

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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THE AUDITOR-GENERAL

ON

**BUSIA COUNTY AGRICULTURAL
DEVELOPMENT FUND**

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



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BUSIA COUNTY AGRICULTURAL DEVELOPMENT 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)

Busia County Agricultural Development 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
BOT	Board of Trustees
ADF	Agricultural Development Fund

2. Key Entity Information and Management

a) Background information

The Fund's principal activity is to finance agriculture in the County by supporting strategic farming interventions with high potential for enhancing productivity, value addition, quality improvements and marketing. The Fund is established by and derives its authority and accountability from the Busia County Agricultural Development Fund Act, 2014 on 16th May 2014. The Fund is wholly owned by the County Government of Busia and is domiciled in Kenya.

The fund's objective is to;

- i) Provide funding for eligible intervention to cover the agricultural sector, fisheries, livestock and veterinary services.
- ii) Promote county agricultural productivity and marketing through strengthening producer organizations, streamlining and facilitating bulk supply of inputs to farmers, pastoralists and fisher folks including fertilizers, certified seeds, agro chemicals, animals breeding, animal and fish drugs and feeds, artificial insemination services and fishing gears among others.
- iii) Soil testing and soil fertility management in clustered areas of farmers' associations.
- iv) Gather, package and disseminate agribusiness related information pertaining to key elements of value chain across various sector enterprises including but not limited to agronomic and market information.
- v) Promote core value addition infrastructural development.
- vi) Promote high value agricultural, livestock and fisheries products such as oil crops, newly emerging high value crops, animals and poultry.

The fund also encouraging farmers to apply from other loaning institutions such as banks.

The Fund's principal activity is providing loaning services to the members of the farming community who qualify at an interest rate of 5% per annum. The loans are solely intended to for activities that spur agribusiness activities in the county.

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j) Principal Legal Adviser




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

k) County Attorney

The office of County Attorney
P.O Box Private Bag
Busia




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3. Board of Trustees

Name	Details of qualifications and experience
 <p>MR. CHARLES P. EKUME</p>	<p>Chairperson Dob: 5th October 1971 Education: Bsc in Agribusiness Management Experience: Supervisor at Mastermind Tobacco 1997-2003 and Project Manager Alliance One Tobacco 2007-2014.</p>
 <p>MR. FAUSTIN OUNOI</p>	<p>Chief Officer Agriculture Dob: Education: Master's in Project Planning & Management Experience: Chief officer Agriculture, Program Social Scientist, Project Manager, Project Implementation and facilitator.</p>
 <p>MR. JOHN AFANDA</p>	<p>Fund Accountant Dob: 23rd July 1984 Education: Bcom (Finance Option), CPA K, CS Finalist. Experience: Accountant with Busia County, Internal Auditor with CFG Ltd, External Auditor with DMC Associates and Accounts assistant with safari Park Sacco Ltd.</p>



Busia County Agricultural Development Fund

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<p>MR. RODGERS SEKWE</p> 	<p>County Solicitor DOB 27th Dec 1983. Academic Qualification: Bachelor Law Degree LLB Hons University of Nairobi Work Experience; Admitted to the Bar 2009 and worked with Private Firms till 2012 Joined state Counsel 2013 and on secondment in the County Government of Busia since 2019.</p>
<p>Ms. EVERLYN A. DINDI</p>	<p>Vice Chairperson Dob: 1st January 1967 Education: Bsc in Agriculture 2013 and Msc in Business Administration 2013. Experience: Outgrower Manager 2018 and Field Superintendent</p>
 <p>MR. ROBERT K. MUREGA</p>	<p>Member Dob: 24th November 1960 Bsc. in Agribusiness Management. Experience: Over 30 years in provision of agricultural extension services.</p>
 <p>MR. BENJAMIN ONYANCHA</p>	<p>Director/Fund Administrator Dob: 5th June 1971 Education: Bsc Agriculture and Msc Agronomy. Experience: over 20 years in provision of agricultural extension services and 5 years as Director/Fund Administrator ADF.</p>

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4. Management Team

Name	Details of qualifications and experience
 <p>1. MR. BENJAMIN ONYANCHA</p>	<p>Director/Fund Administrator Dob: 5th June 1971 Education: Bsc Agriculture and Msc Agronomy. Experience: over 20 years in provision of agricultural extension services and 5 years as Director/Fund Administrator ADF.</p>
 <p>2. MR. JOHN AFANDA</p>	<p>Fund Accountant Dob: 23rd July 1984 Education: Bcom (Finance Option), CPA K, CS Finalist. Experience: Accountant with Busia County, Internal Auditor with CFG Ltd, External Auditor with DMC Associates and Accounts assistant with safari Park Sacco Ltd.</p>

Busia County Agricultural Development Fund
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5. Fund Chairperson's Report

Changes in the Fund during the year

There have not been any changes in the Fund during the year.

