

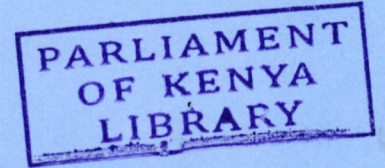
REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

OF

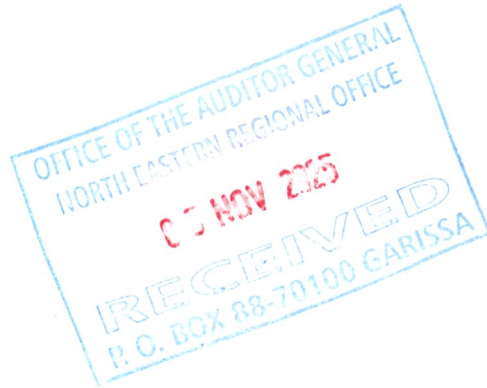
THE AUDITOR-GENERAL

ON

GARISSA COUNTY REVOLVING FUND

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

PAPERS LAID	
DATE	13.11.25.
TABLED BY	S.M.L.
COMMITTEE	-
CLERK AT THE TABLE	Abigail



GARISSA COUNTY REVOLVING FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2025

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

Garissa County Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2025

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1. Acronyms and Glossary of Terms

a) Acronyms

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

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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2. Key Entity Information and Management

a) Background information

Garissa County Revolving Fund is established by and derives its authority and accountability from Garissa County fund Revolving Act, 2018 on 18th June 2018. The Fund is wholly owned by the County Government of Garissa and is domiciled in Kenya.

The fund's objective is to provide credit for micro and small enterprises owned by the youth, women and persons with disabilities.

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide interest free loans to youth, women and persons living with disability.

Vision

“The fund of choice for micro and small enterprises in Garissa County.”

Mission

“To provide affordable, accessible and sustainable interest free loans to youth, women and persons living with disability.”

Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Noor Ahmed Muhumed	Chairman
2	Gini Abdille	V/Chair
3	Aden Farah Budhul	Member
4	Milka wambui Kariuki	Member
5	Aden Harun	Member

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

d) Key Entity and Management (Continued)Key Management Steam

Ref	Name	Position
1	Mohamed Suleiman	CECM-Trade and Enterprise Development
2	Harun Mohumed	Chief Officer –Trade, Investment & Enterprise Dev.
3	Abdullahi Abubakr Omar	Fund Administrator
4	Noor Ahmed Muhumed	Chairman

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	Zeinab Dunto
2	Chief Officer –Trade, Investment & Enterprise Dev.	Harun Mohumed
3	Noor Ahmed Muhumed	Board Chairman

f) Registered Offices

P.O. Box 563-70100
MK Building
Sankuri Road
Garissa, Kenya

g) Fund Contacts

Telephone: (254) 0720788941
E-mail: ismail.said2002@yahoo.com
Website: www.garissa.go.ke

h) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

2. Kenya Commercial Bank
Garissa Branch
PO Box 148-70100
Garissa-Kenya

i) Independent Auditors

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





j) Principal Legal Adviser

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





k) County Attorney

Office of the Governor
PO Box 563-70100
Garissa-Kenya

3. Board of Trustees/ Fund Administration Committee

Name	Details of qualifications and experience
<p>1.</p> 	<p><u>Noor Ahmed Muhumed - Chairman</u> <i>Date of appointment: He 14th September 2025, as County committee Chairperson</i> <i>Education background: Bachelor of Education</i> <i>Experience: over eight Years in Private Sector in Senior position .</i></p>
<p>2.</p> 	<p><u>Milka Wambui Kariuki - Member</u> <i>Date of appointment: She 14th September 2025, as County committee</i> <u>EDUCATION BACKGROUND</u> She holds a bachelor of Commerce in Procurement & Supply Chain Management University of Nairobi (2015-2018) <u>Work Experience :</u> procurement and logistics assistant: Mikfa construction Company Ltd (2016-date)</p>
<p>3.</p> 	<p><u>Aden Farah Budhul-Member</u> <i>Date of appointment: 14th September 2025, as County committee</i> Education Background – Certificate in ICT Work experience – Work with national council person with disability</p>
<p>4.</p> 	<p><u>Gini Abdille –V/Chair</u> <i>Date of appointment: 27th – May 2024, as County committee Member</i> Education background: Degree in community Development Experience: ten (10) years’ experience and currently working with CARE International</p>
<p>5.</p>	<p><u>Abdiladif Sheikh –Member</u> <i>Date of appointment: 1st- June 2024, as Chief officer</i> Education background: Bachelor of Business Administration Accounting(Optional) Experience: Ten(10) years in Accounting field and currently Chief Officer - Finance</p>

