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REPORT

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THE AUDITOR-GENERAL

ON

**KAKAMEGA COUNTY AGRICULTURAL
INPUTS FUND**

**FOR THE YEAR ENDED
30 JUNE, 2019**

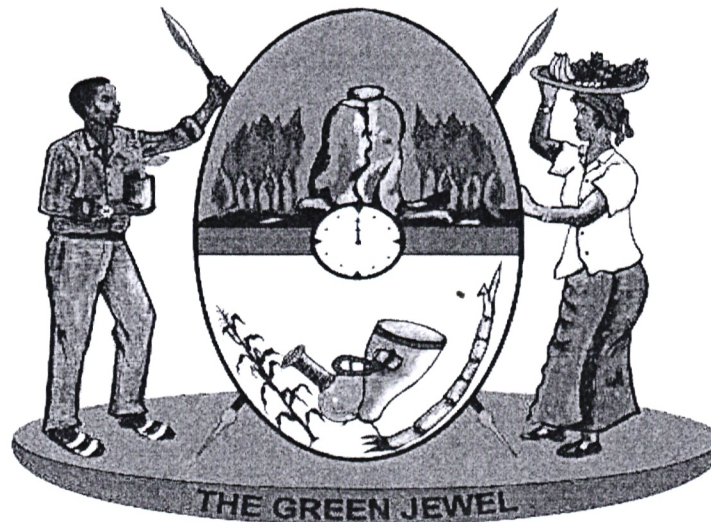
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REPUBLIC OF KENYA



**COUNTY GOVERNMENT OF KAKAMEGA
(KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND)**



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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



**Kakamega County Agricultural Inputs Fund
Reports and Financial Statements
