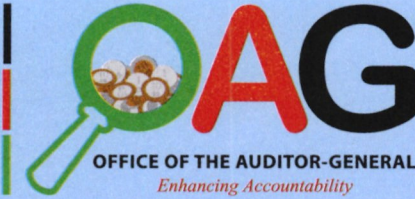
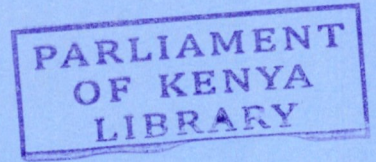


REPUBLIC OF KENYA



**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**MAKUENI COUNTY  
EMPOWERMENT FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2025**



PAPERS LAID	
DATE	19/11/2025
TABLED BY	Sen. Mutiso on behalf of Majority Leader
COMMITTEE	-
CLERK AT THE TABLE	Belinda





OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
MACHAKOS HUB.

14 OCT 2025

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**MAKUENI COUNTY EMPOWERMENT FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2025**

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

**Makueni County Empowerment Fund**  
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**1. Acronyms, Abbreviations, and Definition of Key Terms**

**A: Acronyms and Abbreviations**

CECM	County Executive Committee Member
CEO	Chief Executive Officer
CO	Chief Officer
CSR	Corporate Social Responsibility
FY	Financial Year
HR	Human Resource
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MCEF	Makueni County Empowerment Fund
NT	National Treasury
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment

**B: Definition of Key Terms**

**Fiduciary Management-** Members of Management that are directly entrusted with the responsibility of financial resources of the organisation.

**Comparative Year-** Means the prior period.

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**2. Key Entity Information and Management**

**(a) Background information**

The Makueni County Empowerment Fund (hereinafter referred to as "the Fund") is a financial initiative established under the Public Finance Management (Makueni County Empowerment Fund) Regulations, 2022 to offer socio-economic support the residents of Makueni County, Kenya. These regulations were approved by the Makueni County Assembly on 24<sup>th</sup> May, 2022. The Fund is fully owned and managed by the County Government of Makueni.

This Fund is domiciled in the Department of Gender, Children, Youth, Sports and Social Services and it aims to provide affordable and accessible financial resources to various categories of persons within the County.

**(b) Principal Activities**

The primary objective of the Fund is to facilitate equitable social and economic development in Makueni County. By making financial resources readily available to its residents, the Fund aims to

- Provide access to capital and financing facilities to micro and small enterprises owned by marginalized Youth, Men, Women, Persons with Disabilities who are residents of the County.
- Attract and facilitate investment in micro and small enterprises.
- Advance loans to Village Savings and Loaning Associations within the County.
- Support Youth, Men, Women and Persons with Disabilities oriented micro and small enterprises to develop linkages with large enterprises.
- Facilitate marketing of products and services of micro and small enterprises owned by youth, men, women and persons with disabilities who are residents of the County in both domestic and international markets
- Facilitate training, mentorship and the provision of business development services to youth, men, women, persons with disabilities and village savings and loaning associations in the County.
- Ensure equitable share of the funds in all parts of the County.

**Vision:** To be a leading financial empowerment initiative driving sustainable socio-economic transformation in Makueni County.

**Mission:** To provide accessible, transparent, and impactful financial and capacity-building support to individuals and groups in Makueni County for economic growth and improved livelihoods.

**Core Value:**

- (a) Transparency
- (b) Accountability
- (c) Inclusivity
- (d) Integrity
- (e) Creativity and Innovation
- (f) Equity

**Makueni County Empowerment Fund  
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**Impact**

The Fund is designed to have a transformative impact on the socio-economic landscape of Makueni County by:

1. Increasing access to financial resources for marginalized and vulnerable groups.
2. Job creation
3. Creating livelihood opportunities
4. Encouraging entrepreneurship and business development.
5. Enhancing the quality of life for residents through improved economic opportunities.
6. Fostering community solidarity and mutual support through table banking initiatives.
7. Spur economic growth in the County

In conclusion, the Makueni County Empowerment Fund represents a significant commitment by the Government of Makueni County to promote inclusive and sustainable development. By providing accessible financial resources, the Fund aims to empower residents, reduce poverty, and drive economic growth within the county.

**(c) Key Management**

The Makueni County Empowerment Fund day-to-day management is under the following key organs:

No.	Details
1.	The County Fund Committee responsible for management and mobilisation of the resources for the fund as well as formulation and implementation of policies.
2.	Fund Administrator – facilitates day-to-day running and operations of the Fund
3.	Secretariat- Assist in performance of the fund’s functions

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM-Finance, Planning, Budget and Revenue	Damaris Mumo Kavoi
2.	CECM- Gender, Children, Youth, Sports & Social Services	Eng. Sebastian Kyoni
3.	Chief officer- Financial Accounting Services	John Nthuka Nguni
4.	Chief Officer- Gender, Children, Youth, Sports & Social Services	Nicholis Mutua
5.	Fund Administrator	Winfred Ndinda Musyoka

**Key Entity Information and Management (continued)**

**(e) Fiduciary Oversight Arrangements**

- **Makueni County Assembly Oversight Committees-** They performed their legislative and oversight roles by considering policies to guide the operations of the fund and interrogating the office of the Auditor General reports and follow up on the implementation Status of the Assembly's recommendations in relation to the fund.
- **Senate** – They considered the Auditor general reports for the MCEF
- **Internal audit** – The internal audit function of Makueni County Government offered continuous review of financial transactions, controls, and compliance with relevant regulations. Through periodic risk-based audits, the internal audit department provides assurance on the adequacy of financial systems, the proper utilization of funds, and the prevention of fraud or misuse.
- **Development partners** -The Fund has partnered with Safaricom for technical and operational interventions to digitize and streamline the loan application and disbursement process. The partnership will result to the development of a web-based portal to enhance transparency, efficiency, and accessibility for beneficiaries.

**(f) Entity Headquarters**

P.O. Box 78-90300  
County Headquarters Building  
Off Wote - Makindu Highway  
Makueni, Kenya

**(g) Entity Contacts**

Telephone: (254) 20 203 4944/2068236  
E-mail: [mcef@makueni.go.ke](mailto:mcef@makueni.go.ke)  
Website: [www.makueni.go.ke](http://www.makueni.go.ke)

**(h) Entity Bankers**

Kenya Commercial Bank  
Wote Branch

**(i) Independent Auditor**

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

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**(j) Principal Legal Adviser**

**i) The Attorney General**

State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**ii) County Attorney**

Makueni County Government  
County Headquarters Building  
Off Wote-Makindu Highway  
P.O. Box 78-90300  
Makueni, Kenya

### **3. Fund Committee**

The Fund Committee was abolished as part of a broader effort to promote efficiency and facilitate the comprehensive restructuring of the Fund. The previous committee structure that spread across County and Sub-County levels had introduced significant delays and layers of bureaucracy in the loan processing cycle. Decision-making was often slow and inconsistent, with duplicative oversight mechanisms and administrative bottlenecks hampering the timely disbursement of funds. This fragmented framework not only limited responsiveness but also created accountability gaps that undermined the Fund's effectiveness.

Recognizing these structural inefficiencies, the decision to dissolve the committee was driven by the need to eliminate outdated and cumbersome practices. The restructuring process is now focused on establishing a streamlined and centralized governance framework, designed to enhance operational transparency, ensure accountability, and align the Fund with modern performance standards.

In this transition, the key management team has taken over oversight of the Fund's restructuring, with the CECM leading the department and spearheading efforts to create a more responsive, agile, and results-oriented fund management system.

