

REPUBLIC OF KENYA



*Enhancing Accountability*

# REPORT

OF

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

ON

**GARISSA COUNTY REVOLVING  
FUND**

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

PAPERS LAID	
DATE	24/02/2024
TABLED BY	MAJORITY LEADER
COMMITTEE	FINANCE & BUDGET
CLERK AT THE TABLE	POLYCAP

**GARISSA COUNTY REVOLVING FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2023**

OFFICE OF THE AUDITOR GENERAL  
NORTH GUYANA REGIONAL OFFICE

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**GARISSA COUNTY REVOLVING FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

**GARISSA COUNTY REVOLVING FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2023**

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# GARISSA COUNTY REVOLVING FUND

## Reports and Financial Statements

For the year ended June 30, 2023

### 1. KEY ENTITY INFORMATION AND MANAGEMENT

#### a) Background information

Garissa County Revolving Fund is established by and derives its authority and accountability from Garissa County fund Revolving Act, 2018 on 18<sup>th</sup> June 2018. The Fund is wholly owned by the County Government of Garissa and is domiciled in Kenya.

The fund's objective is to provide credit for micro and small enterprises owned by the youth, women and persons with disabilities.

#### b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide interest free loans to youth, women and persons living with disability.

#### Vision

"The fund of choice for micro and small enterprises in Garissa County."

#### Mission

"To provide affordable, accessible and sustainable interest free loans to youth, women and persons living with disability."

#### Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

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

Ref	Name	Position
1	Abdi Mohamed Abdi	Chairman
2	Abdirahman Hassan Issack	Member
3	Mohamed Hassan Lugey	Member
4	Abdikarim Jirow	Member
6	Aden Harun	Member
7	Halima Hassan Ismail	Member

#### d) Key Management

Ref	Name	Position
1	Mohamed suleimn	CECM-Trade and Enterprise Development
3	Ismail Said Maalim	Fund Administrator
4	Abdi Mohamed Abdi	Chairman

**GARISSA COUNTY REVOLVING FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2023**

**e) Registered Offices**

P.O. Box 563-70100  
MK Building  
Sankuri Road  
Garissa, Kenya

**f) Fund Contacts**

Telephone: (254) 0720788941  
E-mail: ismail.said2002@yahoo.com  
Website: www.garissa.go.ke

**g) Fund Bankers**

Kenya Commercial Bank  
Garissa Branch  
P.O. Box 143-70100  
Garissa, Kenya

**h) Independent Auditors**

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





**i) Principal Legal Adviser**

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


**GARISSA COUNTY REVOLVING FUND**  
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**2. THE COUNTY FUND COMMITTEE**

The board of trustees during the financial year consisted of:

	<p><b><u>Abdi Mohamed Abdi- Chairman</u></b>  <b>Date of appointment:</b> he 1<sup>st</sup>- February 2019, as County committee Chairperson  <b>Education background:</b> Bachelor of Education(Arts)  <b>Experience:</b> over Thirty Years in Teaching field and last eight(8) years in Non-Government organization world On projects Management.</p>
	<p><b><u>Abdirahman Hassan Issack-Member</u></b>  <b>Date of appointment:</b> he 1<sup>st</sup>- February 2019, as County committee Member  <b>Education background:</b> Bachelor of Commerce(B.com)Accounting(Option)  <b>Experience:</b> Over Ten(10) years in Accounting field and currently Chief Officer, County Government of Garissa department of Youth and Sports</p>
	<p><b><u>Mohamed Hassan Lugey-Member</u></b>  <b>Date of appointment:</b> he 1<sup>st</sup>- February 2019, as County committee Member-Male Youth Representative  <b>Education background:</b> The Kenya certificate of Primary Education(KCPE)  <b>Experience:</b> with entrepreneurship experience</p>
	<p><b><u>Abdikarim Jirow-Member</u></b>  <b>Date of appointment:</b> he 1<sup>st</sup>- February 2019, as County committee Member-Representative of persons living with Disability  <b>Education background:</b> Tertiary Education level with Diploma in Business Management  <b>Experience:</b> Five (5) years' experience and currently working in National land office in Garissa</p>




**GARISSA COUNTY REVOLVING FUND**  
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	<p><b><u>Aden Harun –Member</u></b> <b>Date of appointment:</b> he 1<sup>st</sup>- February 2019, as Chief officer <b>Education background:</b> Bachelor of Business Administration Accounting(Option) <b>Experience:</b> Ten(10) years in Accounting field and currently Chief Officer, County Government of Garissa department of Finance and Economic</p>
	<p><b><u>Halima Hassan Ismail-Member</u></b> <b>Date of appointment:</b> she 1<sup>st</sup>- February 2019, as County committee Member-Female Representative <b>Education background:</b> The Kenya certificate of Primary Education(KCPE) <b>Experience:</b> with entrepreneurship experience</p>

