

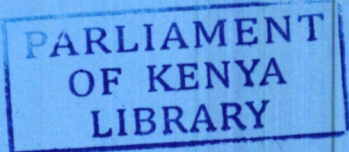
REPUBLIC OF KENYA



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**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

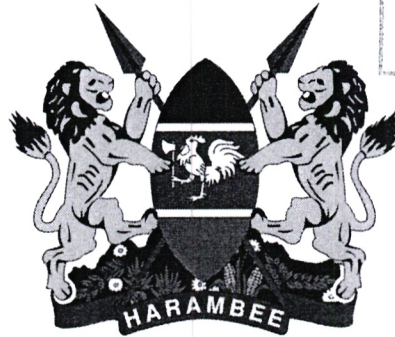
**LAMU COUNTY DISABILITY FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

OFFICE OF THE AUDITOR GENERAL  
NORTH EASTERN REGIONAL OFFICE

22 DEC 2022

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**LAMU COUNTY DISABILITY FUND**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2022**

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

**Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

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**1. Key Entity Information and Management**

**a) Background information**

Lamu County Disability Development Fund is established by and derives its authority and Lamu County Disability Development Fund is established by and derives its authority and accountability from Lamu County Disability Development Act in 2018. The Fund is fully owned by the County Government of Lamu and is domiciled in Kenya.

The fund's objective is to unlock the people living with disability potential for sustainable and wealth creation and development.

The Fund's principal activity is to provide funds for economic empowerment to person living with disability.

**b) Principal Activities**

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

- a) Providing access to capital and financial facilities to the small and medium enterprises owned by the people with disabilities.
- b) Providing access to capital and financial facilities to the civil societies comprised of the people with disabilities.
- c) Spurring socio-economic development of people with disabilities.
- d) Supporting people with disabilities' small and medium enterprises and civil societies to develop linkages with larger enterprises, national and international funding organizations.
- e) Marketing products of small and medium enterprises for the people with disabilities.
- f) Supporting entrepreneurship training for small and medium enterprises to groups benefitting from the Fund.

**c) Fund Administration Committee**

Ref	Name	Position
1	Mr. Joseph Nganga Kuria	Chief Officer Youth, Gender, Sports – Fund Administrator
2	Mr. Fadhil Maamun Ali	Chief Officer – Finance, Economy and Strategic Planning
2	Mrs. Firdaus Mohamed	Member
4	Mr. Mohamed Faraj	Member

d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Joseph Nganga Kuria
2	Chief Officer Finance	Mr. Fadhil Maamun Ali
2	Fund Accountant	Mr. Ahamed Olow

***Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022***

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**e) Registered Offices**

County Government of Lamu  
P.O. Box 74- 80500  
Mokowe, Lamu.

**f) Fund Contacts**

Telephone: (254) 726 582 387  
E-mail: [josenganga051@gmail.com](mailto:josenganga051@gmail.com)  
Website: [www.lamucounty.go.ke](http://www.lamucounty.go.ke)

**g) Fund Bankers**

Cooperative Bank of Kenya limited




**h) Independent Auditors**

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

**i) Principal Legal Adviser**

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

**2. The Board of Trustees (or any other governing body for the Fund)**

Name	Details of qualifications and experience
 <p><b>Mrs. Firdaus Mohamed</b></p>	<p><b>Personal Details</b></p> <p><b>Date of birth:</b> 25.02.1970</p> <p><b>Academic:</b> Primary Education</p> <p><b>Professional:</b> Business woman</p> <p><b>Work experience:</b> 5 yrs</p> <p><b>Chairman:</b> Independent:</p>
 <p><b>Mr. Mohamed Faraj Mohamed</b></p>	<p><b>Personal Details</b></p> <p><b>Date of birth:</b> 05.10.1979</p> <p><b>Academic:</b> Primary Education</p> <p><b>Professional:</b> Businessman</p> <p><b>Work experience:</b> 5 yrs</p> <p><b>Member:</b> Independent:</p>
 <p><b>Mr. Joseph Nganga Kuria</b></p>	<p><b>Personal Details</b></p> <p><b>Date of birth:</b> 24.12.1967</p> <p><b>Academic:</b> Doctor of Philosophy</p> <p><b>Professional:</b> Sociologist</p> <p><b>Work experience:</b> 15 yrs</p> <p><b>Fund Manager:</b> Independent:</p>

**Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

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**Mr. Fadhil Maamun Ali**

**Personal Details**

**Date of birth:** 17.05.1980  
**Academic:** Masters of Arts in Project Planning and Management  
**Professional:** Accountant  
**Work experience:** Over 19 years Working Experience  
**Member:** Independent:

**3. Management Team**

Name	Details of qualifications and experience
 <b>Mr. Joseph Nganga Kuria</b>	<b>Personal Details</b> <b>Date of birth:</b> 24.12.1967 <b>Academic:</b> Doctor of Philosophy <b>Professional:</b> Sociologist <b>Work experience:</b> 15 years <b>Fund Manager:</b> Independent:
 <b>Mr. Fadhil Maamun Ali</b> <b>Chief Officer- Finance</b>	<b>Date of birth:</b> 09.04.1980 <b>Academic:</b> Masters of Arts in Project Administration <b>Professional:</b> Accountant <b>Work experience:</b> 10 years <b>Member:</b> Independent
 <b>Mr. Ahmed Farah Olow</b>	<b>Date of birth:</b> 02.12.1989 <b>Academic:</b> Bachelor of Commerce-Finance Option <b>Professional:</b> Accountant <b>Work experience:</b> 6 years <b>Member:</b> Independent

**Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**4. Fund Chairperson's Report**

The Board met in Mpeketoni and vetted the Groups and the individuals that were to benefit from the first allocation of the funds. It was decided that Groups will get Kshs. 30,000 each while the individuals would get Kshs. 10,000 each. All the Groups that had applied benefited.

The first allocation was as per the table below;

S/NO	WARD	GROUPS	INDIVIDUALS APPLIED	INDIVIDUALS ALLOCATED
1.	Witu	12	59	30
2.	Kiunga	2	16	16
3.	Faza	12	183	45
4.	Basuba	1	0	0
5.	Mkomani	2	143	40
6.	Shella	0	4	4
7.	Hindi	2	22	22
8.	Mkunumbi	14	252	58
9.	Bahari	2	125	40
10.	Hongwe	3	170	45
	<b>TOTALS</b>	<b>50</b>	<b>972</b>	<b>300</b>

The Board Met again and vetted more groups for the second allocation. The individuals who benefited are as per the list below;

1. Faza	36
2. Mkomani	25
3. Mkunumbi	36
4. Bahari	25
5. Hongwe	28
6. Witu	<u>35</u>
<b>Total</b>	<b><u>185</u></b>

The Cheques were then distributed to the Groups throughout the County. The greatest challenge was having Cheques to be rewritten after it was discovered that most of the Person Living with Disabilities did not have Bank Accounts hence the change to their caregivers. They were to present a letter from the area chief before we could write new cheques.

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

**CHAIRLADY  
Mrs. Firdaus Mohamed**

## **5. Report of The Fund Administrator**

The department of Youth Affairs, Sports, Gender and Social Services had advertised and invited all dully registered self-help groups to apply for Grants as from 1st of October, 2020 to 1st November, 2020. The period was later extended by Board Members to the 16th of November when the applications were closed.

The response was very positive and overwhelming as we received over 2279 Grants application. During this workshop the Board members being assisted by the departmental technical team worked so hard to ensure all the applications were keyed in and the data captured based as per ward. The Board Met again and vetted more groups for the second allocation.

The individuals who benefited are as per the list below;

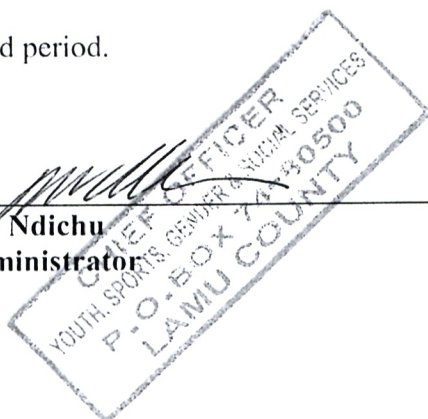
1. Faza	36
2. Mkomani	25
3. Mkunumbi	36
4. Bahari	25
5. Hongwe	28
6. Witu	35
<b>Total</b>	<b>185</b>

The Cheques were then distributed to the Groups throughout the County. The greatest challenge was having Cheques to be rewritten after it was discovered that most of the Person living with disabilities did not have Bank Accounts hence the change to their caregivers. They were to present a letter from the area chief before we could write new cheques.

The vetting period had to be extended for one day as the work had not been completed as by the planned period.

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

**Mr. Peter Ndichu**  
**Fund Administrator**



**Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

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

There was need to hold our first meeting at Tamasha Guest house on the 14<sup>th</sup> of July 2020.

The agenda of the meeting was as the following:

- Introduction of Members
- Formulate and plan for the induction Budget
- Develop the induction tools

The induction training was conducted as from 3<sup>rd</sup> to 5<sup>th</sup> of August, 2020 as from 8.00 am to 5.00 pm daily for three days' farmers training Centre at Mpeketoni. Some of the key areas of induction was on:

- Leadership, Communication skills
- Record Keeping, National value and ethics
- Interpersonal Skills, Problem solving
- Financial management, Group formation
- Group dynamics, Project management

S/NO	WARD	GROUPS	INDIVIDUALS APPLIED	INDIVIDUALS ALLOCATED
1.	Witu	11	59	31
2.	Kiunga	2	16	16
3.	Faza	13	183	52
4.	Basuba	1	0	0
5.	Mkomani	2	143	40
6.	Shella	0	4	4
7.	Hindi	2	22	21
8.	Mkunumbi	13	252	59
9.	Bahari	2	125	42
10.	Hongwe	3	170	45
	<b>TOTALS</b>	<b>49</b>	<b>972</b>	<b>310</b>

A 10% allocation of the fund administration was used to facility board meeting and the training across the entire county. The training targeted Person Living with disability.