**Makueni County Empowerment Fund  
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**4. Key Management Team**

**Management Details**



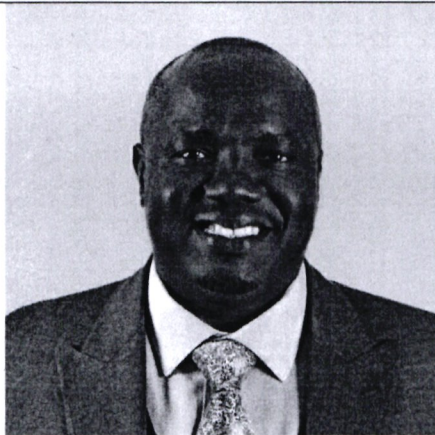
**Damaris Mumu Kavoi - CECM-Finance, Planning, Budget and Revenue**

Born in 1968, Damaris Kavoi joined Makueni County Government in October 2022 as the Executive Committee Member in charge of Finance, Planning, Budget and Revenue.

Damaris holds a Bachelor's degree in Business Administration (Finance) from Kenya Methodist University and a Master's in Business Administration from the University of Nairobi. Damaris is a member of the Institute of Certified Accountants of Kenya- ICPAK and Association of Women Accountants of

Kenya-AWAK.

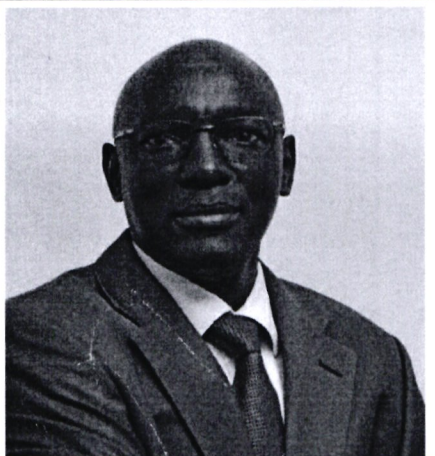
She previously worked as The Acting Director Finance at the University of Nairobi. She also worked as the Head of Strategic Units including the Budget and Financial Reporting Departments. She is a member to various boards including the Finance and Strategy Committee of the ICPAK and Board of Governance of Milimani School (Nairobi).



**Eng. Sebastian Kyoni - CECM- Gender, Children, Youth, Sports & Social Services**

Born in 1977. He joined Makueni County Government in October 2022 as an Executive Committee Member currently serving in the department of Gender, Children, Youth, Sports & Social Services. He holds a Bachelor of Engineering from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He has over 20 years training and experience in Engineering Designs, Construction & Project management in both Private and Public Sectors within and outside Kenya. He is a registered Engineer-Engineers Board of Kenya (EBK) and

an Associate Member-Chartered Institute of Arbitrators (CIArb).



**John Nguni - Chief officer- Financial Accounting Services**

Born in 1967. CPA John Nguni joined the County Government of Makueni County in May 2023 as the Chief Officer –Financial Services. He holds a Bachelor of Commerce (BCOM) degree (Accounting) from the University of Nairobi and a Master of Business Administration (MBA) Finance degree from the University of Nairobi.

He is proficient in Accounting and Finance boasting of an experience of over 32 years of practice.

**Management Details**



**Nicholis Mutua- Chief Officer- Gender, Children, Youth, Sports & Social Services**

Born in 1984, Nicholis Mutua joined Makueni County Government in December 2022 as the Chief Officer, ICT, Education and Internship and he later was transferred to be the Chief officer, department of Gender, Children, Youth, Sports and Social Services. He holds a Bachelor's Degree BSC in Electrical and Electronics from the Moi University and a masters in Science in Information systems from JKUAT.

He is a Certified Information Communication Technologist (CICT) – KASNEB and has over 18years of experience in private and public institutions.



**Winfred Musyoka- Fund Administrator**

Born in 1982, Winfred Musyoka, joined the Makueni County Government in 2015 as a Senior Industrial Development Officer. She holds a Bachelor's degree in Sociology.

Before joining the County Government, she served within the banking industry notably Equity Bank and Co-operative Bank of Kenya as a Relationship Officer – Group Lending and Micro Credit giving her a hands-on experience of 8 years in lending.

**Makueni County Empowerment Fund**  
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**5. Chairman's Statement**

It is my distinct privilege to present this report outlining the key activities, milestones, challenges, and strategic outlook of the Makueni County Empowerment Fund for the past year. This reporting period has been one of bold transformation and progress, underscored by our shared commitment to empowering the people of Makueni County through inclusive and sustainable financial and social protection mechanisms.

**Key Activities**

Over the past year, the Fund undertook a series of high-impact initiatives aimed at enhancing operational efficiency, strengthening governance, and deepening support for vulnerable populations.

A landmark achievement was the development of the Makueni County Social Protection Bill, which lays the legislative foundation upon which the Fund will be anchored. This Bill reflects our resolve to institutionalize the Fund and integrate it into the County's broader social protection framework.

In parallel, the Ultra-Poor Graduation Policy was officially launched, marking a significant milestone in our efforts to uplift the most vulnerable members of our community. Developed in collaboration with stakeholders such as Village Enterprise, this policy provides a structured pathway for ultra-poor households to graduate out of extreme poverty through a holistic and sustainable support model.

To modernize fund operations, we successfully reengineered the lending process through a digital platform, developed in partnership with Safaricom PLC. This innovation enhances accessibility, transparency, and efficiency in loan disbursement, recovery and reporting. To ensure smooth adoption, stakeholders were trained on the use and application of the digital system.

We also laid the groundwork for future growth through the development of a draft Strategic Plan and a Service Delivery Charter. These tools will guide the Fund's long-term direction and reinforce our commitment to service excellence, accountability, and continuous improvement.

**Key Successes**

The year's key successes include:

- Development of the Makueni County Social Protection Bill, establishing a strong legal and policy foundation for the Fund.
- Official launch of the Ultra-Poor Graduation Policy, enhancing our poverty eradication and social safety net initiatives.
- Deployment and stakeholder training on the digital lending platform, marking a major leap in service modernization.
- Formulation of the draft Strategic Plan and Service Delivery Charter, which will steer the Fund's strategic focus and improve performance standards.

Together, these milestones reflect our drive to build a responsive, resilient, and people-centered financial empowerment program.

### **Challenges**

Despite our progress, we encountered several challenges: - Limited financial and operational resources constrained the scaling of some initiatives. Operational complexities, particularly in reaching rural and remote communities, also posed logistical challenges that require sustained attention.

### **Future Outlook**

Looking ahead, we are confident in our vision to position the Makueni County Empowerment Fund as a leading social protection product for the vulnerable in our community. Our immediate priorities include:

- Enacting the Social Protection Bill to firmly anchor the Fund in law and secure its long-term sustainability.
- Full implementation of the Ultra-Poor Graduation Policy, expanding its reach and impact.
- Relaunching the Fund through our reengineered digital lending platform to streamline service delivery and enhance inclusivity.
- Operationalizing the Strategic Plan and Service Charter, ensuring strategic alignment and improved service standards.
- Strengthening loan recovery mechanisms to maintain liquidity and fund sustainability.

Our vision is to evolve the Fund into a model social protection initiative that is scalable, data-driven, and responsive to the needs of our most vulnerable populations. By fostering strong partnerships and adopting innovative delivery models, we aim to set a new benchmark in county-level empowerment programs across the country.