For the year ended June 30, 2019**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kakamega County Agricultural Inputs Fund is established by and derives its authority and accountability from Kakamega County Agricultural Inputs Fund Regulations, 2018 as amended by the Fund Regulations, 2019. The Fund is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

The fund began operations in the year 2017-2018.

b) Principal Activities

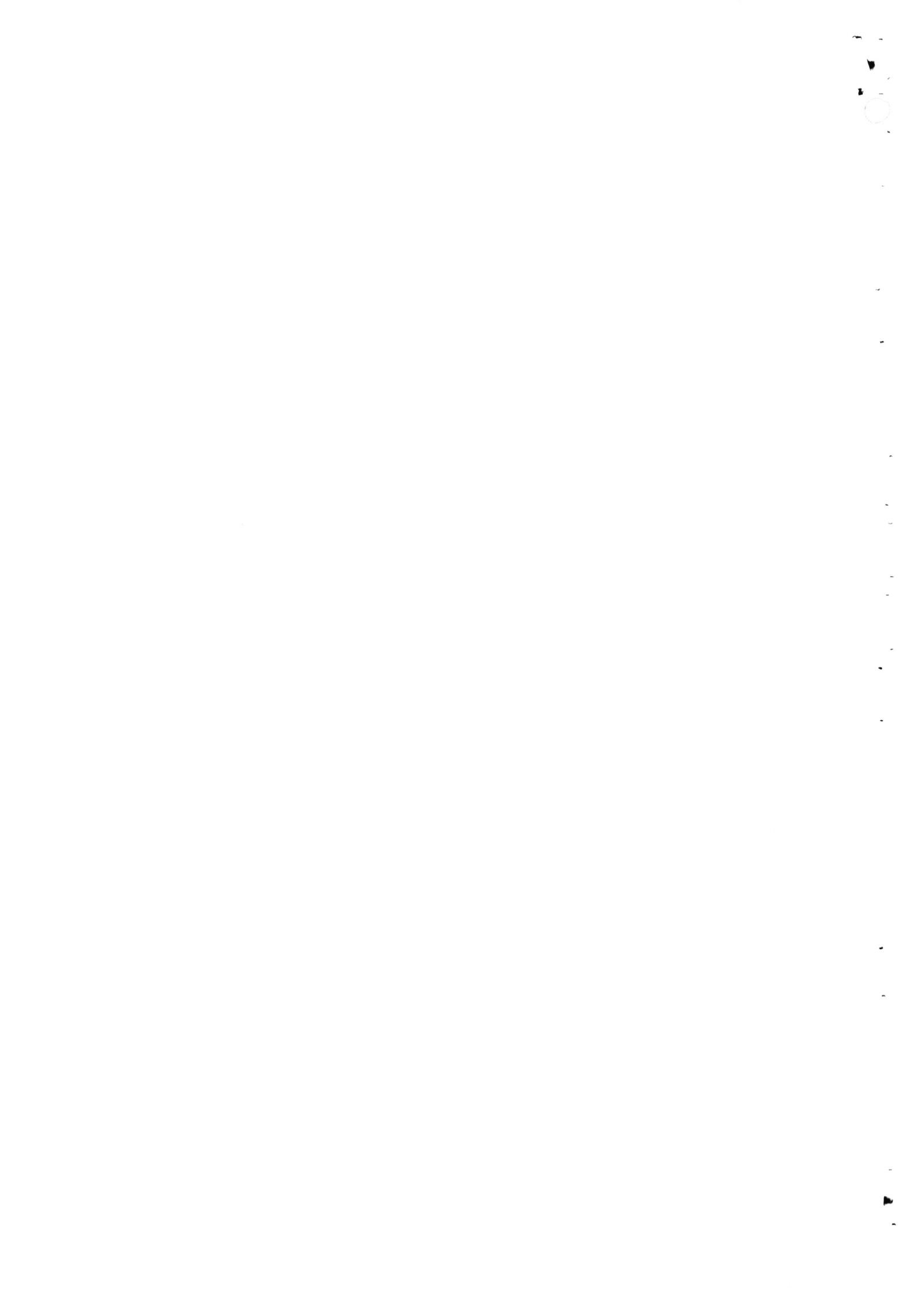
The principal activity/mission/ mandate of the Fund is procure and distribute subsidised agricultural inputs to farmers in the county and facilitate faster, transparent and accountable procurement and distribution of subsidised agricultural inputs in the county

