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REPORT

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THE AUDITOR-GENERAL

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**KWALE COUNTY TRADE REVOLVING
FUND**

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

OFFICE OF THE AUDITOR GENERAL
P.O. Box 95202, MOMBASA

04 DEC 2023

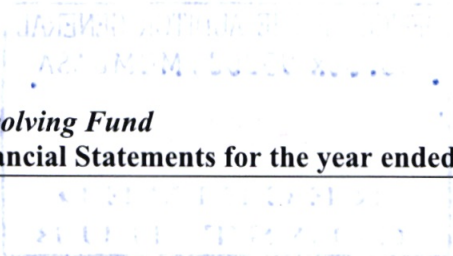
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COUNTY GOVERNMENT OF KWALE
KWALE COUNTY TRADE REVOLVING FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023



Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
F/Y	Financial year

b) Glossary of Terms

Fiduciary Management

The key management personnel who had financial responsibility

Kwale County Trade Revolving Fund
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2. Key Entity Information and Management

a) Background information

Kwale County Trade Revolving Fund is established by and derives its authority and accountability from Kwale County Trade Revolving Fund Act of February 2021. The Fund is wholly owned by the County Government of Kwale and is domiciled in Kenya.

The fund's objective is to advance loans (low-cost credit) to business people within the county which is repayable within Twenty-Four (24) months.

- a. Individual business persons can borrow a minimum of Kshs. 30,000 and a maximum of Kshs.300, 000.
- b. Legal persons (companies, cooperative societies, and associations) can borrow a minimum of Kshs.300, 000 and a maximum of Kshs.1,000,000

b) Principal Activities

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

- i. Develop a capacity building programme to enhance business management and entrepreneurial skills of traders, customized to address the individual needs of such traders;
- ii. Provide a business mentoring platform for business people amongst themselves and with specialized experts in business and entrepreneurship disciplines;
- iii. Nurture and grow business ideas into tangible businesses and products.

c.) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1		
2		
3		
4		
5		

(This section will be applicable for Public Funds that have a Board of Trustees/Fund Administration Committee. Input names of all the members who held office during the period)

c) Key Management Team

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Ref	Name	Position
1	CECM	Micheal Mutua
2	Chief Officer – Fund Bank Signatory	Hassan Ngala Chuphi
3	Fund Bank Signatory	Athuman Mwatunza
4	Fund Manager/ Administrator	Kassim Dzombo
5	Fund Accountant	Joseph Omwenga

(Include all positions regarded as top management for the Fund).

Fiduciary Oversight Arrangements

SN	Position	Name
1		
2		
3		

d) Registered Offices

P. O. Box 4 – 80403.
 Cooperative House
 Kombani - Kinango Road
 Kwale, KENYA

e) Fund Contacts

Telephone: (254) 040 320 6100
 E-mail: info@trade.kwale.go.ke
 Website: www.kwalecountygov.com

f) Fund Bankers

Equity Bank (K) Ltd,
 P. O. Box 167-80403
 Kwale, Kenya.

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Key Entity and Management (Continued)

g) Independent Auditors

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

h) Principal Legal Adviser


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

i) County Attorney

The County Attorney
Office of the Governor
Kwale County Government
Head Quarters
P.O. Box 4
Kwale

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3. Board of Trustees/ Fund Administration Committee

Name	Details of qualifications and experience
<p>1.</p> 	<p>Mr Kassim Dzombo: Fund Administrator</p> <p>Holds a bachelor’s degree in economics and finance from Kenyatta university and CPA (K). Previously worked for the independent election and boundaries commission as a presiding officer and Gliese network investments ltd.</p> <p>Currently serving as a trade development officer at the department of Trade and Enterprise development and fund administrator /secretary.</p>
<p>2. Trustee 2</p>	
<p>3. Trustee 3</p>	
<p>4. Trustee 4</p>	