The objective of this fund is to empower persons living with disability economically through giving them grants to start small micro economic enterprises.

**Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

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Targeted groups were individual's persons living with disability and dully registered Person Living with disability self-help groups.

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Lamu County Disability Development Fund	To economically empower persons living with disabilities	Increased number of persons living with disabilities accessing Grants in the County	No of persons living with disabilities doing business and small micro-enterprises	<b>In Financial year 2021/2022 we increased funding access by 30%</b>

## **7. Corporate Governance Statement**

The Lamu County Persons with Disability Act 2018 established Lamu County Disability Fund which is wholly owned by County Government of Lamu and is domiciled in Kenya.

### **PRINCIPAL ACTIVITIES**

- a) Providing access to capital and financial facilities to the small and medium enterprises owned by the people with disabilities;
- b) Providing access to capital and financial facilities to the civil societies comprised of the people with disabilities;
- c) Spurring socio-economic development of people with disabilities;
- d) Supporting people with disabilities' small and medium enterprises and civil societies to develop linkages with larger enterprises, national and international funding organizations;
- e) Marketing products of small and medium enterprises for the people with disabilities;
- f) Supporting entrepreneurship training for small and medium enterprises to groups benefitting from the Fund.

### **FUND MEETINGS**

The board members are to meet at least three times a year in order to monitor the implementation of the funds strategic plan and achievement of the targets. However, as provided by the act the Chairman shall, upon requisition by members convene a special meeting of the board at any time. The members held three full board meetings during the financial year 2021/2022

### **Risk Management**

The Fund target to develop a risk management framework which will guide the fund in identifying, assessing and managing the risks and prescribe mitigating measures of all the risks both external and internal is facing the fund.

**Management Team**

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

**Auditor**

The Fund is audited by the Auditor-General.

***Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022***

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**8. Management Discussion and Analysis**

The Fund received Kshs 5,000,000.00 during financial year 2019/2020, Ksh. 2,000,000 in the financial year 2020/2021 financial year and another amount of Kshs 2,000,000 in the financial year 2021/2022 only the 10% of the fund has been spent on induction of the board members and training of the targeted beneficiaries and also the disbursement of grant and cheques were issued to the beneficiaries.

The Fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The Fund looks forward to continued support from the County Government of Lamu to the realization of its mandate.

## **9. Environmental and Sustainability Reporting**

Lamu County Disability Fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Social pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence.

The fund was not involved in any corporate social responsibility activities in Financial Year 2021/2022.

**Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

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**10. Report of The Trustees**

The Fund committee submits their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

**Principal activities**

The purpose of the fund is to provide access to capital and financial facilities to the small and medium enterprises owned by the people with disabilities.

**Results**

The results of the Fund for the year ended June 30, 2022 are set out on page 1-7

**Fund Key Management**

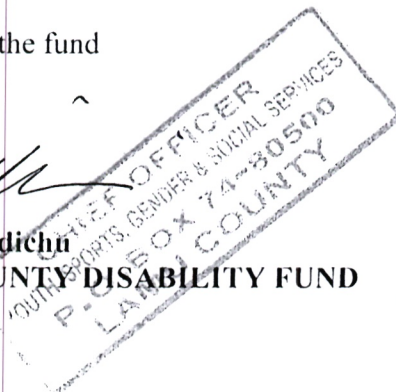
The members of the Fund who served during the year are shown on page vi-viii

**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 fund

  
**Mr. Peter Ndichu**  
**LAMU COUNTY DISABILITY FUND**



## **11. Statement of Management's Responsibilities**

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of 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 The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022,

**Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

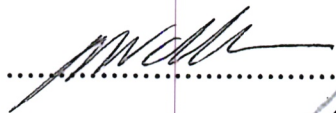
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and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

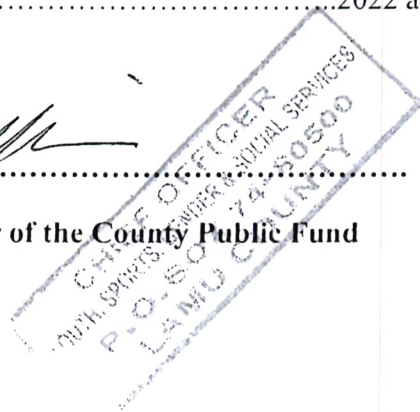
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention 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 .....2022 and signed on its behalf by:



.....  
**Administrator of the County Public Fund**



# REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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Website: www.oagkenya.go.ke

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

## REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY DISABILITY FUND FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the 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 Lamu County Disability Fund set out on pages 1 to 36, which comprise the statement of financial position as at