c) Fund Advisory Committee

Ref	Name	Position
1	Jeremiah Namunyu	Chief Officer, Agriculture, Cooperatives and Irrigation
2	Dr. Kelly Nelima	Chief Officer, Livestock, Veterinary and Fisheries
3	Moses Sande	County Legal Officer
4	Johnston Imbira	County Director of Agriculture
5	Titus Omengo	County Farm Inputs Officer

d) Key Management

Ref	Name	Position
1	Johnston Imbira	Fund Administrator
2	CPA Dominic Maunde	Fund Accountant
3	Titus Omengo	County Farm Inputs Officer



**Kakamega County Agricultural Inputs Fund
Reports and Financial Statements
For the year ended June 30, 2019**

e) Registered Offices

P.O. Box 36 -50100
County head quaters
Kisumu-Webuye Road
Kakamega, Kenya

f) Fund Contacts

Telephone: +254 721320058
E-mail: kcaif.kakamega.go.ke
Website: www.kakamega.go.ke

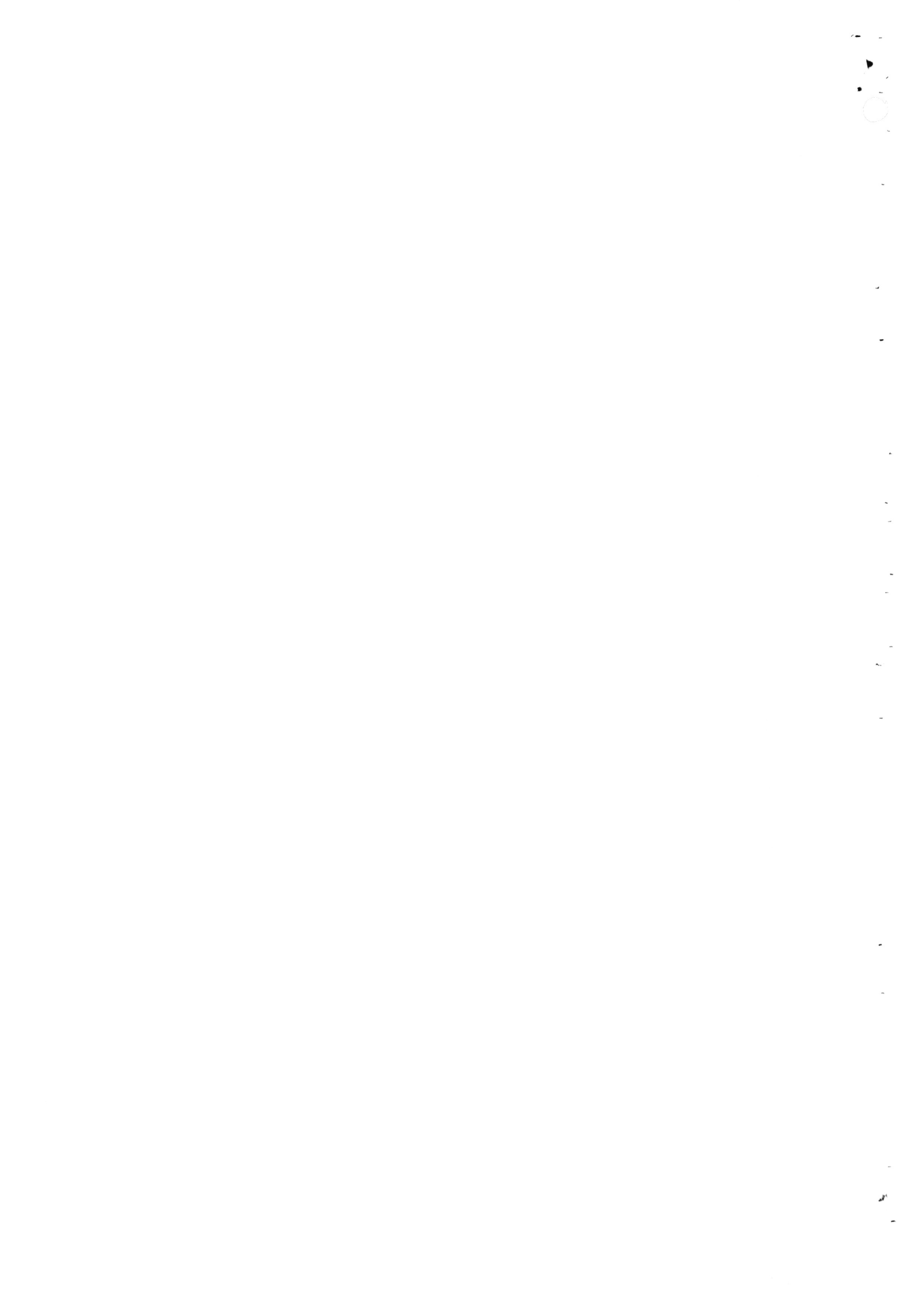
Fund Banker
Kenya Commercial Bank
Along Kakamega Mumias road
P.O Box 152-50100
Kakamega-Kenya

g) Independent Auditors

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

h) Principal Legal Adviser

Moses Sande -County Attorney
County Government of Kakamega
Kakamega town
P.O. Box 36-50100
Kakamega, Kenya



**Kakamega County Agricultural Inputs Fund
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2. THE ADVISORY COMMITTEE

Name	Details of qualifications and experience
1. Jeremiah Namunyu	MSC- Agriculture, BSC-Agriculture, 19 years' experience.
2. Dr. Kelly Nelima	Master in applied epidemiology, bachelor of veterinary medicine 25 years' experience.
3. Moses Sande	Master in International Law, LLB, 19 years' experience.
4. Johnston Imbira	MSC-Agriculture Rural development, Bachelor of Science in Agriculture, 34 years' experience.
5. Titus Omengo	Bachelor of Science in Agriculture, 21 years' experience.

Note:

The Advisory Committee members are as per the provisions of Kakamega County Agricultural Inputs Fund Regulations, 2018 and as amended by Regulations, 2019.