Review of the Fund's performance

Loan repayment stands at 23%.

Future outlook of the Fund

Loan repayment which now stands at Ksh.4, 367,767.59 after two withdrawals and disbursements to farmers worth Ksh. 9,500,000 can also be used as a revolving funds as was intended during its inception. The demand for loans from the farming community is very high indicating the Fund is of importance to our clients.

A conclusion

Timely release of funds from Treasury and in each quarter during the financial year can enable the Fund achieve its mandate. The Fund has introduced a PAYBILL NO. 222121 at our Family Bank, Busia Branch which is expected to improve repayment as it drastically reduces the cost of repayment transactions for the loaned clients.



CHARLES PAPA EKUME

Chairperson of the Board/Fund

6. Report of The Fund Administrator

Changes in the Fund during the year

There have not been any changes in management team of the fund during the year.

Review of the Fund's performance

ADF funded a number of enterprises which include;

Fish farming

Poultry farming

Livestock farming (Dairy farming)

Crop farming (Green maize, tomatoes, local vegetables, ground nuts)

The main challenges experienced by the Fund include the following

Busia County Agricultural Development Fund never received its allocation of Ksh. 5,000,000 during the current financial year.

Late disbursement of the funds by Treasury

High demand for loans from farming community.

Some farmers do not understand Agribusiness concepts.

Low repayment from the loaned clients

Recommendations

County Treasury to prioritise disbursement of funds on quarterly basis.

County Assembly to increase allocation of funds to ADF to meet the ever-increasing demand of loans by farmers of at least Kshs. 20,000,000 per year and not the Kshs. 5,000,000 allocated for the Financial year 2022/23.

Sensitization of farmers on agribusiness concepts by department of agriculture and animal resources.

Improvement in loan recovery by use of partners such County Administration (at Sub County, Ward and Village)

Future outlook of the Fund

Loan repayment which now stands at Ksh.4, 367,767.59 after two withdrawals and disbursements to farmers worth Ksh. 9,500,000 can also be used as a revolving funds as was

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intended during its inception. The demand for loans from the farming community is very high indicating the Fund is of importance to our clients.

Conclusion

Timely release of funds from Treasury and in each quarter during the financial year can enable the Fund achieve its mandate. The Fund has introduced a PAYBILL NO. 222121 at our Family Bank, Busia Branch which is expected to improve repayment as it drastically reduces the cost of repayment transactions for the loaned clients.

Signed: _____



Benjamin Onyancha
Fund Administrator

Busia County Agricultural Development Fund

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

Introduction

Busia County Agricultural Development Fund (ADF) has its strategic objectives derived from ADF Strategic Plan 2017-2022. The objectives are;

1. Facilitate easy access of affordable ADF loans to all eligible county farmers.
2. Create an enabling environment for expanded ADF lending structure targeting gender parity through review of the current legal framework.
3. Improve county farmers' access to information about ADF and its functions.
4. Promote market-oriented production by adopting a value chain approach in the application of agribusiness concept.
5. Facilitate increased agricultural growth and economic development through advisory support service and technology adoption by ADF loanees.