*Report of the Auditor-General on the Lamu County Disability Development Fund for the year ended 30 June, 2022*

30 June, 2022, and the statement of financial performance, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. 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 matters discussed in the Basis for qualified Opinion Section of my report report, the financial statements present fairly, the financial position of the Lamu County Disability Fund as at 30 June, 2022, 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 Lamu County Persons with Disability Act, 2018 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Statement of Changes in Net Assets**

The statement of changes in net assets reflects deficit for the year of Kshs.2,996,947 which was at variance with the statement of financial performance amount of Kshs.3,002,446, resulting in an unexplained difference of Kshs.5,499. In addition, the statement reflects net assets balance of Kshs.7,510,417 which was at variance with the statement of financial position balance of Kshs.3,510,417 resulting to unexplained and unreconciled difference of 4,000,000.

In the circumstances, the accuracy and completeness of the statement of changes in net assets could not be confirmed.

#### **2. Variances Between the Trial Balance and the Financial Statements**

The balances reflected in the trial balance varies with those reflected in the financial statements as shown below; -

<b>Description</b>	<b>Trial Balance (Kshs.)</b>	<b>Financial Statements Balance (Kshs.)</b>	<b>Variance (Kshs.)</b>
Grant Disbursement	6,507,364	6,512,863	(5,499)
Disability Fund	8,507,364	9,000,000	(492,636)

In the circumstances, the accuracy and completeness of balances reflected in the financial statements could not be confirmed.

#### **3. Unsupported Expenditure - Use of Goods and Services**

The statement of financial performance reflects use of goods and services expenditure of Kshs.5,002,446 which includes an expenditure of Kshs.4,665,499 in respect of grant and

disbursement. However, supporting documents for payment amounting to Kshs.154,000 were not provided for audit. Further, there was an unexplained variance of Kshs.95,499 between the balance reflected in the financial statements and the supporting ledgers.

In addition, the grants applications were not approved by the County Chief Officer or County Executive Committee Member in charge of the department as provided in the application forms and the Lamu County Persons with Disability Act, 2018.

In the circumstances, the accuracy and validity of grant and disbursement of Kshs.4,665,499 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lamu County Disability 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**

### **Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.8,507,364 and Kshs.4,996,947 respectively resulting in under absorption of Kshs.3,510,417 or 41% of the budget.

The under absorption may have affected the planned activities impacting negatively on service delivery to the public.

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

### **Conclusion**

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

## **Basis for Conclusion**

### **Failure to Constitute Fund Administration Committee**

Section 10 of the Lamu County Persons with Disability Act, 2018 states that the committee shall consist of; chief officer of the department in charge of Disabilities as chair, chief officer in charge of finance, director in charge of department as secretary, three persons with disability appointed by executive, three other persons with disability from different constituencies and different gender. The Fund had only four instead of nine required.

Management was in breach of the law.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for on the Effectiveness of Internal Controls, risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **Lack of Risk Management Policy and Strategy**

The Fund did have a risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how the Management managed risk exposures. This was in contravention of Regulation 158 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the accounting officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the Fund may be exposed to adverse effects due lack of risk management policy, strategies, and risk register.

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 The Fund Administration Committee**

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

In preparing the financial statements, Management is responsible for assessing the 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.

The Fund Administration Committee responsible for overseeing 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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


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

my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

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

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

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

  
**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

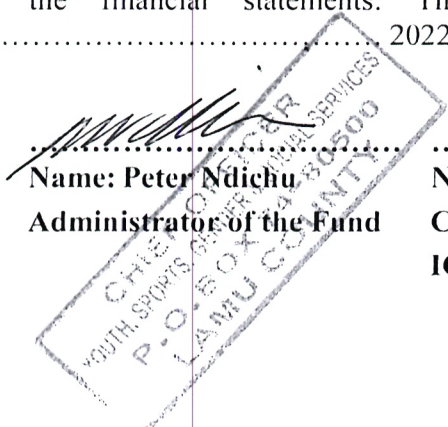
**17 April, 2023**

**Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**13. Statement of Financial Performance for The Year Ended 30th June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	2,000,000	2,000,000
Fines, Penalties and Other Levies	3	-	-
		<b>2,000,000</b>	<b>2,000,000</b>
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	-	-
Other Income	5	-	-
		-	-
<b>Total Revenue</b>		<b>2,000,000</b>	<b>2,000,000</b>
<b>Expenses</b>			
Employee Costs	6	-	-
Use of goods and services	7	5,002,446	492,636
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
<b>Total Expenses</b>		<b>5,002,446</b>	<b>492,636</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	10	-	-
<b>Surplus/(Deficit) For The Period</b>		<b>(3,002,446)</b>	<b>1,507,364</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on ..... 2022 and signed by:



Name: Peter Ndichu  
Administrator of the Fund

Name: Fadhil Maamun  
Chief Officer Finance  
ICPAK No:6974

Name: Ahmed Farah Olow  
Accountant

**Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

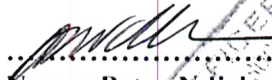
**14. Statement of Financial Position as at 30 June 2022**

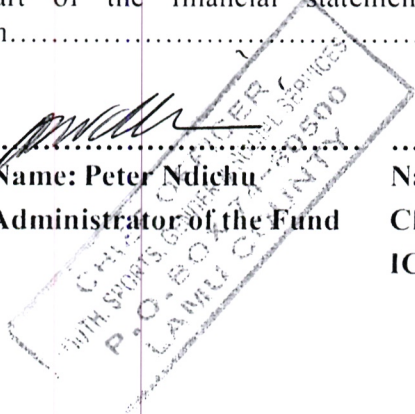
	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	11	3,510,417	4,507,364
Current Portion of Long- Term Receivables From Exchange Transactions	12	-	2,000,000
Prepayments	13	-	-
Inventories	14	-	-
		<b>3,510,417</b>	<b>6,507,364</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	-	-
		-	-
<b>Total Assets</b>		<b>3,510,417</b>	<b>6,507,364</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	17	-	-
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
		-	-
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
<b>Total Liabilities</b>		-	-
<b>Net Assets</b>		<b>3,510,417</b>	<b>6,507,364</b>
Grant -Disability		6,512,863	5,000,000
Reserves		-	-
Accumulated Surplus		(3,002,446)	1,507,364
<b>Total Net Assets and Liabilities</b>		<b>3,510,417</b>	<b>6,507,364</b>

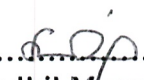
**Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

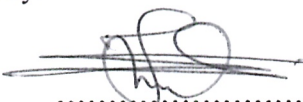
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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on.....2022 and signed by:

  
.....  
**Name: Peter Ndichu**  
**Administrator of the Fund**



  
.....  
**Name: Fadhil Maamun**  
**Chief Officer Finance**  
**ICPAK No:6974**

  
.....  
**Name: Ahmed Farah**  
**Fund Accountant**

**Lamu County Disability Development Fund  
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**15. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

	Grant - Disability	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2020</b>	5,000,000	-	-	5,000,000
Surplus/(Deficit) For the Period	-	-	1,507,634.00	1,507,634.00
Funds Received During the Year	2,000,000	-	-	2,000,000.00
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2021</b>	<b>7,000,000</b>	<b>-</b>	<b>1,507,634.00</b>	<b>8,507,634.00</b>
<b>Balance As At 1 July 2021</b>	<b>7,000,000</b>	<b>-</b>	<b>1,507,634.00</b>	<b>8,507,634.00</b>
Surplus/(Deficit) For the Period	-	-	(2,996,947.00)	(2,996,947.00)
Funds Received During the Year	2,000,000	-	-	2,000,000
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2022</b>	<b>9,000,000</b>	<b>-</b>	<b>(1,489,583.00)</b>	<b>7,510,417.00</b>

  
Name: Peter Ndichu  
Administrator of the Fund

  
Name: Fadhil Maamun  
Chief Officer Finance  
ICPAK No:6974

  
Name: Ahmed Farah  
Fund Accountant

*Lamu County Disability Development Fund*  
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**16. Statement of Cash Flows for The Year Ended 30 June 2022**


	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government		2,000,000	2,000,000
Interest received		-	-
Receipts from other operating activities		-	-
<b>Total receipts</b>		<b>2,000,000</b>	<b>2,000,000</b>
<b>Payments</b>			
Fund administration expenses		336,947	492,636.00
General expenses		-	-
Finance cost		-	-
Grant Disbursement		4,665,499	-
<b>Total Payments</b>		<b>5,002,446</b>	<b>492,636.00</b>
<b>Net cash flows from operating activities</b>	21	<b>(3,002,446)</b>	<b>1,507,364.00</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>

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<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>(2,996,947.00)</b>	<b>1,507,364.00</b>
Cash and cash equivalents at 1 july	11	6,507,364.00	5,000,000.00
<b>Cash and cash equivalents at 30 june</b>	<b>11</b>	<b>3,510,417.00</b>	<b>6,507,364.00</b>

.....  
Name: Peter Ndichu  
Administrator of the Fund

  
.....  
Name: Fadhil Maamun  
Chief Officer Finance  
ICPAK No:6974

  
.....  
Name: Ahmed Farah  
Fund Accountant

**17. Statement of Comparison of Budget and Actual Amounts for The Period**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Public Contributions And Donations	0.00	0.00	0.00	0.00	Kshs	
Transfers From County Govt.	2,000,000.00	6,507,364.00	8,507,364.00	8,507,364.00	0.00	
Interest Income	0.00	0.00	0.00	0.00		
Other Income	0.00	0.00	0.00	0.00	0.00	
<b>Total Income</b>	2,000,000.00	6,507,364.00	8,507,364.00	8,507,364.00	0.00	
<b>Expenses</b>					0.00	
Fund Administration Expenses	1,980,000.00	0.00	1,980,000.00	306,467.00		0.85
Bank Charges	20,000.00	0.00	20,000.00	30,480.00	1,673,533.00	-0.52
Grant Disbursement	0.00	6,507,364.00	6,507,364.00	4,660,000.00	(10,480.00)	0.28
Finance Cost	0.00	0.00	0.00	0.00	1,847,364.00	0.00
<b>Total Expenditure</b>	2,000,000.00	6,507,364.00	8,507,364.00	4,996,947.00	0.00	0.41
<b>Surplus For The Period</b>	-	-	-	3,510,417.00		