**Kakamega County Agricultural Inputs Fund
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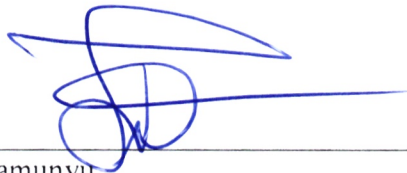
3. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Johnston Imbira	MSC-AgricultureRural development, Bachelor of Science in Agriculture, 34 years experience
2. CPA Dominic Maunde	MBA-Finance, BCOM-Finance, CPA(K), 8 years experience
3. Titus Omengo	Bachelor of Science in Agriculture, 21 years experience

**Kakamega County Agricultural Inputs Fund
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4. FUND CHAIRPERSON'S REPORT

- The fund in its first year of operationalization and key achievements have been in the formation of the relevant fund management structures.
- The first year of operationalization had limited funding and now the budget provisions have been made to help actualize all relevant structures and fund role.
- The fund is envisaged to ensure smooth operation of the relevant programs under the fund in improving the overall service delivery to the target beneficiaries in the county.
- In the financial year ending, the fund managed to procure 90,000 subsidised planting fertilizer, 90,000 subsidised top dressing fertilizer and 56,000 subsidised seeds



Signed: _____

Jeremiah Namunyu.....

Chief Officer

Ministry of Agriculture, Fisheries, Livestock and Cooperatives

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**Kakamega County Agricultural Inputs Fund
Reports and Financial Statements
For the year ended June 30, 2019**

5. REPORT OF THE FUND ADMINISTRATOR

The Kakamega County Agricultural Fund is established as per the PFM Act. The fund was established in the year 2018 after the enactment of Kakamega County Agricultural Inputs Fund Regulations 2018.

Mandate

The fund derives its powers from the Kakamega County Agricultural Inputs Fund Regulations 2018. Its core functions are

- Procure and distribute subsidised agricultural inputs to farmers in the county
- Facilitate faster, transparent and accountable procurement and distribution of subsidised agricultural inputs in the county

Management of funds

The fund's main sources of revenue include monies appropriated by the County Assembly for the purpose of the fund, revenue collected from the sale of subsidised agricultural inputs to farmers, interest accruing from bank deposits in respect of the Fund, donations, grants and endowments, and monies from any source provided or donated or lent to the Fund.

Operation of the fund

The Kakamega County Agricultural Fund accounts at Co-operative bank and one at Kenya Commercial bank, Kakamega branches are recurrently operating as revenue collection accounts. All the monies received from farmers are swiped to the main revenue account at Central bank.

Signed: _____
Hillary Onjoro

**Kakamega County Agricultural Inputs Fund
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6. CORPORATE GOVERNANCE STATEMENT

The fund is administered by the administrator with oversight on the administration and management of the Fund by the advisory committee. Chairperson and members of the advisory committee are appointed by the Governor.

The administrator is responsible for the day to day activities of the fund. Administrator shall prepare accounts for the Fund for each financial year and not later than three months after the end of each financial year submit financial statements relating to those accounts to the Auditor-General

The management team shall be based at the department of agriculture or other relevant department within the county government. The officers shall ensure proper management of records of the Fund.

**Kakamega County Agricultural Inputs Fund
Reports and Financial Statements
For the year ended June 30, 2019**

7. MANAGEMENT DISCUSSION AND ANALYSIS

The fund received a total of Kshs.599, 916,138 and spent Kshs.555, 850,258 leading to a surplus of Kshs.44,065,880.

The fund is viewed as a going concern and it's expected to perform better in the financial year 2019/2020 due to the expansion of the scope of farm inputs to cover farm implements, Fish Feeds and all other related Farm Inputs.

The Fund is compliant with statutory requirements including PFM Act that requires funds to transfer unspent amounts back to the exchequer at the close of the financial year unless otherwise justified by relevant legal framework.

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Farm Inputs Fund is at its infancy and therefore the corporate social responsibility role is under development as a complement to both direct and indirect beneficiaries of the fund.

The aim is to build capacity through farmer trainings for improved choice of Farm Inputs.

**Kakamega County Agricultural Inputs Fund
Reports and Financial Statements
For the year ended June 30, 2019**

9. REPORT OF THE ADVISORY COMMITTEE

The Committee submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is procure and distribute subsidised agricultural inputs to farmers in the county and facilitate faster, transparent and accountable procurement and distribution of subsidised agricultural inputs in the county.

Results

The results of the Fund for the year ended June 30, 2019 are set out on page 13 to 18 together with explanatory notes.

Advisory Committee

The members of the Advisory Committee who served during the year are shown on page 3.