**Chairman**  
**Makueni County Empowerment Fund**

**Makueni County Empowerment Fund  
Annual Report and Financial Statements for the year ended June 30, 2025.**

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**6. Report of the Fund Administrator**

It is with great honour that I present this comprehensive report on the performance, key milestones, challenges, and strategic outlook of the Makueni County Empowerment Fund for the financial year ending 30th June 2025. The Fund continues to serve as a vital instrument for financial inclusion and social transformation in Makueni County, with deliberate interventions targeted at empowering vulnerable individuals and community groups.

This reporting period has been characterized by strategic reforms, the launch of flagship initiatives, and foundational steps aimed at strengthening the Fund's governance, sustainability, and impact. Our mission remains clear: to provide accessible, sustainable, and transformative financial solutions that promote self-reliance and resilience among our most vulnerable populations.

**a) Key Activities and Strategic Milestones**

**i) Launch of the Ultra-Poor Graduation Policy**

One of the most significant achievements during the year was the official launch of the Ultra-Poor Graduation Policy, a comprehensive poverty alleviation strategy developed in collaboration with a development partner - Village Enterprise. This policy provides a structured pathway for extremely poor households to achieve sustainable livelihoods through a combination of asset transfers, mentoring, skills development, financial literacy, and linkages to social services and financial institutions like MCEF.

**ii) Strengthening the Legal Framework through the Social Protection Bill**

To ensure long-term sustainability and institutional stability, the Fund spearheaded the development of the Makueni County Social Protection Bill. This landmark legislation, once enacted, will anchor the Fund in law, formalize its operations, and provide a legislative platform for expanding the County's social protection agenda, including embedding the Ultra-Poor Graduation model.

**iii) Digital Transformation – Development and training on the digital lending platform**

In partnership with Safaricom PLC, the Fund developed a digital lending platform to improve efficiency, accessibility, and transparency in loan application, disbursement, repayment and reporting. The platform is expected to significantly reduce administrative costs and barriers for rural beneficiaries. Crucially, we undertook a targeted stakeholder training program, equipping fund secretariat, field officers and beneficiaries with the necessary digital skills to operationalize the new system.

**iv) Development of draft Strategic Plan and Service Delivery Charter**

To guide MCEF's long-term growth and performance, we finalized a Draft Strategic Plan and Service Delivery Charter. The strategic plan outlines our key priorities, targets, and implementation framework over the next five years, while the charter defines service standards, ensuring greater transparency, accountability, and citizen satisfaction.

**v) Enhanced Partnerships and Stakeholder Engagement**

MCEF deepened its engagement with key partners and county departments. These collaborations have enhanced our technical capacity, improved program delivery, and opened avenues for future resource mobilization.

## Makueni County Empowerment Fund

### Annual Report and Financial Statements for the year ended June 30, 2025.

#### b) Fund Performance and Loan recovery

The Makueni County Empowerment Fund disbursements were at a total of **Ksh. 278,880,000**, before pending by the County Assembly supporting a diverse range of community initiatives. Key priority areas included:

- i) Community groups (Vikundi): Representing the largest share of investments due to their strong social multiplier effects.
- ii) Agricultural projects: With a particular focus on poultry and fruit farming, selected for their income-generating potential and contribution to food security.

The relatively lower allocation to dairy projects indicates either fewer viable proposals or a strategic shift toward more impactful enterprises.

Upon suspension of the fund operations to allow for restructure, MCEF fixed the funds available to earn interest. In the FY 2024/25. The fund generated interest income of Kshs 11,098,867.

#### c) Loan Recovery Efforts

During the FY 2024/25, MCEF recovered Ksh. 504,856 in loan repayments. Recovery rates fluctuated throughout the year due to a very limited budget to carry out arrears follow ups.

S/NO	MONTH	AMOUNT RECOVERED
1.	July, 2024	145,300
2.	August, 2024	49,580
3.	September, 2024	47,670
4.	October, 2024	51,268
5.	November, 2024	10,900
6.	December, 2024	27,917
7.	January, 2025	32,100
8.	February, 2025	111,300
9.	March, 2025	12,721
10.	April, 2025	1,100
11.	May, 2025	2,900
12.	June, 2025	12,100
<b>TOTAL</b>		<b>504,856</b>

To ensure sustainability and safeguard the Fund's liquidity, MCEF introduced an innovative strategy by fixing available funds in an interest-earning account. This not only cushions the Fund against losses but also helps grow the revolving loan kitty, ensuring more resources are available for future beneficiaries.

#### d) Challenges Encountered

While we made commendable progress, several challenges affected our operations:

- Limited Funding: A key barrier was the inadequate allocation of operational funds, which constrained the ability to scale programs and reach more beneficiaries for trainings.

## **Makueni County Empowerment Fund Annual Report and Financial Statements for the year ended June 30, 2025.**

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- Loan Defaults: Some beneficiaries continued to default, often due to post-pandemic economic disruptions, requiring more personalized recovery interventions.
- Suspension of New Loans Since 2020: This continued freeze limited MCEF's outreach and slowed momentum in community engagement and fund utilization.
- Legislative Delays: The absence of a formal Act delayed full institutionalization of the Fund.

### **e) Future Outlook and Strategic Direction**

Looking forward, the Makueni County Empowerment Fund is well-positioned for expansion and deeper impact. Our strategic direction is focused on transforming the Fund into a leading county-level social protection mechanism agile, inclusive, and responsive to the diverse needs of the county's vulnerable populations.

Key priorities for the coming year include:

- Enactment of the Social Protection Bill, providing full legal backing for MCEF and its flagship programs.
- Issuing of loans to identified pilot groups
- Relaunching the Fund to reintroduce loan products, expand digital access, and rebuild public confidence.
- Diversifying financial products to better respond to the needs of different categories of vulnerable populations including youth, persons with disabilities, informal sector workers, and women-headed households.
- Operationalizing the Strategic Plan and Service Charter, improving service delivery, accountability, and strategic focus.
- Strengthening Loan Recovery Frameworks, with tailored approaches such as flexible repayment plans, ongoing financial education, digitized tracking systems and thorough vetting of beneficiaries.
- Mobilizing additional Funding through new partnerships, grants, and county-level budget support to scale program impact.

### **Conclusion**

The 2024/25 financial year marked a turning point for MCEF. Despite external and internal challenges, we made significant progress in policy development, digital transformation, governance, and financial recovery. These foundations have prepared the Fund for a new era of resilience, innovation, and expansion.

As the Fund Administrator, I extend my sincere gratitude to all our partners, staff, stakeholders, and the community for their continued support. Together, we will build a more inclusive, responsive, and empowering Makueni County Empowerment Fund that leaves no one behind.



**Winfred Musyoka**  
**Fund Administrator**  
**Makueni County Empowerment Fund**

**Makueni County Empowerment Fund  
Annual Report and Financial Statements for the year ended June 30, 2025.**

**7. Statement of Performance against Predetermined Objectives for FY 2024/2025**

MCEF has 4 strategic issues and objectives within the current Strategic Plan for the FY 2024/2025.