Kwale County Trade Revolving Fund

Annual Report and Financial Statements for the year ended June 30, 2023

4. Management Team

Name	Details of qualifications and experience
1. 	<p>Hon. Mutua Michael Mulwa CECM Tourism & Enterprise Development</p> <p>He is the current CECM of Trade and Tourism department has over 10 years of experience in matters of Governance and Public administration.</p> <p>He holds a Bachelor of Science in Public Administration and a Diploma in County Governance and Management (both) from KCA University, Nairobi.</p> <p>Responsible for Policy formulation.</p>
2. 	<p>Mr Hassan Ngalaa Chuphi Chief Officer Trade & Enterprise Development</p> <p>Mr Ngalaa holds an MSc in Project Management from JKUAT and BCOM (Accounting) from JKUAT, CPA (K) and a Member of ICPAK.</p> <p>Previously worked for: African Digital Networks DRC Congo, Liquid Telecoms and Lamu Teachers SACCO.</p> <p>Responsible for strategy implementation.</p>
3. 	<p>Athuman Mwatunza –</p> <p>Athuman is the County Director of Budget and has over 10 years in the banking industry in various managerial positions.</p> <p>He holds a master’s degree in business administration- Strategic Management and bachelor’s degree in economics from the University of Nairobi. Responsible for Budget and cash flow management</p>

**Kwale County Trade Revolving Fund
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4.		<p>Mr Kassim Dzombo: Fund Administrator</p> <p>Holds a bachelor’s degree in economics and finance from Kenyatta university and CPA (K). Previously worked for the independent election and boundaries commission as a presiding officer and Gliese network investments ltd.</p> <p>Currently serving as a trade development officer at the department of Trade and Enterprise development. Responsible for loan recovery record management and secretary to the fund.</p>
5.		<p>Emmanuel Yongo, Member</p> <p>He is a graduate from Strathmore University with a Bachelor of Commerce degree in Finance and Business Administration majors.</p> <p>Currently serving as the County Trade Officer and HOD Trade division.</p> <p>Responsible for coordination of loan recovery</p>
6.		<p>Mr Joseph Omwenga, Fund Accountant</p> <p>Holds an MBA from the university of Nairobi, BBA Finance KeMU and CPA(K)</p> <p>Member of ICPAK, has several years’ experience with the National government and KRA as Revenue and financial Accountant respectively.</p> <p>Currently serving as Principal Accountant Trade and Enterprise. Responsible for the preparation of final accounts of the fund.</p>

5. CECM Report

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

During the FY 2022/2023, there were no major changes in the fund management team. The CECM and Chief Officer for Trade and Enterprise Development continued to support the fund management team in carrying out its mandate as stipulate in the revised fund act towards the success of the Fund as any entity. As CECM of the department, I forwarded the recommended names of potential members of the board for consideration by his H.E the Governor.

During the calendar year that ended on 30th June 2023, the fund management managed to recover a total of Ksh 1,256,202 from loans advanced to various beneficiaries in County. There was a 2% drop compared to Last year which was due to business uncertainty as a result to electioneering period and post Corona Virus effects on business activities throughout the FY. Recovery efforts have been frustrated by the rampant inflation experienced globally, as management we look forward for a better year 2023/24.

I would like to express my great gratitude to the County Government of Kwale, one of the Key partners and stakeholders through the department of Trade & Enterprise Development that has continued supporting us throughout this turbulent period which has greatly impacted on the fund's performance and continued existence. In the same breadth, I would like to extend my appreciation to the fund management team, our staff and our beneficiaries for their continued support as we navigate through the business turbulence in a world of rapid change. We look forward for more support as we pursue opportunities through innovation and technology in the digitisation of the fund by installing a loan management system.



Hon Micheal Mulwa Mutua

CECM: Tourism and Enterprise Development

6. Report of the Fund Administrator

I am delighted to inform you that, we now have a Trade Revolving Fund Act 2020, whose main objective is to provide a mechanism for the establishment of a revolving fund which will promote the development of micro and small enterprises within the county. Equally the Act will provide for an institutional framework for coordinating loan disbursements among beneficiaries.

In the previous financial year, we also reported that, there was a budgetary allocation for the procurement of a fund loan management system. This is therefore to update the management team that, the procurement process was done and a contract was awarded. The scope of the contract includes purchase, delivery, installation, configuration, testing, training, and provision of aftercare services. However, configuration and testing has delayed and management is closely following up the issue with the supplier to ensure successful completion of the programme.

The fund management has continued improving on performance by boosting the fund's internal controls. This has been possible due to inclusion of the previous financial years' audit findings and recommendation on staffing, internal controls, tracking of loans and the future deployment of a fund management system.

I wish to thank the County Government of Kwale, the management team and staff for their continued support amidst a turbulent environment which has greatly impacted the fund's performance. I look forward for the continued support despite the hard times ahead of us as occasioned by the current business dynamics experienced in the county as a result to the high inflation rates as a result to overall increase in the world oil prices, the just experienced drought, and electioneering period and the post effect of Covid-19 pandemic.