4. Management Team

Name		Details of qualifications and experience
1.		<p><u>Mohamed Suleiman – CECM-Trade and Enterprise Development</u> Date of appointment: he 1st November , 2024. Education background: Bachelor in Business management (finance option) Experience: 8 years of working experience in the Public sector.</p>
2.		<p><u>Harun Mohamed-Chief officer Trade, Investment and Enterprise Dev.</u> Date of appointment: He 3rd July ,2025 Education Background : Bachelor in Business management (Experience : 9 years in both private sector and public services</p>
3.		<p><u>Abdullahi Abubakar Omar - Fund Administrator</u> Date of appointment: 13th May 2013 as Garissa county Fund Administrator Education background: Bachelor of commerce Experience: 12 years in public service in senior Management position .</p>
4.		<p>Noor Ahmed Muhumed Chairman Date of appointment: He 14th september 2025, as County committee Chairperson Education background: MBA-strategic management Experience: over Eight Years in private sector in senior position .</p>

5. Board/Fund Chairperson's Report

It is my pleasure to present, on behalf of the fund committee, the Garissa County Revolving fund financial statements for the year ended 30th June 2025. The financial statements present the financial performance of the fund over the past year. The total fund budgeted for the year under review was Kshs 58,733,670. However due to the prolong drought the fund was reallocated to the Department of special programme. There were 38,733,670 expenditures incurred for the year 2024/2025.

The outlook of the Fund for 2024/2025 looks brighter. The fund hopes to enough funds that will be disbursed interest free loans to youths, women and persons with disabilities. This way, the fund will promote self-employment amongst youth, women and persons living with disability. The fund therefore focuses on reducing poverty through ventures at ward level by enhancing access to finances for promotion of trade enterprises and ventures at ward level for economic growth.

We are ready and all set to conduct scrutiny and vetting process of loan application forms at the both levels as provided by both GCRF Act of 2018 as well as subsidiary regulation of 2018, disbursement of fund to the successful beneficiaries would then follow respectively. After fund disbursement phase, we shall embark on capacity building of the fund beneficiaries with support from local partnership programmes and then supervisory and monitoring of businesses would ensued to follow for provision of business advisory support services to ensure high success rate in the first fund disbursement phase and the desired ultimate success of the programme.

Signed: _____



Noor Ahmed Muhumed
Chairman-Garissa County Revolving Fund

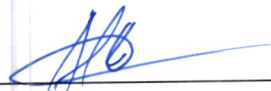
Garissa County Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2025

6. Report of The Fund Administrator

It is my pleasure to present Garissa Revolving Fund financial statements for the year ended 30th June 2025. There were expenditures incurred during the year under review amounting to Ksh 38,733,670

I take this opportunity to thank the board of trustees for their support. I would also want to thank all staff who are working hand in hand to ensure that Garissa Revolving Fund achieves its mission.

Signed: _____


Abdullahi Abubakar Omar
Fund Administrator

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

The County Revolving Fund is designed to provide financial support for various community projects and initiatives that promote economic development, infrastructure improvement, and public services within the county. By offering accessible funding, the Revolving Fund aims to stimulate local economies, enhance quality of life, and ensure sustainable growth.