Some of the challenges for the Fund has been non-funding since 2019-2020 FY. This has made it difficult to promote a market-oriented production by a value chain approach since we have to work in collaboration with other stakeholders and staff of department of agriculture and animal resources which require a lot of resources. Low repayment of loans that stands at 23% is compounded by weak legislation within the Busia County Agricultural Development Fund Act, 2014 that has yet to be amended. The proposed amendment is at the Busia County Assembly since 2017.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Busia County Agricultural Development Fund	Facilitates easy access of affordable ADF loan to all eligible farmers in the county.	Increased food production, creating of on-farm employment	Increase of loaned farmers by 188 to 2,000 since initial loans were issued on 24 th March 2016.	A total of 188 eligible farmers were awarded loans amounting Kshs. 3,760,000. Repayment was Ksh.557,315 for 2022/23 FY.
	Create an enabling environment for expanded ADF lending structure targeting gender parity through review of the current legal framework.	Amendment of Busia County Agricultural Development Fund Act, 2014.	Busia County agricultural Development Fund Bill, 2021 is in place.	The ADF Bill is still with the Busia County Assembly. Its yet to become an Amended Act (law) for use by ADF.
	Improve county farmers' access to information	The Fund is able to reach its clients through individual farm	Over 90% of loaned farmers are reached through calls and	Loan repayment increased from Ksh. 2,000 in July per month to

Busia County Agricultural Development Fund
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	about ADF and its functions	visits and farmer group visits and trainings.	sms using ADF phone No. 0743957788 and loan repayment is done using Paybill no. 222121	Ksh. 232,130 in June (end of the Financial year)
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8. Corporate Governance Statement

The number of Board/Trustee meetings held and the attendance to those meetings by members

The Board of Trustees held 5 Board meetings and the 7 members attended all the meetings.

Succession plan

The current Board of Trustees were appointed on 6th April 2021 for a five-year term as provided by section 6 (1) (e) of the Busia County Agricultural Development Fund Act, 2014.

Existence of a board/trustee charter

ADF does not have a board charter.

Process of appointment and removal of trustees

The appointment of Board Members is done through advertisement in the daily newspapers, shortlisted and interviewed by the Public Service Board. The names of those who qualify are forwarded to the County Committee Member responsible for agriculture for appointment. Appointment is for a term of five (5) years only renewable for only one further term. A person who qualifies for appointment shall;

- a. Be a holder of a degree from a university recognized in Kenya.
- b. Have at least five (5) years professional experience in the relevant field; and
- c. Meet the requirements of leadership and integrity as provided in Chapter 6 of the Constitution or relevant national legislation.

Roles and functions of the Board/Trustees

- a. providing strategic guidance and oversight to the Fund.
- b. Implement policies of the county government on agricultural sector funding.
- c. Ensure that all projects funded under ADF Act are consistent with the county's priorities specified in the relevant policy documents on county agricultural development and financing.
- d. Authorize allocations from the Fund.
- e. Formulate and approve standards, guidelines and procedures for funding under ADF Act, 2014.
- f. Approve the organizational structure of the Fund.
- g. Provide oversight in the utilization of the Fund.
- h. Perform any other function as may be conferred on it by ADF Act, 2014 or any other written law.
- i. Approve annual work-plans and budgets for the Fund and
- j. Advise the county government on any other matters contained in the ADF Act, 2014.

Induction and training

The new board members underwent induction and training between 27th and 29th July 2021. Areas covered included ADF progress since inception, legality of existence of ADF Act, 2014 and ADF Regulations 2015, financial position, support from the department of agriculture and animal resources, Busia County Agricultural Development Fund Bill, 2021,

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Agricultural financing, loan vetting process, policy direction and way forward for the Fund, proposed work-plan and budget for the financial year 2022/2023 among others.

Board and member performance

Conflict of interest

Board/trustee remuneration

Remuneration is done through meeting allowances as provided in Circulars by the Salaries and Remunerations Commission of Kenya (SRC).

9. Management Discussion and Analysis

Busia County Agricultural Development Fund is governed by an Act of County Assembly of Busia, The ADF Regulations, 2015. The said Act and Regulations are used together and are in compliance with the PFM Act, 2012; PFM (County Government) Regulations and Controller of Budget Act, 2012.

ADF funded a number of enterprises which include;

Fish farming

Poultry farming

Livestock farming (Dairy farming)

Crop farming (Green maize, tomatoes, local vegetables, ground nuts etc.)

The main challenges experienced by the Fund include the following;

Late disbursement of the Fund by Treasury.

High demand for loans from farmers.

Some farmers do not understand Agribusiness.

Low repayment from the loaned clients

Recommendations

County Treasury to prioritise disbursement of funds on quarterly basis.

County Assembly increase allocation of funds to ADF to meet the ever increasing demand of loans by farmers.