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

Hillary Onjoro
Fund Administrator

Date: 11/5/2021

**Kakamega County Agricultural Inputs Fund
Reports and Financial Statements
For the year ended June 30, 2019**

10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by section 116(1) of the Public Finance Management Act, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.


The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Kakamega county agricultural inputs regulations, 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2019, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

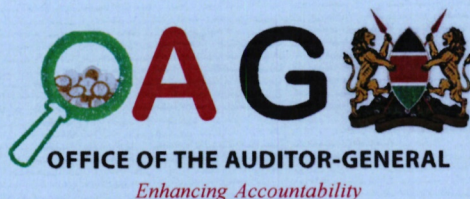
The Fund's financial statements were approved by the Board on 11/5/2019 and signed on its behalf by:



Fund administrator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kakamega County Agricultural Inputs Fund set out on pages 15 to 36, which comprise the statement of financial position as at 30 June, 2019, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kakamega County Agricultural Inputs Fund as at 30 June, 2019, 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 do not comply with the Public Finance Management Act, 2012 and the Public Finance Management (the Kakamega County Agricultural Inputs Fund) (Amendment) Regulations, 2019.

Basis for Adverse Opinion

1. Incomplete Presentation and Disclosures

The Fund's financial statements presented for audit do not have details of the Fund Management and Advisory committee, including bio data, passport-size photos academic and professional qualifications and work experience as required by the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB). Further, the report on Fund performance against predetermined, the reports by the Chairperson, Fund Administrator, Corporate Governance Statement, Management Discussion and Analysis and Corporate Social Responsibility Statement objectives have not been included in these financial statements.

In addition, Significant accounting policies are not in line with the nature and operations of the Fund.

Consequently, the financial statements as presented did not comply with the format prescribed by the Public Sector Accounting Standards Board (PSASB).

2. Transfers from the County Government

The statement of financial performance reflects transfers from the County Government of Kshs.420,646,248 which is at variance with an amount of Kshs.546,943,861 disclosed in the report and financial statements of the County Executive of Kakamega for the year ended 30 June, 2019. The resultant variance of Kshs.126,297,613 has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the transfers from the County Government to the Fund during the year under review could not be ascertained.

3. Unsupported Other Income

The statement of financial performance reflects other income of Kshs.179,269,890 in respect of sale of farm inputs to farmers during the year. However, relevant records in respect of the receipts from farmers were not provided for audit verification.

Consequently, the validity and accuracy of the other income of Kshs.179,269,890 for the year ended 30 June, 2019 could not be confirmed.

4. Fund Administration Expenses

The statement of financial performance reflects fund administration expenses of Kshs.157,408,435 which as further disclosed in Note 3 to the financial statements relates to a transfer to County Revenue Fund Account and is not an expenditure as currently disclosed. The erroneous amount is misleading and therefore overstates the expenditure for the year. Further, the transfer to the County Treasury contravene Section 14(3) of the Public Finance Management (the Kakamega County Farm Inputs Fund) Regulations, 2018, which provides that such revenue should be retained in the Fund and carried forward to the next financial year as provided for in Section 116(3) of the Public Finance Management Act, 2012.

In addition, the fund administration expenses includes transfers of Kshs.83,900,000 from Cooperative Bank in April, 2019; Kshs.330,000 and Kshs.45,478,435 from Kenya Commercial Bank in July, 2018 and April, 2019 respectively, all totalling Kshs.129,708,435 which was not supported with any documentation including bank statements.

Consequently, the accuracy and completeness of the fund administration expenses of Kshs.157,408,435 could not be confirmed.

5. Unconfirmed General Expenses

The statement of financial performance reflects general expenses of Kshs.398,433,435 which includes expenditure totalling Kshs.391,646,248 incurred on purchase of farm

inputs for which payment vouchers together with the supporting documentation were not provided for audit review.

Consequently, the validity, accuracy and completeness of the general expenses of Kshs.391,646,248 could not be confirmed.

6. Unconfirmed Inventory and Accruals

The statement of financial position reflects nil balance in respect of inventory and accruals as at 30 June, 2019. However, no stock sheets or confirmation certificates were provided for the inventory. Further, no payables or receivables have been recognized from operations of the Fund.

As a result, the accuracy and completeness of inventory balance as at 30 June, 2019 could not be confirmed.