Introduction

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

The key development objectives of the Fund as per the strategic plan for are to:

a) Promote Economic Development:

To support small businesses and entrepreneurs through low-interest loans or grants, fostering job creation and local economic growth.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Loan Disbursement	To ensure all eligible applicants have access to Loan facilities	Eligible groups and individuals to benefit from loans amounting Kshs.37,800,000	100 % of Loan disbursements	The Fund was able to disburse loans to 85 groups and individuals amounting to Kshs.37,800,000

8. Corporate Governance Statement

THE COMMITTEE

The Garissa County Revolving Fund is a revolving fund established pursuant to the Garissa County Revolving Act and the County Government of Garissa Public Finance Management (PFM) regulations 2018. Its mandate is to provide loans to members of youth, women and persons with disabilities. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the fund committee at its apex. The structure is designed to ensure an informed decision-making process based on accurate reporting to the committee.

THE FUND COMMITTEE

The committee shall be made up of seven members, including the chairman, and shall consist of a chairperson and six other members identified for appointment through a competitive process. The committee members are responsible for receiving and considering loan application, and monitor loan performance after disbursement.

The committee are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator. Members of the committee have been taken through a comprehensive induction programme, and are adequately trained on their roles as board members. The trustees are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the board, its committees, individual trustees and the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.

BOARD MEETINGS

The committee meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance. The committee also plays an oversight role over all other financial and operational issues.

STATEMENT OF COMPLIANCE

The committee confirms that the fund has throughout the 2024/2025 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

The fund conducted an external legal audit which confirmed that the institution had complied with all relevant laws, regulations and requirements.

With regard to compliance the fund did not fully meet the requirement that the board of trustees ought to be between five in number; the fund has informed the appointing authority on this requirement.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The trustees are responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

The fund is guided by county Code of Ethics and Service Charter that is applicable to all employees.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

Strategic Plan

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives.

Internal Control Framework

The fund follows county internal control framework to ensure it maintains a strong and effective internal control environment.

Management Team

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

Auditor

The fund is audited by the Auditor-General.

9. Management Discussion and Analysis

The financial performance and position of the County Revolving Fund for the fiscal year ending 30 June, 2025. It outlines key financial metrics, operational highlights, and challenges faced during the reporting period, as well as strategies for future growth.

The County Revolving Fund's revenue primarily comes from Support from the county Government and income from loans issued to local businesses. Fees associated with fund administrating Grants or contributions from other important stakeholders who may wish to join. For the fiscal year, the fund did not revenue compared to the previous year, where it received Kshs.40,000,000

Total expenditures for the year were Kenya Shilling 38,733,670 reflecting: other General expenses. Administrative costs, which remained stable compared to the prior year.

A notable increase in project funding was made to support

Net Position

The net position of the Revolving Fund at year-end was Kshs. 37,800,000 indicating a growth of 100 percent over the previous year. This growth is attributed to prudent financial management

10. Environmental and Sustainability Reporting

The main intention of Environmental and Sustainability Reporting is to improve the transparency of the Organizations' activities. The goal is twofold:

On one hand, Environmental and Sustainability Reporting aim to enable the organization to measure the impact of their activities on the environment, on society and on the economy. In this way, the organization can get accurate and insightful data which will help them improve their processes and have a more positive impact in society and in the world.

On the other hand, a Corporate Social Responsibility or Sustainability Reporting also allows the organization to externally communicate with their goals regarding sustainability development and Corporate Social Responsibility. This allows stakeholders such as Employees, Investors, and Donors among other interested parties, to get to know better what are the short, medium and long-term goals of the organization and make more informed decisions.

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

11. Report of The Trustees

The fund committee submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to provide financing to youth, women and persons with disability with interest free loans in order to expand access to finance, generate self-employment, and ultimately reducing poverty level within the county

Results

The results of the Fund for the year ended June 30, 2025 are set out on pages 14 to 27.

County Fund Committee

The members of the County Fund Committee who served during the year are shown on page 4-5.

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 County Fund Committee



Chair of the Board/Fund Administration Committee

Date: ...30th June 2025

12. Statement of Management’s Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund 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, 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 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. 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, 2025, 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 30th June 2025 and signed on its behalf by:

.....