Sensitization of farmers on agribusiness concepts by department

Improvement in loan recovery by use of partners such County Administration (at Sub County, Ward and Village)

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10. Environmental and Sustainability Reporting

The fund did not undertake any Corporate Social Responsibility (CSR) during the year under review

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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 is financing Agriculture sector in the County by supporting strategic intervention with high potential for enhancing productivity, value addition, quality improvement and marketing.

Results

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

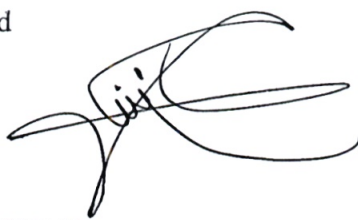
Trustees

The member of the Board of trustees who served during the year is shown in page vi of this report. There were no changes in the board during the financial 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



29/11/2023.

CHARLES PAPAIEKUME

Chair of the Board

Date:

Busia County Agricultural Development 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 a County Public Fund established by The Fund and derives its authority and accountability from the Busia County Agricultural Development Fund Act, 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and is established by and derives its authority and accountability from the Busia County Agricultural Development Fund Act, 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 27/11 2023 and signed on its behalf by:

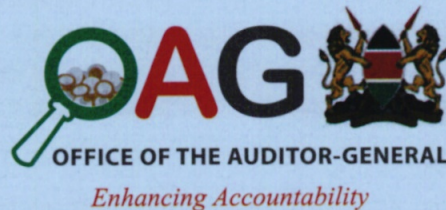
Benjamin N. Onyancha.



Administrator of the County Public Fund

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON BUSIA COUNTY AGRICULTURAL DEVELOPMENT 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 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 Busia County Agricultural Development Fund set out on pages 1 to 44, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

Report of the Auditor-General on Busia County Agricultural Development Fund for the year ended 30 June, 2023

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Busia County Agricultural Development 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 Public Finance Management Act, 2012, and the Busia County Agricultural Development Fund Act, 2014.

Basis for Qualified Opinion

Unrecovered Overdue Loans

The statement of financial position and Note 13 to the financial statements reflects a balance of Kshs.59,077,416 in respect of current portion of long term receivables from exchange transactions which includes an amount of Kshs.47,697,742 relating to current loan repayments due. However, an ageing analysis was not provided to ascertain when the loans were issued and how long the balances had been outstanding.

In the circumstances, the valuation and recoverability of the loans could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects approved budget and actual on comparable basis amounts of Kshs.18,352,326 and Kshs.12,502,996 respectively, resulting to under-funding of Kshs.5,849,330 or 32% of the budget. Similarly, the Fund incurred actual expenditure of Kshs.7,126,720 against approved budget of Kshs.18,352,326 resulting to under-performance of Kshs.11,225,606 or 61 % of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided reasons for the delay in resolving the prior year issues. Further, although Management has indicated in the progress on follow up of auditor's recommendations section of the financial statements that three (3) of the prior year issues have been resolved, no explanation and/or documentary evidence was provided on how the issues were resolved.

In the circumstances, the financial statements have not been prepared according to the requirements of the Public Sector Accounting Standards Board reporting template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of 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 Fund'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 Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund 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

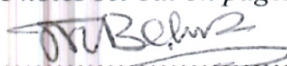
19 December, 2023

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023


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

Description	Note	2022-2023	2021-2022
		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	1,145,819	557,315
Other Income	5	-	-
		-	-
Total Revenue		1,145,819	557,315
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	3,366,720	3,297,684
Depreciation and Amortization Expense	8	253,744	315,883
Finance Costs	9	-	-
Total Expenses		3,620,464	3,613,567
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
Surplus/(Deficit) for the Period		(2,474,645)	(3,056,252)

(The notes set out on pages 9 to 40 form an integral part of these Financial Statements)



Name: Benjamin N. Onyancha
Administrator of the Fund



Name: John Afanda
Fund Accountant
ICPAK Member Number:

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

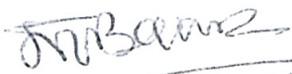
15. Statement of Financial Position As at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	12	6,726,396	12,352,326
Current Portion of Long- Term Receivables From Exchange Transactions	13	59,077,416	55,672,387
Prepayments	14	-	-
Inventories	15	-	-
Investments in financial assets	16	-	-
Total current assets		65,803,812	68,024,713
Non-Current Assets			
Property, Plant and Equipment	17	1,052,490	1,306,234
Intangible Assets	18	-	-
Long Term Receivables from Exchange Transactions	13	-	-
Investment Property	19	-	-
Total non- current assets		1,052,490	1,306,234
Total Assets		66,856,302	69,330,947
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	20	-	-
Current Portion of Borrowings	21	-	-
Employee Benefit Obligations	22	-	-
Social benefit liabilities	23	-	-
Total current liabilities		-	-
Non-Current Liabilities			
Long Term Portion of Borrowings	21	-	-
Non-Current Employee Benefit Obligation	22	-	-
Social benefit liabilities	23	-	-
Total Liabilities		-	-

Busia County Agricultural Development Fund
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Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Net Assets			
Revolving Fund		90,000,000	90,000,000
Reserves		-	-
Accumulated Surplus		(23,143,698)	(20,669,053)
Total Net Assets and Liabilities		66,856,302	69,330,947

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The fund financial statements were approved on 27/11/2023 and signed by:



.....
Name: Benjamin N. Onyancha
Administrator of the Fund



.....
Name: John Afanda
Fund Accountant
ICPAK Member Number:

Busia County Agricultural Development 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	94,500,000	-	(17,612,801)	76,887,199
Surplus/(Deficit) For the Period	-	-	(3,056,252)	(3,056,252)
Funds Received During the Year	(4,500,000)	-		(4,500,000)
Transfers	-		-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	90,000,000	-	(20,669,053)	69,330.947
Balance As At 1 July 2022	90,000,000	-	(20,669,053)	69,330,947
Surplus/(Deficit) For the Period	-	-	(2,474,645)	(2,474,645)
Funds Received During the Year	-	-	-	
Transfers	-	-	-	
Revaluation Gain	-	-	-	
Balance As At 30 June 2023	90,000,000	-	(23,143,698)	66,856,302

Busia County Agricultural Development 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	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received	4	150,671	89,963
Receipts from other operating activities		-	-
Total receipts		150,671	89,963
Payments			
Fund administration expenses	7	3,366,720	3,297,684
General expenses		-	-
Finance cost		-	-
Other payments		-	-
Total Expenditures		3,366,720	3,297,684
Adjustments			
Add: Provision for Depreciation		-	-
Less: Interest receivable		-	-
Net cash flows from operating activities	25	(3,216,049)	(3,207,721)
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	13	1,350,119	834,927
Loan disbursements paid out	13	(3,760,000)	(5,370,000)
Net cash flows used in investing activities		(2,409,881)	(4,535,073)
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		(5,625,930)	(7,742,795)

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Cash and cash equivalents at 1 July 2022		12,352,326	20,095,121
Cash and cash equivalents at 30 June 2023		6,726,396	12,352,326

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						
Balance Brought Forward	12,352,326		12,352,326	12,352,326	-	0% (A)
Transfers from County Govt.	3,000,000	2,000,000	5,000,000	-	5,000,000	0% (A)
Interest Income	1,000,000	-	1,000,000	150,670	849,330	15% (B)
Other Income	-	-	-	-	-	
Total Income	16,352,326	2,000,000	18,352,326	12,502,996	5,849,330	68%
Expenses						
Fund Administration Expenses	6,352,326	2,000,000	8,352,326	3,366,720	4,985,606	60% (C)
Total Expenditure	6,352,326	2,000,000	8,352,326	3,366,720	4,985,606	60%
Surplus for the Period	-	-	-	9,136,276		
Loan Disbursements	10,000,000	-	10,000,000	3,760,000	6,240,000	38% (D)

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

19. Budgetary note for the above utilisation differences.

- A. Failure to receive the budgeted amount Kshs. 5,000,000 during the financial year under review.
- B. The cash received as interest was Kshs. 150,670 even though the total accrued interest during the financial year was Kshs. 1,145,819 and budgeted amount Kshs. 1,000,000.
- C. The budgeted amount for the Administration expenses was not fully utilised as a result of non-funding by the County Government during the financial year and low interest income repayment by farmers.
- D. The budgeted amount of Kshs. 10,000,000 was not fully utilised due to the non-funding by the County Government and low loan repayment rate.