With the electioneering period behind us and the return to normal of the economies post the pandemic period together with the ongoing digitisation of the Fund management system. The management is looking forward to continue advancing loans to the SMEs who have experienced negative growth and a reduction in their cash flows. While some businesses have closed, it is important to note that some have bolstered particularly those in the service and food industry.

In the year ahead, we commit to continue supporting the business community in improving our loan products.



.....
Kassim Dzombo
Fund Administrator

**Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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

Introduction

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

The key development objectives of the Kwale County Trade Revolving fund 2022-2027 plans are to:

- a) Availing low-cost credit facilities to traders
- b) Promoting the Cooperative Development

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Support vehicle for the fund programs especially loan recovery.	Purchase of Vehicle
Kwale County Trade Revolving Fund (Low cost credit to SMEs in Kwale) for all wards	Reviewed the Loan Fund Act and in process of Revival of the Fund operationalization
Establishment of Biashara Centres (BDS) in all wards to promote training in business management and start up	The parent department has already managed to construct four centres in Kwale, Kinango, Ukunda and Lunga Lunga
The major challenge facing the fund is poor loan repayment which is likely to result into bad loans among the loan beneficiaries.	The parent department(Trade) has put in place appropriate measures in order to fast track the recovery: Involvement of Chiefs and ward administrators of various wards.

8. Corporate Governance Statement

In the year under review, the management team met thrice with all members in attendance including the CECM and Chief Officer while some of the meetings were attended by other employees of the department –.

The management team is committed to high standards of corporate governance, which it considers critical to public fund's financial integrity and maintenance of stakeholders' trust. The Fund expects all its members and employees to act with honesty, integrity, and fairness. The Fund will strive to act in accordance with the legislations and customs governing the Fund; adopt proper standards of public fund's practice and procedure; and operate with integrity.

The management will keep its work and performance under regular review and will revisit the governance principles annually. It is important to note that a substantive board is yet to be appointed. However potential names have been forwarded to the relevant authority for consideration following the expiry of the term of the previous board.

The management team has put in place all the necessary measures to ensure that the future board members shall be independent and compliance to Chapter Six of the constitution or otherwise as provided for in the Trade Fund Act of 2020.

The management team provides leadership of the Fund and, either directly or through the operation of committees, brings an independent judgment on all issues of strategy, performance, resources mobilization (including key appointments) and standards of conduct.

The management team sets the Fund's strategic objectives which management implements through regular approval and monitoring of work plans and the budget prepared by the fund administrator. The work plan specifies key developments towards the strategic objectives that are to be achieved by management within an agreed time frame.

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

9. Management Discussion and Analysis

During the financial period under review, the fund had no budget to be used in disbursing loans to various potential applicants; however, an appropriate amount will be set aside during the supplementary budget to cater for loan disbursements once the new board is put in place. The loan recovery exercise continued to perform on a low base due to post covid-19 effects and current negative business dynamics brought by electioneering period and the drought experienced in the country.

The management is in the process of purchasing a loan management system that will assist the loan recovery team in maintaining accurate and reliable records that will be used in the preparation of future annual financial statements. Steadfast was identified as the supplier and is in the process of installing the system which is expected to be operational towards the end of the year 2023.

The funds compliance to the statutory requirements is well demonstrated through the various organs and legislations established: this includes the trade revolving fund Act 2020, the credit manual finance management guidelines, Kwale trade revolving fund policy of 2014 and submission of annual financial statements to the office of the Auditor general for audit verification.

The issue of non-performing loans is a serious thread towards effective and efficient loan portfolio management. Given the fact that the fund is a revolving fund, whose future sustainability depends on the cash flows from loan recoveries especially the principal amount. However, as mitigation the management has continued to improve on its accumulated surplus by recording an additional surplus of Kshs 3,850,254. This brings the total amount of the accumulated surplus in the statement of financial position to Kshs 44,848,257.

10. Environmental and Sustainability Reporting

The fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three pillars: putting the customer/Citizen first, delivering relevant goods and services and improving on operational excellence. Below is a brief highlight of our achievements in each pillar.

1. Sustainability strategy and profile

Trade revolving fund that promotes small businesses and entrepreneurs in the county. Providing business skill by training traders and other business people through the Biashara centres established in the county. Through such engagements, the target business community is able to build and develop a strong capital base for business expansion and future sustainability, growth and diversification of revenue streams.