Administrator of the County Public Fund

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 GARISSA COUNTY REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2025

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 Garissa County Revolving Fund set out on pages 1 to 31, 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 Garissa County Revolving 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 Garissa County Revolving Fund Act, 2018 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Non-Performing Loans

The statement of financial position reflects receivables balance of Kshs.37,216,648 as disclosed in Note 6 to the financial statements. Review of disbursement records revealed that an amount of Kshs.37,800,000 was advanced to eighty-five (85) groups and individuals in the month of December, 2024. The beneficiaries were required to commence repayment after a three-month grace period ending in February, 2025. However, as at 10 September, 2025, seven (7) months after expiry of the grace period, only Kshs.882,860 had been repaid.

Further, only six (6) groups were consistently repaying, though not at the stipulated rates, while seventy-eight (78) groups had either defaulted or made irregular repayments. This represents a repayment compliance rate of less than 7%. No evidence of demand letters, repayment schedules, or legal action against defaulters was provided. In addition, management did not have credit policy and collection strategy for non-performing loans.

In the circumstances, the accuracy and recoverability of the outstanding loan balance of Kshs.37,216,648 could not be confirmed. This further represents possible erosion of capital fund and potential loss of public funds.

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

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 Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements and Lawfulness and Effectiveness in Use of Public Resources respectively. Review of the status during audit of the Fund in 2024/2025 revealed that the following matters remained unresolved:

No.	Financial Year	Audit Issue
1.	2023/2024	Unsupported Cash and Cash Equivalent balances
2.	2023/2024	Late Submission of Financial Statements
3.	2023/2024	Non-compliance with Loan Repayment and Annual Reporting Regulations
4.	2023/2024	Non-compliance with Annual Reporting Regulations

Other Information

Management is responsible for the Other Information set out on page iii to xvi which comprise of Key Entity Information and Management, the Fund Administration Committee, Management Team, Fund Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion Analysis, Environmental and Sustainability Reporting, Report of the Trustees and Statement of Management 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 conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Issuance of Unsecured Loans

Review of loan application and disbursement records revealed that the Fund disbursed Kshs.37,800,000 as loans to eighty-five (85) eligible groups and entrepreneurs. However, loans amounting to Kshs.1,000,000 were disbursed without deposit of adequate security or the availability of the required two reputable guarantors. This is contrary to Regulation 19(1) of the Public Finance Management (Garissa County Revolving Fund) Regulations, 2018 which provides that an applicant shall be required to provide chattels registered under his or her name or under the name of their group as security or provide two guarantors of reputable persons in the absence of such security for a loan to be granted.

In the circumstance, Management breached the law.

2. Conflict of Interest - Loans Guaranteed by County Staff and Members of County Assembly

Review of the records provided revealed that the Fund advanced loans amounting to Kshs.3,800,000 to nine (9) beneficiaries. However, the loans were guaranteed by four (4) Members of the County Assembly and a County Executive Committee Member for Trade and Enterprise Development, thereby creating conflict of interest and contravening Section 17(1) of the Public Service Code of Conduct and Ethics, 2016 which provides that a public officer shall use the best efforts to avoid a situation where that public officer's personal interests conflict with or appear to conflict with the officer's official duties.

In the circumstance, Management was in breach the Public Service Code of Conduct and Ethics, 2016.

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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Risk Management Policy and Fraud Prevention Mechanisms

Management did not develop a formal risk management policy. In addition, Management did not implement fraud prevention mechanisms. This omission leaves the Fund vulnerable in terms of strengthening its internal control environment. Failure to implement risk management policy could lead to the Fund's assets and resources being vulnerable to threats.

In the circumstances, the effectiveness of risk managements systems could not be confirmed.

2. Lack of Credit Policy

The Fund did not have a credit policy and collection strategy for non-performing loans. Therefore, the recoverability of the defaulted loans is doubtful since there is no recovery strategy for the defaulted loans. Credit Policy protects the Fund from late payments and helps it maintain a healthy working capital position.

In the circumstances, the effectiveness of measures put in place for effective recovery of loans could not be confirmed.