These strategic issues are as follows:

- a) Institutional strengthening and governance
- b) Loan and product management
- c) Capacity building
- d) Collaborations and partnerships

MCEF develops its annual work plans based on the above Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Fund achieved its performance targets set for the FY 2024/25 period for its 4 strategic pillars, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievement
Institutional strengthening and governance	To strengthen the fund legal and administration framework	Legal framework developed and reviewed	Development of social protection bill and the Ultra-poor graduation policy and bill.	Developed social protection bill, launched ultra-poor graduation policy.
Loan and product management	To ensure existing loans in arrears are collected, innovations in loan management	Amount of loans recovered and what innovation developed.	Loan arrears follow ups through calls and rescheduling of loans	Ksh. 499,826 recovered and a digital platform developed to monitor loan processes
Capacity building	To improve the capacity of staff and loan beneficiaries through training and mentorship programs	Number of staff and beneficiaries trained	Carried out stakeholder engagement forums on the social protection bill, UPG bill and the digital lending platform	Trained over 50 staff and 6 groups on the digital platform, carried out a stakeholder engagement forum for UPG policy
Collaborations and partnerships	To strengthen of MCEF to operate efficiently and effectively.	Number of partners MCEF collaborated with.	Carried out various programs with development partners	Collaborated with 3 partners

**Makueni County Empowerment Fund  
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**8. Corporate Governance Statement**

**a) Board Committee**

**i) Composition of the committee**

The Makueni County Empowerment Fund Committee consist of –

- (a) A non-executive chairperson, not being a public officer, appointed by the Executive Committee Member;
- (b) The Chief Officer in the County department for the time being responsible for finance or their representative duly nominated by in writing;
- (c) The Chief Officer in the County department for the time being responsible for youth, men, women and persons with disabilities affairs or their representative duly nominated in writing;
- (d) The Chief Officer in the County department for the time being responsible for Trade and Co-operatives or their representative duly nominated in writing;
- (e) The Fund Administrator who shall be the secretary to the committee;
- (f) One person representing people living with disabilities in the County who shall be nominated by the Executive Committee Member in writing;
- (g) Two youth, one male and another female from the County nominated by the Executive Committee Member in writing;
- (h) A representative of the Village, Savings and Loaning Association nominated by the Executive Committee Member, in charge of trade

Currently, the fund does not have a committee in place following its abolishment to facilitate restructure. The key management personnel are involved in overseeing the funds restructure process with the County Assembly oversight roles.

**ii) Appointment and removal of the Fund Committee members**

The appointment of the Fund Chairperson and other non-staff committee members shall be subject to such persons-

- (a) Satisfying the requirements of Chapter Six of the Constitution; and
- (b) In the case of the Chairperson, holding a minimum of a bachelor's degree from a university recognized in Kenya, and on account of their training or experience –
  - (i) Having over five years distinguished experience in financial, business or economic matters; or
  - (ii) Being knowledgeable about trade, industry, finance or the economy; or having knowledge of the matters pertaining to micro and small business;
  - (iii) Knowledge in community development with experience of not less than 10 years
- (c) In the case of other non-staff committee members;
  - (i) Having over three years' experience in financial, business or economic matters; or
  - (ii) Complying with other criteria the Executive Committee Member may prescribe.

**iii) Removal from office**

A member of the Committee may be removed from office for: -

- Violation of the Constitution or any other law;
- Gross misconduct, whether in the performance of the member's functions or otherwise;
- Physical or mental incapacity to perform the functions of office; or
- Incompetence or neglect of duty.

**b) Functions of the Fund committee**

- i) In consultation with the Executive Committee Member, negotiate and review the terms of any contracts on matters connected with the Fund for execution by the accounting officer of the department responsible for youth, men, women and persons with disabilities affairs;
- ii) Manage the Fund in such manner and for such purposes as best promotes the purpose for which the Fund is established;
- iii) Establish procedures and regulations for matters relating to registration of youth, men, women, persons with disabilities and table-banking groups loan application, loan approval and loan recovery;
- iv) In consultation with the Fund administrator or financial institutions engaged by the Committee to-
  - receive and consider all loan applications from eligible persons;
  - approve or reject such applications in accordance with the provisions of these regulations; and
  - recover matured loans;
- v) Subject to the approval of the Executive Committee Member responsible for finance, invest any of the monies of the Fund not immediately required for the purposes of this notice, as it may determine; and
- vi) Exercise such other lawful powers as may be confirmed by these Regulations or other law.

**c) Induction and training of Board Members**

The Fund Regulation and Guidelines form the basis for induction and training of all the board members upon appointment.

**d) Board and members performance**

During the Financial Year 2024/2025, there was no fund committee meeting held. The Fund Committee was abolished as part of a broader effort to promote efficiency and facilitate the comprehensive restructuring of the Fund.

**e) Term of Service**

The chairperson and members shall serve a term of three years, renewable once.

**Makueni County Empowerment Fund**  
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**f) Succession plan of board members**

County Executive Committee member responsible for youth, men, women and persons with disabilities affairs is mandated to appoint the committee members as per the Fund Regulations. The board works hand in hand with the Fund secretariat.

**g) Conflict of Interest**

A member of committee is required to declare conflict of interest in the Fund processes. No such declaration was received in financial year under review

**h) Remunerations of the Board members**

Remunerations of the committee members are as per the SRC guidelines.

**i) Governance and Audit**

**i) Governance**

The Committee shall have all the powers necessary for the proper performance of its functions and have the power to;

- Negotiate and review the terms of any contracts on matters connected with the Fund for execution by the accounting officer of the department responsible for youth, men, women and persons with disabilities affairs;
- Manage the Fund in such manner and for such purposes as best promotes the purpose for which the Fund is established;
- Establish procedures and regulations for matters relating to registration of youth, men, women, persons with disabilities and table-banking groups loan application, loan approval and loan recovery
- Receive and consider all loan applications from eligible persons, approve or reject such applications in accordance with the provisions of the regulations; and recover matured loans;
- Invest any of the monies of the Fund not immediately required for the purposes of this notice, as it may determine
- The Committee may delegate any of its powers to the Fund administrator or other person as may be approved by the Executive Committee Member.

Upon approval of the estimates by the County Assembly, all monies appropriated for purposes of the Fund shall be paid into the Fund account established under regulation 5.

**ii) Audits**

The Committee shall cause to be kept such books of accounts and other books in relation thereto of all its undertakings, Funds, activities and property as the County Executive Committee Member may from time to time approve and shall, within a period of two months after the end of the financial year, cause to be prepared, signed and forwarded to the Auditor-General, a financial statement of the Fund; and Such other statements of accounts as the County Executive Committee Member for Finance may approve.

The office of the Auditor general will undertake audit of the Fund activities for a financial Year within six months after closure of the Financial Year.

## **9. Management Discussion and Analysis**

### **a) Operational and Financial Performance**

Over the past five financial years, the Fund has undergone significant operational transitions. The Fund did not disburse any loans following a recommendation of the county assembly to suspend the lending processes. Recovery efforts during this period also recorded slow rates began to rise toward the end of this phase.

During these years, the Fund shifted its focus toward institutional reform, policy review, and enhancing loan recovery mechanisms. This period of re-engineering was necessitated by internal reviews and external recommendations aimed at strengthening governance, transparency, and operational efficiency.

Loan recovery efforts intensified in FY 2024/2025, with the Fund engaging defaulters through structured follow-ups and recovery campaigns. While some progress was made, the default rate remained high, indicating the need for a more robust and digitized loan tracking and enforcement system.

### **b) Key Projects and Investment Initiatives**

During the year under review, the Fund prioritized internal strengthening over external disbursement. Three critical initiatives were undertaken:

- i) Development of a Digital Loan Management System – Procurement began for an integrated platform designed to handle the full loan lifecycle, from application and disbursement to repayment and reporting. This initiative aims to reduce turnaround time, improve traceability, and support data-driven decision-making.
- ii) Review and Revision of Operating Regulations – Following recommendations from the County Assembly Ad-hoc Committee, the Fund undertook a comprehensive review of its regulatory framework. Revised regulations have been tabled in the County Assembly and await formal approval. These reforms are intended to enhance governance, compliance, and accountability.
- iii) Loan Recovery Enhancement Program – The Fund launched a targeted program to trace and engage loan defaulters. This included beneficiary outreach, structured repayment agreements, and collaboration with enforcement bodies where necessary.