Reconciliation of the variance in Surplus/Deficit as reported in Statement of Comparison of Budget and Actual amounts and Statement of Financial Performance

Surplus amount as per the Budget	9,136,276
Balance Brought forward	(12,352,326)
Depreciation	(253,744)
Interest accrued	995,148
Surplus/(Deficit)	<u>(2,474,646)</u>

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

20. Notes to the Financial Statements

1. General Information

Busia fund is established by and derives its authority and accountability from Busia County ADF Act. The fund is wholly owned by the Busia County Government and is domiciled in Kenya. The fund’s principal activity is to provide loans to farmers/clients for agribusiness activities and recover the same.

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
<p>IPSAS 41: Financial Instruments</p>	<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;

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an 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.

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<p>Applicable 1st January 2023</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>

(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:
IPSAS 43	<p>Applicable 1st January 2025</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>

Busia County Agricultural Development Fund

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

Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>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.</p>

(iii) Early adoption of standards

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

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

1. 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 fund 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 the financial year 2022/23 was approved by the County Assembly. 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 fund upon receiving the respective approvals in order to conclude the final budget.

The Busia County Agricultural Development Fund'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.

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

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

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

The Fund uses reducing balance method in depreciating its assets.

The depreciation rates are as follows:

Furniture and Fittings-12.5%

Motor Vehicle- 20%

Computers- 20%

d) Intangible Assets

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 the period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* 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

Financial assets

Classification of financial assets

The fund 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 fund'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 the fund 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 fund 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.

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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 fund 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 fund 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 fund 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.

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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.

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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.

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.

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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 Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

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 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.

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6. Notes To The Financial Statements

1. Public contributions and donations

Description	2022-2023	2021-2022
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations		
Payments By County On Behalf Of The Entity		
Unconditional Development grants		
Total	-	-

3. Fines, penalties and other levies

Description	2022-2023	2021-2022
	Kshs	Kshs
Late Payment Penalties		
Fines		
Total	-	-

(Provide brief explanation for this revenue)

4. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income from Loans	1,145,819	557,315.00
Interest Income From Car Loans		
Total Interest Income	1,145,819	557,315.00
Less Interest Receivable	995,148	467,352.00
Net Amount disclosed in Cashflows	150,671	89,963.00

Busia County Agricultural Development Fund
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Notes to the Financial Statements Continued

5. Other income

Description	2022-2023	2021-2022
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

6. Employee Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other (<i>Specify</i>)	-	-
Total	-	-

7. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs.
General Office Expenses	87,300	283,900
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	2,007,600	1,814,900
Domestic Travel	618,600	583,500
Electricity And Water Expenses	-	-
Fuel And Oil Costs	200,000	200,000
Maintenance of other Assets	67,660	77,348
Postage And Courier	-	-
Printing And Stationery	45,200	61800

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Description	2022-2023	2021-2022
	Kshs.	Kshs.
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	163,000	148,500
Bank Charges	6,560	6,560
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other operating expenses	170,800	121,176
Social benefit expenses*		
Total	3,366,720	3,297,684

8. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Property Plant and Equipment	253,744	315,883
Intangible Assets	-	-
Total	253,744	315,883

9. Finance costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

11. Gain/ (loss) on Fair Value Investments

Description	2022-2023	2021-2022
	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	2022-2023	2021-2022
	Kshs	Kshs
Main Account	2,358,627	5,485,347
Repayment Account	4,367,769	6,866,979
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others (<i>Specify</i>)	-	-
Total Cash And Cash Equivalents	6,726,396	12,352,326

Busia County Agricultural Development 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	2022-2023	2021-2022
		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			
Family Bank (Main)	079000028508	,2,358,627	5,485,347
Family Bank (Repayment)	079000036894	4,367,769	6,866,979
Sub- Total		6,726,396	12,352,326
d) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		-	-

13. Receivables from exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
Interest Receivable	11,379,674	10,384,526
Current Loan Repayments Due	47,697,742	45,287,861
Less: Impairment Allowance	-	-
Total Current Receivables	59,077,416	55,672,387
Repayment during the year		
Loans Opening Balance	45,287,861	-
Add: Loans disbursed during the year	3,760,000	-
Less: Current Loan Repayments Due	(47,697,742)	-
Total principal repayment during the year	1,350,119	-

Notes to the Financial Statements Continued

Busia County Agricultural Development Fund

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Additional disclosure on interest receivable

