables		0		0.00
Total trade and other payables		0		0.00

18. Provisions

Description	FY2018/2019		FY2017/2018	
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	0.00	0.00	0.00	0.00
Additional Provisions	0.00	0.00	0.00	0.00
Provision utilised	(0.00)	(0.00)	(0.00)	(0.00)
Change due to discount and time value for money	(0.00)	(0.00)	(0.00)	(0.00)
Transfers from non-current provisions	0.00	0.00	0.00	0.00
Total provisions	0.00	0.00	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Balance at beginning of the period	0	0.00
External borrowings during the year	0	0.00
Domestic borrowings during the year	0	0.00
Repayments of external borrowings during the period	(0)	(0.00)
Repayments of domestics borrowings during the period	(0)	(0.00)
Balance at end of the period	0	0.00

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

	FY2018/2019	FY2017/2018
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	0	0.00
Sterling Pound denominated loan from 'yyy organisation'	0	0.00
Euro denominated loan from 'zzz organisation'	0	0.00
Domestic Borrowings		
Kenya Shilling loan from KCB	0	0.00
Kenya Shilling loan from Barclays Bank	0	0.00
Kenya Shilling loan from Consolidated Bank	0	0.00
Borrowings from other government institutions	0	0.00
Total balance at end of the year	0	0.00

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

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Short term borrowings(current portion)	0	0.00
Long term borrowings	0	0.00
Total	0	0.00

(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

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20. Employee benefit obligations

Description	Defined benefit plan	Post- employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	0.00	0.00	0.00	0.00
Non-current benefit obligation	0.00	0.00	0.00	0.00
Total employee benefits obligation	0.00	0.00	0.00	0.00

21. Cash generated from operations

	FY2018/2019 KShs	FY2017/2018 KShs
Surplus for the year before tax		
Adjusted for:		
Depreciation	0	0.00
Gains/ losses on disposal of assets	(0)	(0.00)
Interest income	(0)	(0.00)
Finance cost		0.00
Working Capital adjustments		
Increase in inventory	(0)	(0.00)
Increase in receivables	(0)	(0.00)
Increase in payables	0	0.00
Net cash flow from operating activities	0	0.00

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

22. 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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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from related parties'	0	0.00
Transfers to related parties	0	0.00

c) Key management remuneration

	FY2018/2019	FY2017/2018
	KShs	KShs
Board of Trustees/Council	0	0.00
Key Management Compensation	0	0.00
Total	0	0.00

d) Due from related parties

	FY2018/2019	FY2017/2018
	KShs	KShs
Due from parent Ministry	0	0.00
Due from County Government	0	0.00
Total	0	0.00

e) Due to related parties

	FY2017/2018	FY2018/2019
	KShs	KShs
Due to parent Ministry	0	0.00
Due to County Government	0	0.00
Due to Key management personnel	0	0.00
Total	0	0.00

23. Contingent assets and contingent liabilities

Contingent liabilities	FY2017/2018	FY2018/2019
	KShs	KShs
Court case xxx against the Fund	0	0.00
Bank guarantees	0	0.00
Total	0	0.00

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13. PROGRESS ON FOLLOW UP OF AUDITOR 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	Status:	Timeframe:
1.0	Unsupported loan balance	The documents were requested by assembly and were provided	Esther Mbogo – Fund Admin	Resolved	Done
1.0	Budgetary control and performance	The issue was resolved with a certificate	Esther Mbogo – Fund Admin	Resolved	Done
1.0	Non-compliance to the public sector accounting standards	The issue was resolved with a certificate	Boniface Mbogo – Fund Accountan	Resolved	Done
1.0	Late Submission of Financial Statements	The issue was resolved with a certificate	Esther Mbogo – Fund Admin	Resolved	Done

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments” indicated above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the nominated Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.