### **c) Compliance with Statutory Requirements**

The Fund has remained largely compliant with statutory obligations during the reporting period. Financial statements were prepared and submitted within required timelines, and external audits were conducted by the Office of the Auditor-General. However, revised operating regulations were still pending approval by the County Assembly as of the close of the financial year.

**Makueni County Empowerment Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025.**

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**d) Material Arrears and Financial Obligations**

While the Fund did not accumulate any statutory arrears, loan recovery remains a significant concern. Efforts have been put in place to continue collection of arrears as reminder calls, loan rescheduling, demand notices and visits to defaulters to discuss how to repay the arrears.

**e) Review of the Economic Environment and Sector**

The national and local economies experienced moderate growth in 2024/2025. While the agricultural and construction sectors showed signs of recovery, inflation and unemployment remained persistent challenges. These macroeconomic factors directly impacted beneficiaries' ability to repay loans, particularly those in informal and small-scale business sectors.

Additionally, rising living costs and reduced household incomes constrained new economic activities, leading to fewer viable project proposals and a greater risk of loan default for funded ventures.

Within the broader microfinance and empowerment landscape, the trend has been toward digitization and consolidation. Many public and private sector funds are transitioning to fully automated systems to streamline operations and reduce administrative costs. There is also increasing pressure to demonstrate measurable social impact and fiscal sustainability.

The empowerment sector remains a priority under national development strategies such as Vision 2030, with a growing emphasis on youth and women-led enterprises.

**f) Major Risks Facing the Fund**

The Fund is exposed to several major risks as it prepares for renewed activity. Economic risks, such as inflation and fluctuating county revenues, may constrain both loan recovery and future disbursements.

There is also a risk of misuse or mismanagement of funds, which necessitates strict internal controls and oversight. Weak community engagement can affect the success of funded projects, while inadequate project design and implementation may lead to poor outcomes. Additionally, limited staff capacity and skills, especially in the credit and project monitoring, continue to challenge the Fund's effectiveness.

Other risks include delays in legal and regulatory approvals, which have the potential to stall operations, and uncertainty around funding sources, especially if the Fund becomes reliant on external donors or unstable county budget allocations.

**g) Future Developments and Outlook**

Looking ahead to the 2025/2026 Financial Year, the Fund anticipates a full-scale operational relaunch. The implementation of the digital loan management system is expected to significantly improve efficiency, transparency, and service delivery. Once the revised regulations are approved, the Fund will be in a stronger legal and governance position to operate effectively.

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Strategic priorities will include broadening access to underrepresented groups, building partnerships with development agencies and private sector actors, and strengthening monitoring and evaluation to ensure project sustainability and impact.

With foundational reforms now largely in place, the Fund is poised to resume disbursements and expand its reach, provided that identified risks are actively mitigated and the economic environment remains supportive.

**h) Conclusion**

The financial year 2024/2025 served as a critical period of transformation and institutional strengthening. Though no new funds were disbursed, significant progress was made in regulatory reform, systems development, and loan recovery. These reforms are expected to position the Fund for greater impact, improved efficiency, and long-term sustainability as it transitions into its next operational phase.

**Makueni County Empowerment Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025.**

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**10. Environmental and Sustainability Reporting**

Makueni County is dedicated to transforming citizens' lives, guided by its vision of becoming a prosperous, value-based county with a high quality of life. This transformation agenda upholds five key principles: integrity and accountability, inclusiveness, equity and fairness, patriotism, and responsiveness. The county's development focuses on three pillars—Economic, Social, and Political—through six main areas of intervention: community economic empowerment, water resource management, lands and urban development, social development, universal health care, and institutional strengthening.

To continue offering services to the citizens of Makueni County over the long-term, the County is focused on;

**i) Sustainability strategy and profile**

Makueni County is committed to sustainable development through governance reforms rooted in integrity, transparency, and accountability. With a focus on policy and institutional strengthening, the County emphasizes issue-based leadership and responsible management of public resources. Sustainability efforts centre on pollution prevention, resource conservation, waste minimization, zero emissions, and reduced carbon footprints. These goals are pursued through alternative energy adoption, responsible consumption, effective waste management, advocacy, innovation, reuse, and recycling, ensuring sustainability across all areas of development.

**i) Environmental performance**

Makueni County integrates environmental and climate management through its 2021 policy and the Climate Change Act 2022, which established a Climate Change Fund and allocates 2% of the budget to climate actions. The 2023-2027 Climate Change Action Plan guides interventions, while the Environmental and Social Safeguard (ESS) Framework ensures sustainable projects through staff training, environmental assessments, and grievance redress mechanisms.

**ii) Employee welfare**

The County Government, guided by the County Government Act 2012, Employment Act 2012, and Kenya's Constitution, ensures objectivity, equity, and fairness in hiring and managing staff within the County Public Service. Makueni County's Human Resource Policies and Procedures Manual (2017) directs HR practices, emphasizing gender balance, stakeholder involvement, and regular staff engagement. Through the County Public Service Board, the County has advanced employee skills, career management, appraisal, and reward systems, integrating performance management, training, departmental HR committees, and timely benefits like medical cover. Policies on Performance Management, HIV/AIDS, substance abuse, conflict of interest, and sexual harassment further promote objective staff management, while a safety and health policy under OSHA 2007 ensures workplace safety and health standards.

**iii) Market place practices**

County government of Makueni has made efforts in promoting fairness in the market place in the following aspects;

**a) Responsible Competition Practice**

Makueni County ensures responsible competition by promoting transparency and fair access to procurement opportunities. Anti-corruption efforts are evident through risk assessments conducted with the Ethics and Anti-Corruption Commission (EACC) and the implementation of corruption prevention measures, such as "corruption-free zone" signboards, complaints registers, and the Makueni App for reporting malpractices. The publication of tenders on dedicated portals and communication of tender outcomes ensures equal opportunity for all bidders. At least 30% of the procurement budget is allocated to Youth, Women, and Persons with Disabilities (PWDs), and 20% to local contractors, promoting inclusivity and fair competition while respecting competitors.

**b) Responsible Supply Chain and Supplier Relations**

The County prioritizes ethical supply chain management by enhancing access to procurement opportunities and treating suppliers fairly. Publishing all tenders on the Public Procurement Information Portal ensures equal access, while feedback to all bidders maintains transparency. Makueni County also commits to reserving portions of the procurement budget for disadvantaged groups, empowering suppliers. Additionally, the County promptly inspects and processes payments for completed projects, preventing delays and honoring contractual obligations to maintain positive supplier relations.

**c) Responsible Marketing and Advertisement**

Makueni County maintains ethical marketing practices by transparently publishing procurement opportunities and contract awards, ensuring that information is readily accessible to the public. This approach fosters public trust and avoids misleading information or unfair competition. The County's communication efforts include clear disclosure of procurement outcomes, promoting accountability and transparency in all public advertisements related to government opportunities.

**d) Product Stewardship**

The County demonstrates stewardship of goods and services by implementing a consumer protection program aimed at promoting fair trade practices and safeguarding consumer rights. This includes regular inspection of weights and measures to ensure product quality and quantity in local markets. The oversight roles of the Members of County Assembly (MCAs) and the public help ensure that County staff provide services responsibly, diligently, and truthfully, thereby enhancing the County's commitment to protecting consumer interests and promoting ethical business practices.