2. Environmental performance

Waste management policy and efforts to reduce the indirect impact of the organisation's products and activities. Ensuring proper garbage disposal in all business places of operation especially those businesses that deal in fresh produce and plastic bottles that are used in packaging of water and other drinks like soda and juice. An agency like the National Environment Management Authority plays a very critical role.

3. Employee welfare

Nomination of members into the board management committee takes into account the gender ratio, while public participation is taken as part of the stakeholder engagement and it's done regularly. Staff Members are taken for short courses at Kenya school of for training in order to improve on their skills and managing careers. Appraisal and reward systems are done annually. The fund has a safety policy which is compliant with Occupational Safety and Health Act of 2007.

4. Market place practices

The organisation should outline its efforts to:

a) Responsible competition practice.

The loan products advanced to various beneficiaries are done within the financial framework of country as regulated by the central bank of Kenya. Responsible political involvement through the county assembly of Kwale by the elected members who do their oversight roll and fair competition and respect for competitors who offer similar products like banks and other microfinance institutions operating in Kwale county.

b) Responsible Supply chain and supplier relations.

The department is quite responsible in terms of Supply chain and supplier relations by ensuring that suppliers and contractors are paid on a timely basis upon completion of their obligation as per the contract terms and conditions. All supplies and contracts are either advertised on the local daily newspapers or uploaded in the county website for all interested potential suppliers and contractors. Bidders are properly evaluated through the IFMIS system and successful bidders are awarded work in a transparent process.

c) Responsible marketing and advertisement

The loan products are advertised locally through local chiefs and ward administrators of the county government of Kwale to ensure proper flow of information to all potential applicants.

d) Product stewardship

The loan products advanced to the beneficiaries are based on well-defined criteria and evenly distributed in all wards within the county of Kwale at a low interest rate.

5. Community Engagements

Business models through the four Biashara centres namely Kwale, Kinango, Mvinden and lunga lunga. This centres forms part of the Community Social Investments which promotes education and good business ethics within society, staff training and development.

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

11. Report of the Trustees

The Trustees 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 activities of the Fund are and *continue to be* advancing loans (low-cost credit) to business people within the county which repayable within Twenty-Four (24) months

Results

The results of the Fund for the year ended June 30, 2023 are set out on page one (1).

Trustees

The members of the Board of Trustees who served during the year are shown on page **vii**. There were no changes made during the year.

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 Board



.....
Kassim Dzombo

Fund Administrator

Date: 30/11/2023

Kwale County Trade Revolving Fund
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12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of the Kwale County Trade Revolving *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 Kwale Trade Revolving 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, 2022. 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 Kwale Trade Revolving 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 *the Kwale County Trade Revolving Fund Act of 2020*. 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, 2022, 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 Kwale Trade Revolving 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 Management on 30/11/ 2023 and signed on its behalf by:

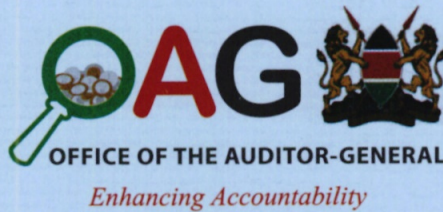

.....

Kassim Dzombo

Administrator of the 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 KWALE COUNTY TRADE REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kwale County Trade Revolving Fund set out on pages 21 to 60, which comprise 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kwale County Trade Revolving Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kwale County Trade Revolving Fund Act, 2021 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Variance in Accrued Interest Receivable from Long-Term Loans

The statements of financial position and Note 13 to the financial statements reflects long term receivables from exchange transactions balance of Kshs.111,258,785 which include Kshs.36,315,224 (2022: Kshs.33,028,792) for accrued interest receivable from long term loans of previous years. However, the accrued interest schedule reflected balances of Kshs.39,661,806 (2022: Kshs.36,315,224). The resultant variances of Kshs.3,346,582 (2022: Kshs.3,286,432) was interest receivable during the year. However, the detailed schedule to support this amount was not provided for audit review.

In the circumstances, the accuracy and completeness of accrued interest receivable from long-term loans of previous years of Kshs.36,315,224 could not be confirmed.

2. Doubtful Long Outstanding Long-Term Receivables

The statement of financial position statements and Note 13 to the financial statements reflect long-term receivables from exchange transactions of KShs.111,258,785. However, the Fund only recovered Kshs.1,256,202 from 60 out of 1,040 borrowers who had loans from the beginning of the financial year. It was also noted that the amount included a loan balance of Kshs.2,627,328 that related to borrowers who were deceased. This implies that the 980 borrowers were defaulting and the loans recoverability was doubtful.