**Budget notes**

There was additional budget amounting to ksh.2, 000,000 in the financial year 2021/2022

**1. General Information**

Lamu County Disability Fund entity is established by and derives its authority and accountability from Lamu County Disability Development Act in 2018. The entity is wholly owned by the Lamu County Government and is domiciled in Kenya. The Fund’s principal activity is to provide funds for economic empowerment to person living with disability.

**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) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

**(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

Standard	Effective date and impact:
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></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"> <li>• Applying a single classification and measurement model for</li> </ul>

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Standard	Effective date and impact:
	<p>financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for</li> </ul>

*Lamu County Disability Development Fund*  
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Standard	Effective date and impact:
	<p>accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b><i>Applicable 1<sup>st</sup> January 2023</i></b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector:</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
<p>IPSAS 43</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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 cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

**Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
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Standard	Effective date and impact:
	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.

**(iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.

**4. Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

Transfers from other government entities

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

**ii. Revenue from exchange transactions**

***Interest income***

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

**b) Budget information**

The original budget for Financial Year 2021-2022 was approved by the County Assembly on May 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of KShs 2,000,000 on the Financial Year 2021-2022 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 12 of these financial statements.

***Lamu County Disability Development Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2022***

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**e) Property, plant and equipment**

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

**d) Intangible Assets**

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

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

**a) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Loans and receivables***

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

***Held-to-maturity***

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

that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

***Impairment of financial assets***

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

**b) 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:

***Lamu County Disability Development Fund***  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

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- 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.

**c) Provisions**

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

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

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

***Contingent liabilities***

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

***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.

**d) Nature and purpose of reserves**

Lamu Disability Development Fund did not have any reserved maintained and appropriate policies adopted.

**e) 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.

**f) Employee benefits – Retirement benefit plans**

The Lamu Disability Fund does not have any retirement benefits plan in place.

**g) 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.

**h) 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.

**i) 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.

**j) 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.

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**k) Comparative figures**

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

**l) Events after the reporting period**

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

**m) Ultimate and Holding Entity**

The Fund is a County Public Fund established by Lamu County Disability Development Act 2018 under the Ministry of Education. Its ultimate parent is the County Government of Lamu

**n) Currency**

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

**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.

**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

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- 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 are measured at the managements 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. The fund did not maintain any provision for the financial year under review.

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**18. Notes to The Financial Statements**

**1. Public contributions and donations**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**2. Transfers from County Government**

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	2,000,000.00	2,000,000.00
Payments By County On Behalf Of The Entity	0.00	0.00
<b>Total</b>	<b>2,000,000.00</b>	<b>2,000,000.00</b>

**3. Fines, penalties and other levies**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**4. Interest income**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Total Interest Income</b>	<b>0.00</b>	<b>0.00</b>

**5. Other income**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Total Other Income</b>	<b>0.00</b>	<b>0.00</b>

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**6. Employee Costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	0.00	0.00
Staff Gratuity	0.00	0.00
Staff Training Expenses	0.00	0.00
Social Security Contribution	0.00	0.00
Other ( <i>Specify</i> )	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**7. Use of Goods and Services**

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	Kshs.	Kshs.
Loan Processing Costs	0.00	0.00
Professional Services Costs	0.00	0.00
Administration Fees	306,467.00	488,536.00
Committee Allowances	0.00	0.00
Bank Charges	30,480.00	4100.00
Electricity And Water Expenses	0.00	0.00
Fuel And Oil Costs	0.00	0.00
Insurance Costs	0.00	0.00
Postage And Courier	0.00	0.00
Printing And Stationery	0.00	0.00
Rental Costs	0.00	0.00
Security Costs	0.00	0.00
Telephone And Communication Expenses	0.00	0.00
Audit Fees	0.00	0.00
Provision For Doubtful Debts	0.00	0.00
Grant Disbursement	4,665,499.00	0.00
<b>Total</b>	<b>5,002,446.00</b>	<b>492,536.00</b>

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**8. Depreciation and Amortization Expense**

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	0.00	0.00
Intangible Assets	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**9. Finance costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest On Bank Overdrafts	0.00	0.00
Interest On Loans From Banks	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**10. Gain/(loss) on disposal of assets**

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant And Equipment	0.00	0.00
Intangible Assets	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**11. Cash and cash equivalents**