7. Cash and Cash Equivalents

As disclosed in Note 6 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.44,435,910 in respect of bank balances in three (3) bank accounts. However, the balance differed with the amounts reflected in the financial statements of the County Executive of Kakamega for the year ended 30 June, 2019 as detailed below:

Account Name	Bank & Account No.	Balance as per County Executive Financial Statements (Kshs.)	Balance as per Bursary Fund Financial Statements (Kshs.)	Variance (Kshs.)
Farm Input - Collection Account	Cooperative Bank 01141632689500	2,352,524	2,352,524	-
Farm Input Fund Account	KCB1240480695	22,210,071	22,210,071	-
Farm Inputs Account	KCB 1180391721	-	19,873,315	(19,873,315)
Farm Mechanization Development Account	1240480911	353	-	353
Farm Mechanization Collection Account	KCB 1177892480	11,425	-	11,425
Farm Mechanization Account	Cooperative Bank 01141632689500	-	-	-
Total		24,574,373	44,435,909	(19,861,536)

The resultant variance of Kshs.19,861,536 has not been explained or reconciled.

Further, authority and approval minutes for opening of Fund Account No.1240480695 maintained at Kenya Commercial Bank were not provided for verification. In addition, the cash book had cash withdrawal in June, 2019 of Kshs.3,100,918 whose details such as payee, cheque number and reason for withdrawal were not indicated in the cash book. Review of records also showed that bank reconciliation statements and cash books were not checked or approved/signed by a senior officer as required.

The cash book as at 30 June, 2019 further reflected cash in hand balance of Kshs.3,055,500. However, no Board of Survey report was provided for audit review.

Consequently, the validity, accuracy and completeness of cash and cash equivalents balance of Kshs.44,435,910 as at 30 June, 2019 could not be ascertained.

8. Inaccuracies in Statement of Changes in Net Assets

The statement of changes in net assets as at 30 June, 2019 reflects total net assets and liabilities of Kshs.44,435,910 which comprise of surplus for the period of Kshs.44,065,880 and opening revolving fund balance of Kshs.370,029.66. However, the opening revolving balance was not supported by a ledger and relevant details. Further, the balance is indicated in the statement of financial position as reserves.

Consequently, the accuracy of the statement of changes in net assets for the year ended 30 June, 2019 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

According to the statement of comparison of budget and actual amounts for the year ended 30 June, 2019, the Fund had a revenue and expenditure budget of Kshs.572,837,041 and Kshs.555,851,602 respectively resulting in budgeted surplus of Kshs.16,985,439. However, the Fund Management did not prepare and submit budget for approval by the County Assembly for its operations during the year under review contrary to Regulation 16 of the Public Finance Management (The Kakamega County Farm Inputs) Regulations, 2018.

The Fund Management was therefore in breach of the law.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matter discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Expenditure on Launch of Farm Inputs

Note 5 to the financial statements reflects general expenses of Kshs.398,443,167 which includes daily subsistence amount of Kshs.6,331,000. The daily subsistence amount of Kshs.6,331,000 in turn includes payments of Kshs.4,864,700 irregularly spent on lunches during public participation and payments to officers reconciling inputs records as follows:

Payment Voucher No.	Date	Payee	Details	Amount (Kshs.)	Remarks
2	26/6/2019	Jacob Masimba	Launch in Mumias West, Lurambi and Lugari	835,000	There was no justification for this expenditure as the details of the launch were not provided for audit verification. The expenditure was also split to circumvent the banking regulation of not processing cheques above Kshs.1,000,000.
3	26/6/2019	Titus Omengo	Launch in Mumias West, Lurambi and Lugari	947,000	
4	26/6/2019	Anne Lilech	Launch in Mumias West, Lurambi and Lugari	931,000	
5	26/6/2019	Jane Shighali	Public Participation - Launch in Mumias West, Lurambi and Lugari	342,500	
6.	17/6/2019	Francis Mulenge	Inputs reconciliation exercise	889,200	This is normal office work. No reason for payment of lunches.
7	28/6/2019	Felistus Namasaka	Farm inputs reconciliation	920,000	
Total				4,864,700	

The expenditure was not warranted and amounts to wastage of public resources.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matter discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Appoint Fund Advisory Committee and Secretariat

The Fund had not been formally operationalized as required by Part II of the Kakamega County Farm Inputs Fund Regulations, 2018. No evidence was provided on formal appointment and establishment of the Advisory Committee and the Secretariat for the management of Fund activities. Further, no evidence was provided indicating that quarterly financial statements were prepared and presented to the County Assembly as required by the regulations. In addition, appointment letter for acting Fund Administrator was not provided for audit review.