**iv) Corporate Social Responsibility / Community Engagements**

In FY 2024/2025, the County government engaged different stakeholders for CSR and community engagement. MCEF on the other hand did not undertake any community engagement in the period under review. However, the fund will engage stakeholders in review of the loan processing App in the FY 2025/26.

**Makueni County Empowerment Fund**  
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**11. Report of the Directors/Fund Committee**

The Directors submits their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Makueni County Empowerment Fund affairs.

**i) Principal activities**

The principal activity of the Fund is to provide credit that is affordable and easily accessible to the people of Makueni County.

**ii) Results**

The results of the Entity for the year ended June 30, 2025, are set out on page 1-5


**iii) Directors/Fund Committee**

The key management team shown on page viii - ix served as the committee overseeing the fund restructure process.

**iv) 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

  
.....  
**Name** *Kliffed Musyoka*  
**Secretary to the Committee**

**Makueni County Empowerment Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025.**

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**12. Statement of Directors/Fund Committee Responsibilities**

Section 81 or 164 of the Public Finance Management Act, 2012 and the PFM Makueni County Empowerment Regulations 2022 require the Fund Committee to prepare financial statements in respect of MCEF which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results of the Fund for that period. The Fund Committee is also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Fund Committee is also responsible for safeguarding the assets of the Fund.

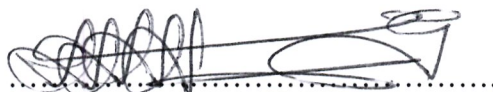
The Fund Committee is responsible for the preparation and presentation of the fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate 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 Entity; (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 Entity; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Fund Committee accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the PFM Makueni County Empowerment Regulations 2022. The Fund Committee is of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as at that date. The Fund Committee further confirms 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.

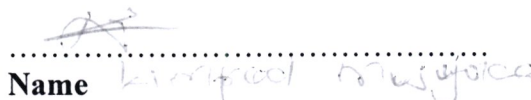
In preparing the financial statements, the Fund Committee have assessed the fund's ability to continue as a going concern. Nothing has come to the attention of the Fund Committee to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The MCEF financial statements were approved by the Board on 9/10 2025 and signed on its behalf by:



Name [Signature]  
Chairperson of the Board/Fund Committee



Name [Signature]  
Accounting Officer/Fund Administrator

# REPUBLIC OF KENYA



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Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke

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

## REPORT OF THE AUDITOR-GENERAL ON MAKUENI COUNTY EMPOWERMENT FUND FOR THE YEAR ENDED 30 JUNE, 2025

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### PREAMBLE

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

- A. Report on 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 the 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; and,
- 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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Makueni County Empowerment Fund set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2025 and the statement of Financial Performance, statement of changes in Net assets, statement of cash flows and statement of comparison of budget and actual

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Makueni County Empowerment Fund as at 30 June, 2025 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 Makueni County Empowerment Fund Regulations 2022, and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Long Outstanding Receivables from Exchange Transactions**

The statement of financial position and as disclosed in Note 9 to the financial statements reflect current assets and non-current assets receivables from exchange transactions balances of Kshs.2,133,333 and Kshs.58,101,117 respectively. However, the following issues were noted:

- i. Loans totalling Kshs.31,837,818 were unlikely to be recovered due to various reasons stated by Management including non-cooperation by clients, deceased clients, clients avoiding contact with Makueni County Empowerment Fund officers and high levels of poverty. In addition, Management had not made any provision for bad debts.
- ii. Debtors' ageing analysis provided for audit review reflected amounts totalling Kshs.58,101,117 which had been outstanding for more than three (3) years. However, Management did not provide evidence on the measures put in place to recover the outstanding amounts from the borrowers.

In the circumstances, the accuracy and recoverability of the receivables from exchange transaction balance of Kshs.60,234,450 could not be confirmed.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

## **Other Information**

The Management is responsible for the Other Information set out on pages iii to xxv which comprise of Key Entity Information and Management, Fund Committee, Key Management Team, Chairman's Statement, Report of the Fund Administrator, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Fund Committee, Statement of Fund Committee Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's, financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

## **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 ISSAIs 3000 and 4000. The Standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal

controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of the Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply 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 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The Standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

31 October, 2025

**Makueni County Empowerment Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

**14. Statement of Financial Performance for the year ended 30 June 2025**

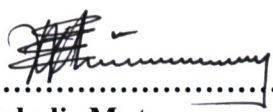
	Notes	Period ended June 2025	Period ended June 2024
		Kshs	Kshs
<b>Revenue from exchange transactions</b>			
Other income (Interest Income)	6	11,151,667	6,981,425
<b>Total revenue</b>		<b>11,151,667</b>	<b>6,981,425</b>
<b>Expenses</b>			
Use of goods and services	7	1,065	5,970,830
<b>Total expenses</b>		<b>1,065</b>	<b>5,970,830</b>
<b>Surplus/deficit from operating activities</b>		<b>11,150,602</b>	<b>1,010,595</b>
<b>Surplus/ (deficit) before tax</b>		<b>11,150,602</b>	<b>1,010,595</b>
<b>Surplus/(deficit) for the Year</b>		<b>11,150,602</b>	<b>1,010,595</b>
<b>Net Surplus for the year</b>		<b>11,150,602</b>	<b>1,010,595</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors/Fund committee by:

  
.....  
**Winfred Musyoka**


**Fund Administrator**

**Date 13/10/2025**

  
.....  
**Nicholis Mutua**

**Accounting Officer**

**Date 13/10/2025**

  
.....  
**John Nguni**

**Head of Finance**

**ICPAK M/No:3440  
Date 13/10/2025**

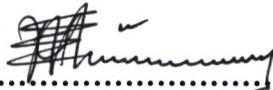
**Makueni County Empowerment Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**


**15 Statement of Financial Position as at 30 June 2025**

	Notes	Period as at	Period as at
		Jun 2025	Jun 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	8	161,202,462	149,610,992
Receivables from Exchange Transactions	9	2,133,333	2,080,534
<b>Total Current Assets</b>		<b>163,335,795</b>	<b>151,691,526</b>
<b>Non-Current Assets</b>			
Receivables from Exchange Transactions	9	58,101,117	58,605,972
<b>Total Non- Current Assets</b>		<b>58,101,117</b>	<b>58,605,972</b>
<b>Total Assets (A)</b>		<b>221,436,912</b>	<b>210,297,498</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>		-	-
<b>Total Current Liabilities</b>		-	-
<b>Non-Current Liabilities</b>		-	-
<b>Total Non- Current Liabilities</b>		-	-
<b>Total Liabilities (B)</b>		-	-
<b>Net Assets (A-B)</b>		<b>221,436,912</b>	<b>210,297,498</b>
<b>Represented By:</b>			
Reserves		-	-
Accumulated Surplus		12,150,009	1,010,595
Revolving Fund		209,286,903	209,286,903
Capital Fund		-	-
<b>Net Assets</b>		<b>221,436,912</b>	<b>210,297,498</b>

The financial statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
 Name: Eric Mwangi  
 Chairman Board/Fund