Description	2021-2022	2020-2021
	Kshs	Kshs
Xxx Car Loan Account	0.00	0.00
Xxx County Mortgage Account	0.00	0.00
Fixed Deposits Account	0.00	0.00
On – Call Deposits	0.00	0.00
Current Account	3,510,417.00	6,507,364.00
Others	0.00	0.00
<b>Total Cash And Cash Equivalents</b>	<b>3,510,417.00</b>	<b>6,507,364.00</b>

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

		2021-2022	2020-2021
Financial Institution	Account number	Kshs	Kshs
<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank		0.00	0.00
Equity Bank, Etc.		0.00	0.00
<b>Sub- Total</b>		<b>0.00</b>	<b>0.00</b>
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank		0.00	0.00
Equity Bank - Etc.		0.00	0.00
<b>Sub- Total</b>		<b>0.00</b>	<b>0.00</b>
<b>c) Current Account</b>			
Kenya Commercial Bank		0.00	0.00
Cooperative Bank	01141562514800	3,510,417.00	6,507,364.00
<b>Sub- Total</b>		<b>0.00</b>	<b>0.00</b>
<b>d) Others(Specify)</b>		0.00	0.00
Cash In Transit		0.00	0.00
Cash In Hand		0.00	0.00
<b>Sub- Total</b>		<b>0.00</b>	<b>0.00</b>
<b>Grand Total</b>		<b>3,510,417.00</b>	<b>6,507,364.00</b>

**12. Receivables from exchange transactions**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable	0.00	0.00
Current Loan Repayments Due	0.00	0.00
Other Exchange Debtors	0.00	0.00
Less: Impairment Allowance	0.00	0.00
<b>Total Current Receivables</b>		
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	0.00	0.00
<b>Total Non- Current Receivables</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Receivables From Exchange Transactions</b>	<b>0.00</b>	<b>0.00</b>

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**Additional disclosure on interest receivable**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	0.00	0.00
Accrued interest receivable from of long-term loans of previous years	0.00	0.00
Interest receivable from current portion of long-term loans issued in the current year	0.00	0.00
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years	0.00	0.00
Accrued principal from long-terms loans from previous periods	0.00	0.00
Current portion of long-term loans issued in the current year	0.00	0.00

**13. Prepayments**

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	0.00	0.00
Prepaid Insurance	0.00	0.00
Prepaid Electricity Costs	0.00	0.00
Other Prepayments (Specify)	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**14. Inventories**

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores	0.00	0.00
Spare Parts And Meters	0.00	0.00
Catering	0.00	0.00
Other Inventories (Specify)	0.00	0.00
<b>Total Inventories At The Lower Of Cost And Net Realizable Value</b>	<b>0.00</b>	<b>0.00</b>

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**15. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
<b>At 1<sup>st</sup> July 2020</b>	0	0	0	0	0
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfers/Adjustments	0.00	0.00	0.00	0.00	0.00
<b>At 30<sup>th</sup> June 2021</b>	0.00	0.00	0.00	0.00	0.00
<b>At 1<sup>st</sup> July 2021</b>					
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfer/Adjustments	0.00	0.00	0.00	0.00	0.00
<b>At 30<sup>th</sup> June 2022</b>	0.00	0.00	0.00	0.00	0.00
<b>Depreciation And Impairment</b>					
At 1 <sup>st</sup> July 2020	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
<b>At 30<sup>th</sup> June 2021</b>	0.00	0.00	0.00	0.00	0.00
<b>At 1<sup>st</sup> July 2021</b>					
Depreciation	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
Transfer/Adjustment	0.00	0.00	0.00	0.00	0.00

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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 30 <sup>th</sup> June 2022	0.00	0.00	0.00	0.00	0.00
Net Book Values					
At 30 <sup>th</sup> June 2021	0.00	0.00	0.00	0.00	0.00
At 30 <sup>th</sup> June 2022	0.00	0.00	0.00	0.00	0.00

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**16. Intangible assets**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Cost</b>		
At Beginning Of The Year	0.00	0.00
Additions	0.00	0.00
<b>At End Of The Year</b>	<b>0.00</b>	<b>0.00</b>
<b>Amortization And Impairment</b>		
At Beginning Of The Year	0.00	0.00
Amortization	0.00	0.00
At End Of The Year	0.00	0.00
Impairment Loss	0.00	0.00
At End Of The Year	0.00	0.00
<b>NBV</b>	<b>0.00</b>	<b>0.00</b>

**17. Trade and other payables from exchange transactions**

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	0.00	0.00
Refundable Deposits	0.00	0.00
Accrued Expenses	0.00	0.00
Other Payables	0.00	0.00
<b>Total Trade And Other Payables</b>	<b>0.00</b>	<b>0.00</b>