Consequently, the Fund lacks the oversight body and guidelines to oversee the operations of the Fund.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 January, 2022

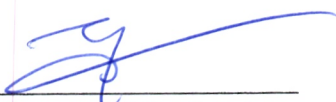
**Kakamega County Agricultural Inputs Fund
Reports and Financial Statements
For the year ended June 30, 2019**

12. FINANCIAL STATEMENTS

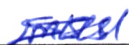
**12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30th JUNE 2019**

Revenue from non-exchange transactions		
Transfers from the County Government	1	420,646,248
Revenue from exchange transactions		
Other income	2	179,269,890
Total revenue		599,916,138
Expenses		
Fund administration expenses (transfers to CRF account)	3	157,408,435
General expenses	4	398,433,167
Finance costs	5	8,656
Total expenses		555,850,258
Other gains/losses		
Surplus/(deficit) for the period		44,065,880

The notes set out on pages 33 to 35 form an integral part of these Financial Statements



Administrator of the Fund
Name: Hillary Onjoro




Fund Accountant
Name: CPA Dominic Maunde
ICPAK Member Number: 19090

**Kakamega County Agricultural Inputs Fund
Reports and Financial Statements
For the year ended June 30, 2019**


12.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

Assets		
Current assets		
Cash and cash equivalents	6	44,435,910
Total assets		44,435,910
Liabilities		
Total liabilities		-
Net assets		
Reserves		370,030
Accumulated surplus		44,065,880
Total net assets and liabilities		44,435,910

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 11/5 2019 and signed by:



Administrator of the Fund
Name: Hillary Onjoro

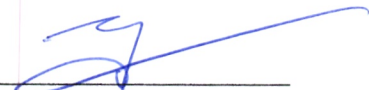


Fund Accountant
Name: CPA Dominic Maunde
ICPAK Member Number: 19090


**Kakamega County Agricultural Inputs Fund
 Reports and Financial Statements
 For the year ended June 30, 2019**

12.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019

Balance as at 1 July 2017				
Surplus/(deficit) for the period	-	-	-	-
Balance as at 30 June 2018	-	-	-	-
Balance as at 1 July 2018	370,030	-	-	370,030
Surplus/(deficit) for the period	-	-	44,065,880	44,065,880
Balance as at 30 June 2019	-	-	44,435,910	44,435,910



 Administrator of the Fund
 Name: Hillary Onjoro



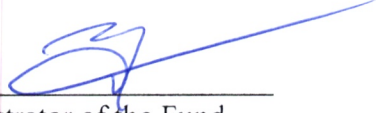
 Fund Accountant
 Name: CPA Dominic Maunde
 ICPAK Member Number: 19090

**Kakamega County Agricultural Inputs Fund
Reports and Financial Statements
For the year ended June 30, 2019**


12.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

Cash flows from operating activities		
Receipts		
Transfers from the County Government	1	420,646,248
Receipts from other operating activities	2	179,269,890
Total Receipts		599,916,138
Payments		
Fund administration expenses	3	157,408,435
General expenses	4	398,433,167
Finance cost	5	8,656
Total Payments		555,850,258
Net cash flows from operating activities		44,065,880
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets		-
Net cash flows used in investing activities		-
Cash flows from financing activities		
Proceeds from revolving fund receipts		-
Net cash flows used in financing activities		-
Net increase/(decrease)in cash and cash equivalents		44,065,880
Cashandcashequivalentsat1JULY	-	370,030
Cashandcashequivalentsat30 JUNE	-	44,435,910

The Cash flow statement has been prepared using direct method.