**GARISSA COUNTY REVOLVING FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2023**

**3. MANAGEMENT TEAM**

The management during the financial year consisted of:

	<p><b><u>Mohamed Suleiman – CECM-Trade and Enterprise Development</u></b>  Date of appointment: he 30th, Oct 2017.  Education background: Bachelor in Mass Media and Communication (PR option), Bachelor International Relations and Diplomacy (BIRD).  Experience: 15 years of working experience in the Private sector (Media Industries), one-year consultancy work on good governance in Somalia. And three years of Public service as County Executive Committee Member in Garissa County.</p>
	<p><b><u>Ismail Said Maalim-Fund Administrator</u></b>  <b>Date of appointment:</b> he 14<sup>th</sup> May 2019 as Garissa county Fund Administrator  <b>Education background:</b> Bachelor in Business Management  <b>Experience:</b> 10<sup>th</sup> years of Non-Governmental Organization and last 3years in public service in senior Management position as Assistant director Urban development and fund Administrator</p>
	<p><b><u>Abdi Mohamed Abdi-Chairperson</u></b>  <b>Date of appointment:</b> he 1<sup>st</sup>- February 2019, as County committee Chairperson  <b>Education background:</b> Bachelor of Education(Arts)  <b>Experience:</b> over Thirty Years in Teaching field and last eight(8) years in NGOs world On projects Management</p>

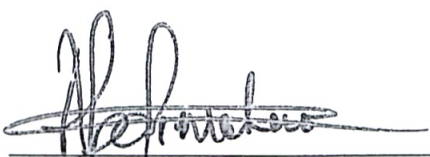
**GARISSA COUNTY REVOLVING FUND**  
**Reports and Financial Statements**  
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**4. FUND CHAIRPERSON'S REPORT**

It is my pleasure to present, on behalf of the fund committee, the Garissa County Revolving fund financial statements for the year ended 30<sup>th</sup> June 2023. The financial statements present the financial performance of the fund over the past year. The total fund budgeted for the year under review was Kshs 30,000,000. However due to the prolong drought the fund was reallocated to the Department of special programme. There were no expenditures incurred for the year under review.

The outlook of the Fund for 2022/2023 looks brighter. The fund hopes to enough funds that will be disbursed interest free loans to youths, women and persons with disabilities. This way, the fund will promote self-employment amongst youth, women and persons living with disability. The fund therefore focuses on reducing poverty through ventures at ward level by enhancing access to finances for promotion of trade enterprises and ventures at ward level for economic growth.

We are ready and all set to conduct scrutiny and vetting process of loan application forms at the both levels as provided by both GCRF Act of 2018 as well as subsidiary regulation of 2018, disbursement of fund to the successful beneficiaries would then follow respectively. After fund disbursement phase, we shall embark on capacity building of the fund beneficiaries with support from local partnership programmes and then supervisory and monitoring of businesses would ensued to follow for provision of business advisory support services to ensure high success rate in the first fund disbursement phase and the desired ultimate success of the programme.

Signed: 


Abdi Mohamed Abdi  
Chairman-Garissa County Revolving Fund

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**5. REPORT OF THE FUND ADMINISTRATOR**

It is my pleasure to present Garissa Revolving Fund financial statements for the year ended 30<sup>th</sup> June 2023. There were no expenditures incurred during the year under review.

I take this opportunity to thank the board of trustees for their support. I would also want to thank all staff who are working hand in hand to ensure that Garissa Revolving Fund achieves its mission.

Signed: 

Ismail Said Maalim  
Fund Administrator

## **6. CORPORATE GOVERNANCE STATEMENT**

### **THE COMMITTEE**

The Garissa County Revolving Fund is a revolving fund established pursuant to the Garissa County Revolving Act and the County Government of Garissa Public Finance Management (PFM) regulations 2018. Its mandate is to provide car loans to members of youth, women and persons with disabilities. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the fund committee at its apex. The structure is designed to ensure an informed decision-making process based on accurate reporting to the committee.

### **THE FUND COMMITTEE**

The committee shall be made up of seven members, including the chairman, and shall consist of a chairperson and six other members identified for appointment through a competitive process. The committee members are responsible for receiving and considering loan application, and monitor loan performance after disbursement.

The committee are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator. Members of the committee have been taken through a comprehensive induction programme, and are adequately trained on their roles as board members. The trustees are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the board, its committees, individual trustees and the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.

### **BOARD MEETINGS**

The committee meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance. The committee also plays an oversight role over all other financial and operational issues.

### **STATEMENT OF COMPLIANCE**

The committee confirms that the fund has throughout the 2022/2023 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

The fund conducted an external legal audit which confirmed that the institution had complied with all relevant laws, regulations and requirements.