  
 Name: NICHOLAS MUCUA  
 Accounting Officer

  
 Name: JOHN AGONJI  
 Head of Finance

Date 13/10/2025

Date 13/10/2025

ICPAK M/No:3440  
 Date 13/10/2025

**Makueni County Empowerment Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025.**

**16. Statement of Changes in Net Assets for the year ended 30 June 2025**

Description	Revaluation reserve	Fair value adjustment reserve	Accumulated surplus	Revolving Fund	Capital/Development Grants/Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at July 1, 2023</b>	-	-	(122,926)	212,373,715	-	212,250,789
Revaluation gain		-	-		-	-
Prior Year adjustment			122,926	(3,086,812)	-	(2,963,886)
Fair value adjustment on investments	-	-	-	-	-	-
Surplus/ deficit for the year	-	-	1,010,595	-	-	1,010,595
Funds received During the year	-	-	-	-	-	-
Transfers from accumulated surplus to revolving fund	-	-	-	-	-	-
Capital/development grants received during the year	-	-	-	-	-	-
<b>As at June 30, 2024</b>	-	-	1,010,595	209,286,903	-	210,297,498
<b>As at July 1, 2024</b>	-	-	1,010,595	209,286,903	-	210,297,498
Revaluation gain	-	-	-	-	-	-
Fair value adjustment on investments	-	-	-	-	-	-
Prior Year adjustment			(11,188)			(11,188)
Surplus/ (deficit) for the year	-	-	11,150,602	-	-	11,150,602
Funds received During the year	-	-	-	-	-	-
Transfers from accumulated surplus to revolving fund	-	-	-	-	-	-
Capital/development grants received during the year	-	-	-	-	-	-
<b>As at June, 2025</b>	-	-	12,150,009	209,286,903	-	221,436,912

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**17. Statement of Cash Flows for the year ended 30 June 2025**

	Notes	Period ended	Period ended
		Jun 2025	Jun 2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other governments entities		-	-
Public contributions and donations		-	-
Interest received		11,098,867	4,900,890
Rendering of services		-	-
Rental revenue from facilities and equipment		-	-
Fees and other charges		-	-
Other income			
<b>Total receipts</b>		<b>11,098,867</b>	<b>4,900,890</b>
<b>Payments</b>			
Use of goods and services		1,065	5,970,830
Employee costs		-	-
Board Expenses		-	-
Repairs and maintenance		-	-
Contracted services		-	-
Grants and subsidies		-	-
Finance costs		-	-
<b>Total payments</b>		<b>1,065</b>	<b>5,970,830</b>
<b>Net cash flows from/(used in) operating activities</b>	10	<b>11,097,802</b>	<b>(1,069,940)</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE		(-)	(-)
Purchase of Intangible assets		(-)	(-)
Proceeds from sale of PPE		-	-
Proceeds from loan principal repayments		504,856	72,450,896
Loan repayment reversal		(11,188)	-
Purchase of investments		-	(-)
Proceeds from sale of investments		-	-
<b>Net cash flows from/(used in) investing activities</b>		<b>493,668</b>	<b>72,450,896</b>
<b>Cash flows from financing activities</b>			
Revolving fund receipts		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	-
<b>Net cash flows from financing Activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>		<b>11,591,470</b>	<b>71,380,956</b>
<b>Cash and cash equivalents at the beginning (1<sup>st</sup> July 2024)</b>		<b>149,610,992</b>	<b>78,230,036</b>
<b>Cash and cash equivalents at the end (30 Jun, 2025)</b>		<b>161,202,462</b>	<b>149,610,992</b>

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c= (a+b)	D	e=(c-d)	f=d/c*100
<b>Budget carryovers from the previous year*</b>						
<b>Receipts</b>						
Transfers from Other Governments entities	-	-	-	-	-	-
Public Contributions and Donations	-	-	-	-	-	-
Interest income	12,000,000	-	12,000,000	11,098,867	901,133	92%
Rendering of Services	-	-	-	-	-	-
Rental Revenue from Facilities and Equipment	-	-	-	-	-	-
Fees and other charges	-	-	-	-	-	-
<b>Total Income</b>	<b>12,000,000</b>	<b>-</b>	<b>12,000,000</b>	<b>11,098,867</b>	<b>901,133</b>	<b>92%</b>
<b>Expenses</b>						
Use of Goods and Services	1,500	-	1,500	1,065	435	71%
Employee costs	-	-	-	-	-	-
Board Expenses	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-
Contracted Services	-	-	-	-	-	-
Grants and Subsidies	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>1,500</b>	<b>-</b>	<b>1,500</b>	<b>1,065</b>	<b>435</b>	<b>71%</b>
<b>Surplus for the period</b>	<b>11,998,500</b>	<b>0</b>	<b>11,998,500</b>	<b>11,097,802</b>	<b>900,698</b>	<b>21%</b>
<b>Capital Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	<b>11,097,802</b>
1	Timing Differences – Fixed deposits (opening balance)	<b>149,610,992</b>
2	Timing difference <i>-proceeds from loan repayment issued in previous periods</i>	504,856
	Closing Cash and Cash Equivalent as per the statement of Cash flows	<b>161,202,461</b>

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**19. Notes to the Financial Statements**

**1. General Information**

Makueni County Empowerment Fund is established by and derives its authority and accountability from Public Finance Act. The Fund is wholly owned by the County Government of Makueni and is domiciled in the department of Gender, Children, Youth Sports and Social Services. The Fund 's principal activity is Lending affordable loans and economic empowerment to the residents of the county.

**2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the Notes

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The financial statements have been prepared in accordance with the PFM Act 2012, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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**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 2025.*

There were no new and amended standards issued in the financial year.

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Standard	Effective date and impact
IPSAS 43: Leases	<b>Applicable 1<sup>st</sup> January 2025</b> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b>Applicable 1<sup>st</sup> January 2025</b> 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: 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.
IPSAS 45: Property Plant and Equipment	<b>Applicable 1<sup>st</sup> January 2025</b> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<b>Applicable 1<sup>st</sup> January 2025</b> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.

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	<p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ol>

iii. *Early adoption of standards*

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

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**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

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

**Fees and other charges**

The Fund recognizes revenues from fees and other charges when the event occurs, and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

**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. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

**ii) Revenue from exchange transactions**

**Rendering of services**

The Entity recognizes revenue from the rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**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.

**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 FY 2024/25 was approved by the Management and there were no subsequent revisions or additional appropriations made to the approved budget. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals to conclude the final budget. The 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 an 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

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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 Cashflows has been presented.

#### **c) Taxes**

##### **Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the fund operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates, and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits, and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Fund and the same taxation authority.

##### **Sales tax**

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included

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The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) 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 a period of time, 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. Transfers are made to or from investment property only when there is a change in use.

**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.

**f) Leases**

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Fund. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) 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,

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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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**h) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**Financial instruments**

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

**a) Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

#### **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 the 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.

#### **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.

#### **Fair value through surplus or deficit**

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

#### **Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

#### **b) Financial liabilities**

##### **Classification**

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

##### **i) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or 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:

- i) Raw materials: purchase cost using the weighted average cost method.

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- ii) 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.

#### **j) 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.

#### **k) 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.

#### **l) 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.

#### **m) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

#### **n) 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.

#### **o) 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 a proportional basis to

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all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

#### **p) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

#### **q) 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 the construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

#### **r) 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/Fund Committees, the CEO/Fund Administrator, and senior managers.

#### **s) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement, or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

#### **t) 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 an insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and various commercial banks at the end of the financial year.