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

Responsibilities of the Management and the Fund Administration Committee

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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.

The Fund Administration Committee 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

7 November, 2025

Garissa County Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2025

14. Statement of Financial Performance for the Year Ended 30th June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From the County Government	1	0.00	40,000,000
Revenue From Exchange Transactions			
Interest Income		0.00	0.00
Total Revenue		0.00	40,000,000
Expenses			
Fund Administrators Cost	2	740,000	350,000
Use of goods and services	3	189,379	912,000
Finance cost	4	0.00	4,330
Total Expenses		(929,379)	1,266,330
Surplus/(Deficit) for the Period		(929,379)	38,733,670

.....
 Name: *Abdullahi Abukar*
 Administrator of the Fund

.....
 Name: *Abdi Abi*
 Fund Accountant
 ICPAK Member Number: *29047*

15. Statement of Financial Position As at 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	5	596,820	38,742,847
Receivables	6	37,216,648	0.00
Total current assets		37,813,468	38,742,847
Non-Current Assets			
Property, Plant and Equipment		0.00	0.00
Total non- current assets			
Total Assets (A)		37,813,468	38,742,847
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions		0	0
Total current liabilities		0	0
Non-Current Liabilities		0	0
Total Liabilities (B)		0	0
Net Assets (A-B)		37,813,468	38,742,847
Represented By:			
Revolving Fund	7	38,733,670	38,733,670
Reserves			
Accumulated Surplus		(920,202)	9,177
Net Assets		37,813,468	38,742,847

Garissa County Revolving Fund

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

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 _____ 2025 and signed by:



.....
Name: *Aswaka Abukar*
Administrator of the Fund



.....
Name: *[Signature]*
Fund Accountant
ICPAK Member Number: *29047*

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

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

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July (2023)			9,117	9,117
Surplus/(Deficit) For the Period	38,733,670	-	(38,733,670)	38,733,670
Funds Received During the Year		-		
Transfers				
Revaluation Gain			-	
Balance As At 30 June (2024)	38,733,670		9,177	38,742,847
Balance As At 1 July (2024)	38,733,670		9,177	38,742,847
Surplus/(Deficit) For the Period			(929,379)	(929,379)
Funds Received During the Year		-	-	-
Revaluation Gain		-	-	-
Balance As At 30 June (2025)	38,733,670	-	(920,202)	37,813,468

17. Statement of Cash Flows for The Year Ended 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the county government	1	0.00	40,000,000
Interest Income		0.00	0.00
Total receipts		0.00	40,000,000
Payments			
Fund administration expenses	2	(740,000)	(350,000)
Use of Goods	3	(189,379)	(912,000)
Finance cost	4	0.00	(4,330)
Loan Transfers		(37,800,000)	0.00
Net cash flows from operating activities		(38,729,379)	38,733,670
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		0.00	0.00
Net cash flows used in investing activities		0.00	0.00
Cash flows from financing activities			
Repayment of borrowings		583,352	0.00
Net cash flows used in financing activities		583,352	0.00
Net increase/(decrease) in cash & cash Equivalents		(38,146,027)	38,733,670
Cash and cash equivalents at 1 July 2024		38,742,847	9,117
Cash and cash equivalents at 30 June 2025	6	596,820	38,742,847

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

Garissa County Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2025

18. Statement Of Comparison Of Budget And Actual Amounts For The Period 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers From County Govt.	58,733,670	(20,000,000)	38,733,670	38,733,670	0.00	100.00%
Other Income		-				
Total Income	58,733,670	(20,000,000)	38,733,670	38,733,670	0.00	100.00%
Expenses						
Fund Administration Expenses	200,000	-	200,000	162,000	38,000	81.00 %
Use of Goods	800,000	-	800,000	740,000	60,000	92.5 %
Loan Transfers	57,714,670	(20,000,000)	37,714,670	37,800,000	(85,330)	102.62%
Bank Charges	19,000	-	19,000	27,379	(8,379)	144.10%
Total Expenditure	58,733,670	(20,000,000)	38,733,670	38,729,379	4,291	99.98 %
Surplus For the Period				4,291		