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	10,384,526	9,917,174
Accrued interest receivable from of long-term loans of previous years	995,148	467,352
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due	11,379,674	10,384,526
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

14. Prepayments

Description	2022-2023	2021-2022
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (<i>Specify</i>)	-	-
Total	-	-

15. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (<i>Specify</i>)	-	-
Total Inventories at The Lower of Cost and Net Realizable Value	-	-

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements Continued

16. Investments in financial assets

Description	2022-2023	2021-2022
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b. Investment with Financial Institutions/ Banks		
Bank x	-	-
Bank y	-	-
Sub- total	-	-
c. Equity investments (specify)		
Equity/ shares in Entity xxx	-	-
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	2022-2023	2021-2022
	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			
	%	%	%	Kshs	Current year Kshs	Prior year Kshs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

Busia County Agricultural Development Fund

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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 1 st July 2021	-	4,895,000	215,591	122,300	5,232,891
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30 th June 2022	-	4,895,000	215,591	122,300	5,232,891
At 1 st July 2022					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30 th June 2023	-	4,895,000	215,591	122,300	5,232,891
Depreciation And Impairment					
At 1 st July 2021	-	3,428,525	101,715	80,534	3,610,774
Depreciation	-	293,295	14,235	8,353	315,883
Impairment	-	-	-	-	-
At 30 th June 2022	-	3,721,820	115,950	88,887	3,926,657
At 1 st July 2022					
Depreciation	-	234,636	12,455	6,683	253,774
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30 th June 2023	-	3,956,456	128,405	95,570	4,180,431
Net Book Values					
At 30 th June 2022	-	1,173,180	99,642	33,413	1,306,234
At 30 th June 2023	-	938,544	87,186	26,730	1,052,460

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Notes To The Financial Statements (Continued)

22. Borrowings

Description	2022-2023	2021-2022
	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	-	-

Description	2022-2023	2021-2022
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z 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	-	-

Description	2022-2023	2021-2022
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

Busia County Agricultural Development Fund
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Notes To The Financial Statements (Continued)

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

24. Social Benefit Liabilities

Description	2022-2023	2021-2022
	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)	-	-

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Notes To The Financial Statements (Continued)

25. Cash generated from operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(2,474,645)	(3,056,252)
Adjusted For:		
Depreciation	253,744	315,883
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	(1,145,819)	(557,315)
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	150,671	89,963
Increase In Payables	-	-
Net Cash Flow From Operating Activities	(3,216,049)	(3,207,721)

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	2022-2023	2021-2022
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

Description	2022-2023	2021-2022
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	2022-2023	2021-2022
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

Other Disclosures Continued

e) Due to related parties

Description	2022-2023	2021-2022
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

27. Contingent assets and contingent liabilities

Contingent Liabilities	2022-2023	2021-2022
	Kshs	Kshs
Court Case Xxx Against the Fund	-	-
Bank Guarantees	-	-
Total	-	-

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 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

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

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

b) Liquidity risk management

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

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

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	Total
	Kshs	Kshs	Kshs
At 30 June 2023			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables	-	-	-
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

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
2022-2023			
Euro	10%	-	-
USD	10%	-	-
2021-2022			
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 1,145,819 (2022: Kshs 559,315).

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	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	90,000,000	90,000,000
Accumulated surplus/Deficit	(23,143,698)	(20,669,053)
Total funds	66,856,302	69,330,947
Total borrowings	-	-
Less: cash and bank balances	(6,726,396)	(12,352,326)
Net debt/(excess cash and cash equivalents)	(6,726,396)	(12,352,326)
Gearing	100%	100%

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 Busia County Agricultural Development Fund Act 2014 under the Ministry of Agriculture. Its ultimate parent is the County Government of Busia.