Further, it was observed that there were no remedial action being taken by the Committee to prevent the loss of resources by rescheduling loans or exercising a lien over the securities charged. There was also no evidence that the loans were insured and recoveries were expected from any underwriter.

In the circumstances, the recoverability, completeness and accuracy of the long-term receivables of Kshs.111,258,785 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kwale County Trade Revolving Fund Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

Prior Year Issues

The prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided any reason for the delay in resolving prior year issues.

My opinion is however, not modified in respect of these matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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 and based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Failure to Appoint the County Trade Revolving Fund Committee

Review of records revealed that there was no Trade Revolving Fund Committee appointed to oversee the operations of the Fund. This is contrary to Section 5 of the Kwale County Trade Revolving Fund Act, 2020 which establishes the Kwale County Trade Revolving Fund Committee and Section 11 which provides that the Committee shall manage and administer the Fund.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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 the Management and the Trade Revolving Fund Committee

The 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 the 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, the Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Receiver of Revenue's 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 Management.
- Conclude on the appropriateness of 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 Receiver of Revenue'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 Receiver of Revenue 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 Receiver of Revenue to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 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

30 January, 2024

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Note	FY2022/2023	FY2021/2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
Revenue From Exchange Transactions			
Interest Income	4	3,850,434	3,698,758
Other Income	5	-	-
Total Revenue		3,850,434	3,698,758
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	-	-
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	180	120
Total Expenses		180	120
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
Surplus/(Deficit) for the Period		3,850,254	3,698,638

(The notes set out on pages 20 to 39 form an integral part of these Financial Statements)

.....
Name: Kassim Dzombo
Administrator of the Fund

.....
Name: Joseph Omwenga
Fund Accountant
ICPAK Member Number:5976

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position As at 30 June 2023

Description	Note	FY2022/2023	FY2021/2022
		Kshs	Kshs.
Assets			
Current Assets			
Cash and Cash Equivalents	12	29,048,179	27,798,247
Current Portion of Long- Term Receivables From Exchange Transactions	13	3,346,582	3,286,433
Prepayments	14	-	-
Inventories	15	-	-
Investments in financial assets	16	-	-
Total current assets		32,394,761	31,084,680
Non-Current Assets			
Property, Plant and Equipment	17	-	-
Intangible Assets	18	-	-
Long Term Receivables from Exchange Transactions	13	111,258,785	108,724,702
Investment Property	19	-	-
Total non- current assets		111,258,785	108,724,702
Total Assets		143,653,546	139,809,382
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	20	11,410	17,500
Current Portion of Borrowings	21	-	-
Employee Benefit Obligations	22	-	-
Social benefit liabilities	23	-	-
Total current liabilities		11,410	17,500
Non-Current Liabilities			
Long Term Portion of Borrowings	21	-	-
Non-Current Employee Benefit Obligation	22	-	-
Social benefit liabilities	23	-	-
Total Liabilities		11,410	17,500
Net Assets		143,642,136	139,791,882

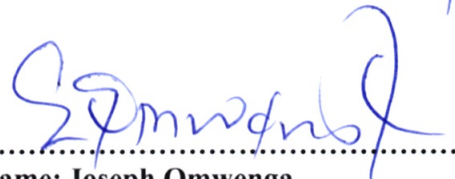
Kwale County Trade Revolving Fund
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Revolving Fund		98,793,879	98,793,879
Reserves		-	-
Accumulated Surplus		44,848,257	40,998,003
Total Net Assets and Liabilities		143,642,136	139,791,882

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 30/11/2023 and signed by:



.....
Name: Kassim Dzombo
Administrator of the Fund



.....
Name: Joseph Omwenga
Fund Accountant
ICPAK Member Number:5976

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	98,793,879	-	37,299,365	136,093,244
Surplus/(Deficit) For the Period	-	-	3,698,638	3,698,638
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain				-
Balance As At 30 June 2022	98,793,879	-	40,998,003	139,791,882
Balance As At 1 July 2022	98,793,879	-	40,998,003	139,791,882
Surplus/(Deficit) For the Period	-	-	3,850,254	3,850,254
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain				-
Balance As At 30 June 2023	98,793,879	-	44,848,257	143,642,136

Kwale County Trade Revolving Fund**Annual Report and Financial Statements for the year ended June 30, 2023****17. Statement of Cash Flows for The Year Ended 30 June 2023**