Administrator of the Fund
Name: Hillary Onjoro



Fund Accountant
Name: CPA Dominic Maunde
ICPAK Member Number: 19090

Kakamega County Agricultural Inputs Fund
Reports and Financial Statements
For the year ended June 30, 2019

12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019

Revenue	KShs	KShs	KShs	KShs	KShs	
Transfers from County Govt.	200,000,000	192,837,041	392,837,041	420,646,248	(27,809,207)	107
Other income	180,000,000	-	180,000,000	179,269,890	730,111	99
Total income	380,000,000	192,837,041	572,837,041	599,916,138	(27,079,097)	105
Expenses						
Fund administration expenses	157,408,435	-	157,408,435	157,408,435	-	100
General expenses	398,433,167	-	398,433,167	398,433,167	-	100
Finance cost	10,000	-	10,000	8,656	1,345	87
Total expenditure	555,851,602	-	555,851,602	555,850,258	1,345	100
Surplus for the period	(175,851,602)	192,837,041	16,985,439	44,065,880	(27,080,441)	

12.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2016 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2016.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2018/2019 was approved by the County Assembly on 30th June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

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

11. Changes in accounting policies and estimates

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

12. Employee benefits– Retirement benefit plans

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

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

13. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. Related parties

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

16. Cash and cash equivalents

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

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Alcoholic Drinks Control Act 2014 under the Ministry of Public Service and Administration. Its ultimate parent is the County Government of Kakamega.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

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 values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

At 30 June 2019	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2019				
Bank balances	-	-	-	-
Total	-	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

b) Liquidity risk management

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

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

	Less than 12 months	Between 12 months and 5 years	Over 5 years	Total
At 30 June 2019				
Trade payables	-	-	-	-
Total	-	-	-	-
At 30 June 2019				
Trade payables	-	-	-	-
Total	-	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

At 30 June 2019			
Financial assets (investments, cash ,debtors)	-	-	-
		-	
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
			-
Net foreign currency asset/(liability)	-	-	-

The Fund manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

2019				
Euro	10%	-	-	-
USD	10%	-	-	-
2018				
Euro	10%	-	-	-
USD	10%	-	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

Revaluation reserve	-	-	-
Revolving fund	-	-	-
Accumulated surplus	-	-	-
Total funds	-	-	-
Total borrowings	-	-	-
Less: cash and bank balances	-	-	-
Net debt/(excess cash and cash equivalents)	-	-	-
Gearing	-	-	-



12.7 NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	
Transfers from County Govt. – operations	
Payments by County on behalf of the entity	420,646,248
Total	420,646,248

2. Other income

Description	
Insurance recoveries	-
Income from sale of tender documents	-
Own Source- Collection from Subsidized Seeds and Fertilizer	179,269,890
Total other income	179,269,890

3. Fund administration expenses

Description	
Loan processing costs	-
Transfer to CRF	157,408,435
Total	157,408,435

4. General expenses

Description	
Daily subsistence	6,331,000
Catering	374,000
Fertilizer testing	28,920
Printing and publishing	52,999
Purchase of fertilizer	332,444,423
Purchase of seeds	59,201,825
Total	398,433,167



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Finance costs

Bank charges	8,656
Interest on loans from banks	-
Total	8,656

6. Cash and cash equivalents

Current account	44,435,910
Total cash and cash equivalents	44,435,910

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

a) Current account		
Co-operative bank	01141631600700	2,352,524
Kakamega branch		
Sub- Total		
Kenya Commercial bank	1180391721	19,873,315
Kakamega branch		
Sub- Total		
Kenya Commercial bank	1240480695	22,210,071
Kakamega branch		
Sub- Total		
Grand total		44,435,910



Kakamega County Agricultural Inputs Fund
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For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Cash generated from operations

Surplus for the year before tax	-
Adjusted for:	44,065,880
Finance cost	-
Working Capital adjustments	-
Increase in payables	-
Net cash flow from operating activities	44,065,880

8. Related party balances

a) Nature of related party relationships

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

- a) The County Government of Kakamega
- b) County Government of Kakamega Ministry of Public Service and Administration
- c) Key management;
- d) Board Members



Kakamega County Agricultural Inputs Fund
Reports and Financial Statements
For the year ended June 30, 2019

13 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. of the Auditor's Report	Observation/Remarks	Management Comments	Focal Person's Name	Status	Time to be resolved
Nil	Nil	Nil	Nil	Nil	Nil

No Audit Report