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With regard to compliance the fund did not fully meet the requirement that the board of trustees ought to be between five in number; the fund has informed the appointing authority on this requirement.

**INTERNAL CONTROL AND RISK MANAGEMENT**

**Internal Control**

The trustees are responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

The fund is guided by county Code of Ethics and Service Charter that is applicable to all employees.

**Organization Structure**

A clear organizational structure exists, detailing lines of authority and control responsibilities. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

**Strategic Plan**

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives.

**Internal Control Framework**

The fund follows county internal control framework to ensure it maintains a strong and effective internal control environment.

**Management Team**

The management team headed by the Fund Administrator implements the committee decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the committee's objectives are achieved effectively and efficiently.

**Auditor**

The fund is audited by the Auditor-General.

**GARISSA COUNTY REVOLVING FUND**  
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**7. REPORT OF THE COUNTY FUND COMMITTEE**

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

**Principal activities**

The principal activity of the Fund is to provide financing to youth, women and persons with disability with interest free loans in order to expand access to finance, generate self-employment, and ultimately reducing poverty level within the county

**Results**

The results of the Fund for the year ended June 30, 2023 are set out on pages 14 to 27.

**County Fund Committee**

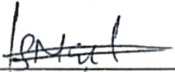
The members of the County Fund Committee who served during the year are shown on page 4-5.

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the County Fund Committee

Member of the Board

Sign 

Date: 29/9/2023

**GARISSA COUNTY REVOLVING FUND ·**  
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**For the year ended June 30, 2023**

**8. 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 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

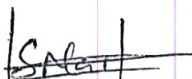
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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 29 september \_\_\_\_\_  
2023 and signed on its behalf by:

  
\_\_\_\_\_  
Ismail Said Maalim  
Fund Administrator

# REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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

## REPORT OF THE AUDITOR-GENERAL ON GARISSA COUNTY REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2023

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the Fund has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the Fund.

An unmodified opinion does not necessarily mean that the Fund has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article, 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Garissa County Revolving Fund set out on pages 1 to 16, which comprise of the statement of financial position as at

30 June, 2023 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Garissa County Revolving Fund as at 30 June, 2023, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Garissa County Revolving Fund Act, 2018.

### **Basis for Qualified Opinion**

#### **Unsupported Cash and Cash Equivalents**

During the year under review, the Fund operated one (1) bank account at Kenya Commercial Bank (KCB) that reflected a bank balance of Kshs.9,177 as at 30 June, 2023. However, it was noted that bank reconciliations for the twelve (12) months period were not submitted to the County Treasury and to the Auditor-General. This was contrary to Regulation 90(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that bank reconciliations for each bank account held by that Accounting Officer are prepared and submitted to County Treasury and the Auditor-General.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.9,177 could not be confirmed.

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

#### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Presentation and Disclosure of the Financial Statements**

Review of the financial statements revealed that the Management did not comply with the Public Sector Accounting Standards Board Reporting Template (Revised 2023). The statements did not indicate the ICPAK Number of the Fund Accountant and excluded the section on progress made on implementation of prior year auditor's recommendations.

In the circumstances, the presentation of the financial statements did not comply with the Public Sector Accounting Standards Board reporting template.

#### **2. Non-Allocation of Funds by County Executive**

Section 3 of Garissa County Revolving Fund Act, 2018 states that the main objective of the Fund is to promote enterprise development among the Youth, Women, Persons With Disabilities and Needy Persons. It was noted that the Fund was not allocated funds in the financial years 2019/2020, 2020/2021, 2021/2022 and 2022/2023 thus making it unable to meet its mandate.

In the circumstances, the future existence of the Fund and sustainability of services cannot be confirmed.

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

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

### **Conclusion**

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

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

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

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

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

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My

conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

21 December, 2023

**GARISSA COUNTY REVOLVING FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2023**

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


	Note	2022/2023	2021/2022
			<b>Kshs.</b>
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	1	00.00	00.00
			<b>00.00</b>
<b>Revenue from exchange transactions</b>			
Other income	2		-
<b>Total revenue</b>		<b>00.00</b>	<b>00.00</b>
<b>Expenses</b>			
Fund administration expenses	3		-
General expenses	4		
Finance costs	5	-	-
<b>Total expenses</b>			
<b>Surplus/(deficit) for the period</b>		<b>9,177</b>	<b>9,177</b>


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**10. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