Description	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		503,852	412,325
Receipts from other operating activities		-	-
Total receipts		503,852	412,325
Payments			
Fund administration expenses		(180)	(120)
General expenses		-	-
Finance cost		-	-
Other payments		(6,090)	-
Net cash flows from operating activities	24	497,582	416,205
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		752,350	871,411
Loan disbursements paid out		-	-
Net cash flows used in investing activities		752,350	871,411
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash Equivalents		1,249,932	1,287,616
Cash and cash equivalents at 1 July		27,798,247	26,510,631
Cash and cash equivalents at 30 June		29,048,179	27,798,247

Kwale County Trade Revolving Fund
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18. Statement of Comparison of Budget and Actual Amounts For The Period

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Public Contributions and Donations	-	-	-	-	-	
Transfers From County Govt.	-	-	-	-	-	0%
Interest Income	3,784,796	-	3,784,796	422,942	3,361,854	11%
Other Income	-	-	-	-	-	0%
Total Income	3,784,796	-	3,784,796	422,942	3,361,854	11%
Expenses						
Fund Administration Expenses	-	-	-	-	-	0%
General Expenses	-	-	-	-	-	0%
Finance Cost	15,000	-	15,000	180	14,820	0%
Total Expenditure	15,000	-	15,000	180	14,820	1%
Surplus For the Period				422,762		
Capital expenditure	-	-	-	-	-	

Budget notes

1. *There was no any expenditure since there was no board in place to sanction any activities that will require usage of funds. IPSAS 24.14*
2. *There were no changes between original and final budget due to reallocations or other causes. (IPSAS 24.29)*

**Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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*

19. Notes to the Financial Statements

1. General Information

Kwale County Trade Revolving Fund is established by and derives its authority and accountability from the Kwale Trade Revolving Fund Act of February 2021. The entity is wholly owned by the Kwale County Government and is domiciled in Kenya. The entity's principal activity is to advance loans (low cost credit) to business people within the county which is repayable within Twenty-Four (24) months.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

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

Kwale County Trade Revolving Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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

**Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

<p>Other improvements to IPSAS</p>	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
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(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
<p>IPSAS 43</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

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Annual Report and Financial Statements for the year ended June 30, 2023

	Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
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(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022-2023 was approved by the County Assembly on 30 June 2021. 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. However the Fund did not record any additional appropriations during the FY 2022-2023.

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.

Kwale County Trade Revolving Fund
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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 14 in page 1 of these financial statements.

c) Property, plant and equipment

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

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(entity to amend appropriately)* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

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

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note* .

Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

g) Inventories

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

h) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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.

**Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

6. Notes to The Financial Statements

1. Public contributions and donations

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County on Behalf Of The Fund	-	-
Unconditional Development grants	-	-
Total	-	-

3. Fines, penalties and other levies

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

(Provide brief explanation for this revenue)

4. Interest income

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Interest Income from Mortgage Loans	-	-
Interest Income From Car Loans	-	-
Interest Income From Investments in financial assets	3,850,434	3,698,758
Interest Income On Bank Deposits	-	-

Kwale County Trade Revolving Fund**Annual Report and Financial Statements for the year ended June 30, 2023**

Total Interest Income	3,850,434	3,698,758
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(Provide brief explanation for this revenue)

Notes to the Financial Statements Continued**5. Other income**

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

(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. Disclose write backs if any or recoveries from write offs).

6. Employee Costs

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other (Specify)	-	-
Total	-	-

7. Use of Goods and Services

Description	FY2022/2023	Insert Previous FY
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	-	-
Bank Charges	-	-

Kwale County Trade Revolving Fund
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Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other (<i>Specify</i>)	-	-
Social benefit expenses*	-	-
Total	180	120

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42

8. Depreciation and Amortization Expense

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

9. Finance costs

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
Bank Charges	180	120
Total	180	120

10. Gain/(loss) on disposal of assets

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

Kwale County Trade Revolving Fund

Annual Report and Financial Statements for the year ended June 30, 2023

11. Gain/ (loss) on Fair Value Investments

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
Total Gain	-	-

12. Cash and cash equivalents

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Car Loan Account	-	-
County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	29,048,179	27,498,247
Cash in hand	-	300,000
Total Cash And Cash Equivalents	29,048,179	27,798,247