#### **u) Comparative figures**

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

#### **v) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

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**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:

**Estimates and assumptions.**

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

**Useful lives and residual value**

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

- a) The condition of the asset is based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility, and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 37. 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. Other Income**

Description	FY2024/25	FY2023/24
	Kshs	Kshs
Interest on cash investments and fixed deposits	11,151,667	6,981,425
Interest on Bank balances	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Insurance recoveries	-	-
Income from sale of tender	-	-
Services concession income	-	-
Skills development levy	-	-
Bad debts recovered	-	-
Miscellaneous incomes ( <i>specify</i> )	-	-
<b>Total Other income</b>	<b>11,151,667</b>	<b>6,981,425</b>

**7. Use of Goods and Services**

Description	FY2024/25	FY2023/24
	Kshs	Kshs
Training	-	400,000
Travel, Subsistence & Other Allowances*	-	4,270,830
Bank charges	1,065	1,670
Other program support expenses( <i>specify</i> )	-	1,298,330
<b>Total</b>	<b>1,065</b>	<b>5,970,830</b>

**8. Cash and Cash Equivalents**

Description	FY2024/25	FY2023/24
	Kshs	Kshs
Bank balances	1,202,462	44,710,102
On - Call Deposits	-	-
Fixed Deposits Account ( <i>below 3 months</i> )	160,000,000	104,900,890
Others ( <i>Specify</i> )	-	-
<b>Total Cash and Cash Equivalents</b>	<b>161,202,462</b>	<b>149,610,992</b>

*The variation in the in the cash and cash equivalents were as a result of interest earned on fixed deposits and retained in the accounts*

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**Detailed Analysis of the Cash and Cash Equivalents**

Financial Institution	Account number	FY 2024/25	FY 2023/24
		Kshs	Kshs
<b>a) Bank balances</b>			
KCB Bank	1183068646	1,202,462	44,710,102
	1205463038	-	
<b>Sub- total</b>		<b>1,202,462</b>	<b>44,710,102</b>
<b>b) On - Call Deposits</b>			
- Bank		-	-
- Bank		-	-
<b>Sub- Total</b>		<b>-</b>	<b>-</b>
<b>c) Fixed Deposits Account</b>			
KCB Bank	1183068646	160,000,000	104,900,890
KCB Bank	1205463038		
<b>Sub- total</b>		<b>160,000,000</b>	<b>104,900,890</b>
<b>d) Others (Specify)</b>			
Cash In Transit		-	-
Cash In Hand		-	-
Mobile Money Accounts		-	-
<b>Sub- Total</b>		<b>-</b>	<b>-</b>
<b>Grand Total</b>		<b>-</b>	<b>-</b>

**9. Receivables from Exchange Transactions**

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
<b>Current Receivables</b>		
Loan interest receivable	-	2,080,534
Current Loan Repayments Due	-	-
Fees and other charges due	-	-
Interest on fixed deposit due	2,133,333	-
Less: Impairment Allowance	(-)	(-)
<b>Total Current Receivables</b>	<b>2,133,333</b>	<b>2,080,534</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	58,101,117	58,605,972
<b>Total Non- Current Receivables</b>	<b>58,101,117</b>	<b>58,605,972</b>
<b>Total Receivables from Exchange Transactions</b>	<b>60,234,450</b>	<b>60,686,506</b>

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**(b) Ageing analysis for Receivables from exchange transactions**

Description	FY2024/25		FY2023/24	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	2,133,333	4%	2,080,534	3%
Between 1- 2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	58,101,117	96%	58,605,972	97%
<b>Total (a+b)</b>	<b>60,234,450</b>	<b>100%</b>	<b>60,686,506</b>	<b>100%</b>

**(c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions**

Impairment allowance/ provision	FY 2024/25	FY2023/24
	Kshs	Kshs
At the beginning of the year	<b>60,686,506</b>	<b>133,842,225.00</b>
Additional receivable during the year	2,133,333	2,080,534
Recovered during the year	(2,585,390)	(72,450,896)
Prior Year adjustments		(2,784,818)
Written off during the year	(-)	(-)
At the end of the year	<b>60,234,450</b>	<b>60,686,506</b>

**10. Cash Generated from Operations**

Description	FY2024/25	FY2023/24
	Kshs	Kshs
<b>Surplus/Deficit for the year</b>	<b>11,150,602</b>	<b>1,010,595</b>
<b>Adjusted for:</b>		
Depreciation	-	-
Non-cash grants received	(-)	(-)
Contributed assets	(-)	(-)
Impairment	-	-
Gains and losses on disposal of assets	(-)	(-)
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
<b>Working capital adjustments</b>	<b>11,150,602</b>	<b>1,010,595</b>
Increase in inventory	(-)	(-)
Increase in receivables	(52,799)	(2,080,534)
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
<b>Net cash flow from operating activities</b>	<b>11,097,802</b>	<b>(1,069,940)</b>

**11. Events after the Reporting Period**

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

**12. Ultimate And Holding Entity**

The Fund is under the department of Gender Children Youth Sports and Social Services. Its ultimate parent is the County Government of Makueni.

**13. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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**20. Appendices**

**Appendix 1: Implementation Status of Auditor-General'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><b>Receivables from Exchange Transactions in Suspense</b>  Accuracy of receivable from exchange could not be confirmed since the receivable balance of Kshs 58,605,972 is net of Kshs 12,591,526 being cash deposited by loanees which could not be linked to specific accounts for posting and reconciliation  Loans of Kshs 31,837,818 were unlikely to be recovered and there was no provision for bad debts for the same</p>	<p>The unreconciled amount was as a result of bulk payment of funds by Kenya Commercial Bank without providing the fund with the loanees breakdown and direct loan payments to the fund without the payee details. The amount has since been reconciled and posted to individual ledgers.  The fund has embraced various strategies including issuing demand notices, bulk texting and loan restructures to collect outstanding loans</p>	Not Resolved	June 2026
2	<p><b>Unsupported Prior Year Adjustments</b>  Supporting documents for Prior year adjustments of accumulated surplus and revolving fund of kshs 122,926 and Kshs 3,086,812 were not provided</p>	<p>Payments of Ksh 3,086,812 were made by the County Executive on behalf of the Fund and erroneously recognized in the funds books as revolving fund and the breakdown is available. The accumulated surplus was majorly caused by depreciation of an asset acquired on behalf of the fund by the mother department which was recognized and depreciated in the fund's books.</p>	Resolved	July 2025

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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)
3	<p><b>Inaccuracies in the Statement of Cash Flows</b></p> <p>The cash flow comparative balances differed with balances in the audited 2022/2023 FSs</p>	This was as a result of changes in the reporting template elements in the statement of cashflow statements.	Resolved	July 2025
	<p><b>Unresolved Prior Year Matters</b></p> <p>All prior year matters were indicated as resolved but no evidence was provided to confirm the same</p>	The Fund has resolved most of the prior year audit issues and appeared before the County Assembly to discuss the Funds audit reports for the Financial Year 2022/23 and 2023/24	Resolved	July 2025



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**Winfred Musyoka**  
**Fund Administrator – Makueni County Empowerment Fund**  
**Date:**

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**Appendix II: Trial Balance**

Trial Balance Details	FY 2024/25		FY 2023/24	
	Debit	Credit	Debit	Credit
Accumulated surplus		1,010,595		-
Prior Year adjustment	11,188			
Interest Income	-	11,151,667	-	6,981,425
Use of goods and services	1,065	-	5,970,830	-
Cash and cash equivalents	161,202,462	-	149,610,992	-
Receivables from non-exchange transactions	58,101,117	-	58,605,972	-
Interest Income receivable	2,133,333		2,080,534	
Revolving Fund		209,286,903		209,286,903
<b>Total</b>	<b>221,449,165</b>	<b>221,449,165</b>	<b>216,268,328</b>	<b>216,268,328</b>