	Note	2022/2023	2021/2022
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	9,177	9,177
		9,177	9,177
<b>Non-current assets</b>			
Property, plant and equipment	7	-	-
<b>Total assets</b>		9,177	9,177
<b>Liabilities</b>			
<b>Current liabilities</b>			
Provisions	8		-
Current portion of borrowings	9		-
			-
<b>Non-current liabilities</b>			
Long term portion of borrowings	10		-
			-
<b>Total liabilities</b>			-
<b>Net assets</b>		9,177	9,177
Revolving Fund		9,177	9,177
Reserves			-
Accumulated surplus			
<b>Total equity</b>		9,177	9,177

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 29/9/2023 and signed by:

  
Fund Administrator  
Name: Ismail Said Maalim

  
Fund Accountant  
Name: Reuben Wachenje  
ICPAK Member Number:

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**11. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2023**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Balance as at 1 July 2022</b>	9,177	-		9,177-
Surplus/(deficit) for the period	-	-		
Funds received during the year		-	-	
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2023</b>	9,177	-	9,177	9,177

**GARISSA COUNTY REVOLVING FUND**  
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**12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2022/2023	2021/2022
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>		-	-
<b>Receipts</b>		-	-
Transfers from the County Government	1	-	-
<b>Total Receipts</b>		-	-
<b>Payments</b>		-	-
Fund administration expenses		-	-
General expenses		-	-
Finance cost(bank charges)	5	-	-
<b>Total Payments</b>		-	-
<b>Net cash flows from operating activities</b>		<b>9,177</b>	<b>9,177</b>
<b>Cash flows from investing activities</b>		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		-	-
<b>Cash flows from financing activities</b>		-	-
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		-	-
Cash and cash equivalents at 1 July 2022		9,177	9,177
<b>Cash and cash equivalents at 30 JUNE 2023</b>	6	<b>9,177</b>	<b>9,177</b>

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilizat ion
	2023	2023	2023	2023	2023	2023
Revenue	Kshs..	Kshs..	Kshs..	Kshs..	Kshs..	
Public contributions and donations						
Transfers from County Govt.	0	0	0	0	0	0
Interest income		-				
Other income		-				
<b>Total income</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenses</b>						
Fund administration expenses						
General expenses						
Finance cost						
<b>Total expenditure</b>						
<b>Surplus for the period</b>						

**GARISSA COUNTY REVOLVING FUND**

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**13.1. 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) Early adoption of standards**

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

**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 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.

**GARISSA COUNTY REVOLVING FUND**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 12.5 of these financial statements.

**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 receivable* 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 considering any discount or premium on acquisition and fees

**GARISSA COUNTY REVOLVING FUND**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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 a 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 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 an 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.

**GARISSA COUNTY REVOLVING FUND**

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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.

**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 labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

**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.

**GARISSA COUNTY REVOLVING FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2023**

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**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.

**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. 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.

**14. 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.

**GARISSA COUNTY REVOLVING FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2023**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Members of key management are regarded as related parties and comprise the Fund Administrator and the Fund Accountant.

**15. 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.

**16. Comparative figures**

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

**17. Events after the reporting period**

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

**18. Ultimate and Holding Entity**

The entity is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the County Government of Garissa.

**19. Currency**

The financial statements are presented in Kenya Shillings 9,177.

**20. 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.

**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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 18.

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.

**21. 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.

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**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.

**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.

**GARISSA COUNTY REVOLVING FUND****Reports and Financial Statements****For the year ended June 30, 2023****9.7 NOTES TO THE FINANCIAL STATEMENTS****1. Transfers from County Government**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from County Govt. – operations	-	-
<b>Total</b>	-	-

**2. Other income**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
<b>Total other income</b>	-	-

**3. Fund administration expenses**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
<b>Total</b>	-	-

**4. General expenses**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Printing and stationery	-	-
Daily Subsistence Allowance	-	-
Office refurbishment	-	-
Contracted professional	-	-

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Hospitality	-	-
<b>Total</b>		

**5. Finance costs**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Bank Charges	-	-
Interest on loans from banks	-	-
<b>Total</b>		

**6. Cash and cash equivalents**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Current account	9,177	9,177
<b>Total cash and cash equivalents</b>	<b>9,177</b>	<b>9,177</b>

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

Financial institution	Account number	2022/2023	2021/2022
		Kshs.	Kshs.
<b>a) Current account</b>	1252840144		
Kenya Commercial bank		9,177	9,177
<b>Sub- total</b>		<b>9,177</b>	<b>9,177</b>

**7. Receivables from exchange transactions**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
<b>Current Receivables</b>		
Interest receivable	-	-
Current loan repayments due	-	-
<b>Total Current receivables</b>	<b>-</b>	<b>-</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	-	-
<b>Total Non-current receivables</b>	<b>-</b>	<b>-</b>
<b>Total receivables from exchange transactions</b>	<b>-</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. Inventories**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

**9. 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) County Government of Garissa;
- b) County Fund Committee; and
- c) Key management personnel.