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements Continued

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

Financial Institution	Account number	FY2022/2023	FY2021/2022
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
Sub- Total		-	-
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) Current Account			
Kenya Commercial Bank		-	-
Equity Bank	158-0263360-237	29,048,179	27,498,247
Sub- Total	-	29,048,179	27,498,247
d) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	300,000.00
Sub- Total		-	300,000.00
Grand Total		29,048,179	27,798,247

13. Receivables from exchange transactions

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Current Receivables		
Interest Receivable	3,346,582	3,286,433
Current Loan Repayments Due	-	-
Other Exchange Debtors	-	-
Less: Impairment Allowance	(-)	(-)
Total Current Receivables	3,346,582	3,286,433
Non-Current Receivables		
Accrued interest receivable from long-term loans of previous years	36,315,224	33,028,792
Long Term Loan Repayments Due	74,943,561	75,695,910
Total Non- Current Receivables	111,258,785	108,724,702

Kwale County Trade Revolving Fund**Annual Report and Financial Statements for the year ended June 30, 2023**

Total Receivables From Exchange Transactions	114,605,367	112,011,135
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Additional disclosure on interest receivable

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	3,346,582	3,286,433
Accrued interest receivable from of long-term loans of previous years	36,315,224	33,028,792
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	74,943,561	75,695,910
Current portion of long-term loans issued in the current year	-	-

14. Prepayments

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	(-)	(-)
Other Prepayments	-	-
Total	-	-

15. Inventories

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories	-	-
Total Inventories at The Lower of Cost and Net Realizable Value	-	-

Notes to the Financial Statements Continued

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

16. Investments in financial assets

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b. Investment with Financial Institutions/ Banks		
Bank	-	-
Bank	-	-
Sub- total	-	-
c. Equity investments		
Equity/ shares in Entity	-	-
Sub- total	-	-
Grand total	-	-

(Entity should disclose whether the fixed investment financial assets are measured at amortised cost or at fair value through changes in net assets/ equity) Investments in equity should be measured at fair value through surplus or deficit. Other information to be disclosed includes: the interest rates, maturity dates, valuation methodology, and impairment of these investments.

Movement of Equity Investments

Impairment allowance/ provision	FY2022/2023	FY2021/2022
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	(-)	(-)
Gain/(loss) in fair value of investments through surplus or deficit	-	-
At the end of the year	-	-

e) Shareholding in other entities

For investments in equity share listed above, list down the equity investments under the following categories:

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		FY2022/2023	FY2021/2022
	%	%	%	Kshs	Kshs	Kshs
Entity	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0

Kwale County Trade Revolving Fund**Annual Report and Financial Statements for the year ended June 30, 2023****Notes To The Financial Statements (Continued)****17. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2022	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	(-)	(-)	-	-	(-)
Transfers/Adjustments	-	(-)	-	(-)	(-)
At 30th June 2022	-	-	-	-	-
At 1st July 2023					
Additions	-	-	-	-	-
Disposals	(-)	-	-	-	(-)
Transfer/Adjustments	(-)	-	-	(-)	(-)
At 30th June 2023	-	-	-	-	-
Depreciation And Impairment					
At 1st July 2022	(-)	(-)	-	-	-
Depreciation	(-)	(-)	-	-	-
Impairment	(-)	-	-	-	(-)
At 30th June 2022	-	-	-	-	-
At 1st July 2023					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June 2023	-	-	-	-	-
Net Book Values					
At 30th June 2022	-	-	-	-	-
At 30th June 2023	-	-	-	-	-

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

18. Intangible assets

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Cost		
At Beginning of The Year	-	-
Additions	-	-
At End of The Year	-	-
Amortization And Impairment		
At Beginning of The Year	-	-
Amortization	-	-
At End of The Year	-	-
Impairment Loss	-	-
At End of The Year	-	-
NBV	-	-

19. Investment Property

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
At beginning of the year	-	-
Additions		
Disposal during the year	(-)	(-)
Depreciation	(-)	(-)
Impairment	(-)	(-)
Gain/(loss) in fair value (if fair value is elected)	-	-
At end of the year	-	-

(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should not be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.). Entity should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.

Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

20. Trade and other payables from exchange transactions

Description	FY2022/2023		FY2021/2022	
	Kshs		Kshs	
Trade Payables	-		-	
Refundable Deposits	-		-	
Accrued Expenses	-		-	
Other Payables	11,410.00		17,500.00	
Total Trade and Other Payables	11,410.00		17,500.00	
Ageing analysis (Trade and other payables)	FY2022/23	% of the Total	FY2021/2022	% of the Total
Under one year	-	0%	4,000	23%
1-2 years	4,000	35%	13,500	77%
2-3 years	7,410	65%	-	0%
Over 3 years	-	0%	-	0%
Total	11,410	100%	17,500	100%

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

21. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning Of The Year	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	(-)	(-)	(-)	(-)
Change Due To Discount And Time Value For Money	(-)	(-)	(-)	(-)
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End of The Year	-	-	-	-

**Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Notes To The Financial Statements (Continued)

22. Borrowings

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	(-)	(-)
Repayments Of Domestic Borrowings During the Period	(-)	(-)
Balance At End of The Period	-	-

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

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From Organization'	-	-
Sterling Pound Denominated Loan From Organization'	-	-
Euro Denominated Loan from Organization'	-	-
Domestic Borrowings	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End of The Year	-	-

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

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

(NB: the total of this statement should tie to note 22 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). Borrowings should be measured at amortised cost as per IPSAS 41)

Kwale County Trade Revolving Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	FY2022/2023	FY2021/2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

24. Social Benefit Liabilities

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non-current social benefits	-	-
Total (tie to totals above)	-	-

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.

**Kwale County Trade Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Notes To the Financial Statements (Continued)

25. Cash generated from operations.

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	3,850,254	3,698,638
Adjusted For:		
Depreciation	-	-
Amortisation		
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	(3,346,582)	(3,286,433)
Increase/ (Decrease) In Payables	(6,090)	4,000
Net Cash Flow From Operating Activities	497,582	416,205

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

Notes To The Financial Statements (Continued)

26. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

Other Disclosures Continued

e) Due to related parties

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

27. Contingent assets and contingent liabilities

Contingent Liabilities	FY2022/2023	FY2021/2022
	Kshs	Kshs
Court Case Against the Fund	-	-
Bank Guarantees	-	-
Total	-	-

(Give details)

Notes To The Financial Statements (Continued)

28. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables From Exchange Transactions	114,605,366	114,605,366	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	29,048,179	29,048,179	-	-
Total	143,653,546	143,653,546	-	-
At 30 June 2022				
Receivables From Exchange Transactions	112,011,135	112,011,135	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	27,798,247	27,798,247	-	-
Total	139,809,382	139,809,382	-	-

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

Notes To The Financial Statements (Continued)

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

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

b) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

Notes To The Financial Statements (Continued)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

Description	Other currencies		
	Kshs	Kshs	Total Kshs
At 30 June (Current FY)			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

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.

Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
(Current FY)			
Euro	10%	-	-
USD	10%	-	-
(Comparative FY)			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs. (2022: Kshs.). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs. (2021 – Kshs.).

Notes To The Financial Statements (Continued)

d) Capital risk management.

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

Description	Current FY	Comparative FY
	Kshs	Kshs
Revaluation reserve	98,793,879	98,793,879
Revolving fund	-	-
Accumulated surplus	44,848,257	40,998,003
Total funds	143,642,136	139,791,882
Total borrowings	-	-
Less: cash and bank balances	(29,048,179)	(27,798,247)
Net debt/(excess cash and cash equivalents)	(29,048,179)	(27,798,247)
Gearing	-20.22%	-19.89%

29. Events after the reporting period

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

30. Ultimate and Holding Entity

The entity is a County Public Fund established by Kwale County Trade Revolving Fund Act 2020 under the Ministry of Tourism, Trade and Enterprise Development. Its ultimate parent is the County Government of Kwale.

31. Currency

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

20. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.1 of 2022	Long overdue uncollected loans amount Kshs 108,724,702	True the amount of uncollected loans is huge, however management will come up with practical strategy and budget to ensure that the amount will be recovered	Not Resolved	By December 2026
4.2 of 2022	Failure to renew term for the Kwale County Trade Revolving Fund Committee	The new CECM has submitted the names to the county assembly for vetting.	Not Resolved	By January 2024

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Fund responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Fund Administrator

Date.....30/11/2023.....

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Annex II: Inter-Fund Confirmation Letter
[Insert your Letterhead]

[Insert name of beneficiary Fund]


[Insert Address]

The [insert SC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 th June 2023				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

No funds were disbursed/received by the fund.

Fund Administrator

Name KASSIM A DZWARO Sign  Date 30/11/2023

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Annex III: Reporting of Climate Relevant Expenditures

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

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Annex IV: Reporting on Disaster Management Expenditure

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