**18. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	0.00	0.00	0.00	0.00
Additional Provisions	0.00	0.00	0.00	0.00
Provision Utilised	0.00	0.00	0.00	0.00
Change Due To Discount And Time Value For Money	0.00	0.00	0.00	0.00
Transfers From Non -Current Provisions	0.00	0.00	0.00	0.00
<b>Balance At The End Of The Year (30.06.2022)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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**19. Borrowings**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Balance At Beginning of The Period</b>	<b>0.00</b>	<b>0.00</b>
External Borrowings During the Year	0.00	0.00
Domestic Borrowings During the Year	0.00	0.00
Repayments Of External Borrowings During the Period	0.00	0.00
Repayments Of Domestic Borrowings During the Period	0.00	0.00
<b>Balance At End of The Period</b>	<b>0.00</b>	<b>0.00</b>

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

	2021-2022	2020-2021
	Kshs	Kshs
<b>External Borrowings</b>		
Dollar Denominated Loan From 'X Organization'	0.00	0.00
Sterling Pound Denominated Loan From 'Y Organization'	0.00	0.00
Euro Denominated Loan from Z Organization'	0.00	0.00
<b>Domestic Borrowings</b>		
Kenya Shilling Loan From KCB	0.00	0.00
Kenya Shilling Loan from Barclays Bank	0.00	0.00
Kenya Shilling Loan from Consolidated Bank	0.00	0.00
Borrowings From Other Government Institutions	0.00	0.00
<b>Total Balance at End Of The Year</b>	<b>0.00</b>	<b>0.00</b>

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	0.00	0.00
Long Term Borrowings	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

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**20. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0.00	0.00	0.00	0.00	0.00
Non-Current Benefit Obligation	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**21. Cash generated from operations**

	2021-2022	2020-2021
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	<b>(3,002,446.00)</b>	<b>1,507,364.00</b>
<b>Adjusted For:</b>		
Depreciation	0.00	0.00
Amortisation	0.00	0.00
Gains/ Losses On Disposal Of Assets	0.00	0.00
Interest Income	0.00	0.00
Finance Cost	0.00	0.00
<b>Working Capital Adjustments</b>		
Increase In Inventory	0.00	0.00
Increase In Receivables	0.00	0.00
Increase In Payables	0.00	0.00
<b>Net Cash Flow From Operating Activities</b>	<b>(3,002,446.00)</b>	<b>1,507,364.00</b>

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**Other Disclosures**

**22. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	0.00	0.00
Transfers To Related Parties	0.00	0.00

**c) Key management remuneration**

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	0.00	0.00
Key Management Compensation	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**d) Due from related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	0.00	0.00
Due From County Government	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**e) Due to related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	0.00	0.00

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Due To County Government	0.00	0.00
Due To Key Management Personnel	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**23. Contingent assets and contingent liabilities**

<b>Contingent Liabilities</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Court Case Xxx Against The Fund	0.00	0.00
Bank Guarantees	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

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**Other Disclosures Continued  
24. 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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions	0.00	0.00	0.00	0.00
Receivables From Non-Exchange Transactions	0.00	0.00	0.00	0.00
Bank Balances	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30 June 2021</b>	0.00	0.00	0.00	0.00
Receivables From Exchange Transactions	0.00	0.00	0.00	0.00
Receivables From Non Exchange Transactions	0.00	0.00	0.00	0.00
Bank Balances	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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

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

**b) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>				
Trade Payables	0.00	0.00	0.00	0.00
Current Portion Of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30 June 2021</b>	0.00	0.00	0.00	0.00
Trade Payables	0.00	0.00	0.00	0.00
Current Portion Of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

		Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>			
Financial Assets	0.00	0.00	0.00
Investments	0.00	0.00	0.00
Cash	0.00	0.00	0.00
Debtors/ Receivables	0.00	0.00	0.00
<b>Liabilities</b>	0.00	0.00	0.00
Trade And Other Payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
<b>Net Foreign Currency Asset/(Liability)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
<b>2022</b>			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
<b>2021</b>		0.00	0.00
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

**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.

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**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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	0.00	0.00
Revolving fund	6,507,364.00	7,000,000.00
Accumulated surplus	(3,002,446.00)	(492,736.00)
<b>Total funds</b>	<b>3,510,417.00</b>	<b>6,507,364.00</b>
Total borrowings	0.00	0.00
Less: cash and bank balances	(3,510,417.00)	(6,507,364.00)
Net debt/(excess cash and cash equivalents)	0.00	0.00
<b>Gearing</b>	<b>0.00</b>	<b>0.00</b>

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**19. Progress On Follow Up of Prior Year Auditor's Recommendations**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.0	Presentation and Inaccuracies in the Financial Statements	The action has been taken	Resolved	30/06/2022
1.1	Unutilized Funds	The Funds were made available almost towards the end of the Financial Year and it would have been impossible to go through the process of applications, vetting and disbursement in time.	Resolved	30/06/2022
1.2	Lack of Risk Management Strategy	The Fund to develop the risk management strategy	Not resolved	30/06/2023