31. Currency

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

21. 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)
1.	<p>The statement of financial performance indicates that the Fund recorded a deficit of Kshs.3,056,252 during the year under review raising the cumulative deficit to Kshs.20,669,053 (2021: Kshs.17,612,801). Management has mainly attributed the deficit to delayed funding by the County Government. The Fund's financial statements have, therefore, been prepared on a going concern basis on the assumption of continued financial support from its bankers, creditors and the County Government.</p>	<p><i>The management hereby would like to state that advanced measures are underway to have the County Treasury disburse the allocation awarded in the Budget Financial Year 2022/2023 Also, the management hereby would like to confirm that measures have been taken to amend the regulation in order to give mandate to the management to ensure follow up on defaulters is undertaken and recoveries done promptly.</i></p>	Resolving	
2.	<p>The statement of financial position and as disclosed in Note 11 to the financial statements reflects a balance of Kshs.12,352,326 in respect of cash and cash equivalents which, comprise of balances in two bank accounts maintained in a local bank. However, a bank reconciliation statement for the month of June, 2022 for the loan repayment account reflects receipts in bank statements not recorded in the cash book totaling Kshs.354,757 which relate to the period between</p>	<p><i>The Management would like to clarify that the Kshs. 354,757 are monies deposited to the bank account by our loanees who have not yet claimed payment for proper record keeping. However, the management has since updated the cashbook to reflect the amounts mentioned.</i></p>	Resolved	

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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)
	<p>June, 2016 and May, 2021. No explanation was provided for the failure to update the cash book with the long outstanding receipts.</p> <p>Further, the bank reconciliation statement also reflects receipts in cash book not recorded in bank statements totaling Kshs.45,801 which have remained outstanding since 2018. No explanation was also provided for the failure to bank the receipts since 2018.</p> <p>In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.12,352,326 could not be confirmed.</p>	<p><i>The management hereby also states that the Kshs. 45,801 which was recorded in the cashbook in the Financial Year 2017/2018 was money repaid through the sub county extension officers. However, the management has since centralized all payments to the Head Office through a Pay bill No: 222121at Family Bank to avoid such incidences</i></p>		
3.	<p>The statement of financial position and as disclosed in Note 12 to the financial statements reflects a balance of Kshs.55,672,387 in respect of current portion of long-term receivables from exchange transactions which, comprises of Kshs.10,384,526 and kshs.45,287,861 relating to interest receivable due and loan repayments due respectively. However, the interest receivable due balance of Kshs.10,384,526 includes a balance brought forward from 2020/2021 of Kshs.9,917,174 while the loan repayments due balance of Kshs.45,287,861 includes a balance brought forward from 2020/2021 of kshs.40,669,962. No explanation was provided for the failure to recover the long outstanding loans and related interest. Further, no provision has been made in these financial</p>	<p><i>The management hereby states that the outstanding loan arrears are as a result of grey areas in the ADF Act 2014 that doesn't give the management mandate to enforce recoveries. However, the current Board of Trustees had a special meeting with CECM, Agriculture, Livestock, Fisheries, Climate Change, Blue Economy and Agribusiness and presented the resolutions of the Board on ways of putting measures to recover the outstanding loan arrears and further loan disbursements.</i></p>		

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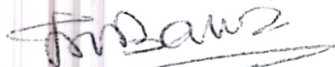
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>statements to mitigate the apparent non-recovery of the loans. In the circumstances, the fair valuation and recoverability of the outstanding loans balance of Kshs.55,672,387 as at 30 June, 2022 could not be confirmed.</p>			
4.	<p>The statement of changes in net assets reflects, under accumulated surplus, a balance of Kshs. (25,215,711) as at 1 July, 2020 and a surplus for that period of Kshs.7,558,664 resulting to a closing balance of Kshs.(17,612,801) as at 30 June, 2021 instead of a correctly tabulated balance of Kshs.(17,657,047). Consequently, the statement reflects a balance of Kshs. (20,669,053) as at 30 June, 2022 instead of the correctly tabulated balance of Kshs. (20,713,299). In the circumstances, the accuracy of the statement of changes in net assets could not be confirmed. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Busia County Agricultural Development Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I</p>	<p><i>The audited financial statements FY 2020/21 reported a closing balance of Kshs. (17,612,801) which was later reported as the opening balance for FY 2021/22 and not Kshs. (17,657,047) as indicated.</i></p>	Resolved	

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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)
	believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.			

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.



Director/Fund Administrator
BENJAMIN N. ONYANCHA

Date.....27/11/2023.....

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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 20xx 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 <i>[Insert name of beneficiary Fund]</i> as at 30 th June 20xx							
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (Kshs) as at 30 th June 20xx			Total (D)=(A+B+C)	Amount Received by <i>[beneficiary Fund]</i> (KShs) as at 30 th June 20xx (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)			
Total							

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

Head of Accountants department of beneficiary Fund:

Name SignDate

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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