Budget notes

1. The Fund had unutilized balance of Kshs. 38,733,670 as at the closure of the last financial year which was re -appropriated in the 2024/25 financial year.
2. The County Executive had budgeted to Transfer Kshs. 20,000,000 in the current financial year but the amount was reduced in the supplementary budget

Garissa County Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2025

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Garissa County Revolving entity is established by and derives its authority and accountability from Revolving Fund Act. The entity is wholly owned by the Garissa County Government and is domiciled in Kenya. The fund's objective is to provide credit for micro and small enterprises owned by the youth, women and persons with disabilities.

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 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	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

Garissa County Revolving Fund

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

IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> 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:
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Garissa County Revolving Fund

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

	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	<i>Applicable 1st January 2025</i> 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	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none"> 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; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. iv. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> 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.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> 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.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees

Garissa County Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2025

	and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
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(i) Early adoption of standards

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

3. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2024/2025 was approved by the County Assembly on Garissa. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Garissa on the FY 2025 budget following the governing body's approval.

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

Summary of Significant Accounting Policies (Continued)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 18 of these financial statements.

c) Property, plant and equipment

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

a) 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.

b) 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). Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

c) 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. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

d) 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.

e) 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.

f) Social Benefits

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

Summary of Significant Accounting Policies (Continued)

g) Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves

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

i) 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.

j) Employee benefits – Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

k) 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.

l) 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.

m) 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.

n) 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.

o) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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.

Garissa County Revolving Fund

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6. Notes To The Financial Statements Continued

1. Transfers from County Government

Description	2024-2025	2023-2024
	Kshs	Kshs
Transfers From County Govt. –Operations	-	40,000,000
Payments By County On Behalf Of The Entity		
Unconditional Development grants		
Total	-	40,000,000

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Notes to the Financial Statements Continued

2. Fund Administrators Cost

Description	2024-2025	2023-2024
	Kshs	Kshs
Salaries And Wages		
Staff Gratuity		
Staff Training Expenses		
Social Security Contribution		
Fund Administrators Cost	740,000	350,000
Total	740,000	350,000

3. Use of Goods and Services

Description	2024-2025	2023-2024
	Kshs.	Kshs.
General Office Expenses	162,000	912,000
Loan Processing Costs		
Professional Services Costs		
Administration Fees		
Committee Allowances		
Bank Charges		
Electricity And Water Expenses		
Fuel And Oil Costs		
Insurance Costs		
Postage And Courier		

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Description	2024-2025	2023-2024
	Kshs.	Kshs.
Printing And Stationery		
Rental Costs		
Security Costs		
Telephone And Communication Expenses		
Bank Charges	27,379	0.00
Audit Fees		
Provision For Doubtful Debts		
Other (<i>Specify</i>)		
Social benefit expenses*		
Total	189,379	912,000

4. Finance Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Interest On Bank Overdrafts	-	
Interest On Loans From Banks	-	4,330
Total	0.00	4,330

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5. Cash and cash equivalents

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Account	596,820	38,742,847
Others		
Total Cash And Cash Equivalents	596,820	38,742,847

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

Financial Institution	Account number	2024-2025	2023-2024
		Kshs	Kshs
a) Current Account			
National Bank	7700556385	596,820	38,742,847
Sub- Total			
b) Others(Specify)			
Cash In Transit		0.00	0.00
Cash In Hand		0.00	0.00
Sub- Total			
Grand Total		596,820	38,742,847

Garissa County Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Notes to the Financial Statements Continued

6. Receivables

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Receivables		
Current Loan Repayments Due	12,016,648	0.00
Loan Advances	25,200,000	0.00
Total Receivables from Exchange Transactions	37,216,648	0.00
As at June 30, the ageing analysis of the receivables due was as follows:		
Less than 30 days	0	0
Between 30 and 60 days	0	0
Between 61 and 90 days	0	0
Between 91 and 120 days	0	0
Over 120 days	12,016,648	0
Total		

Garissa County Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To The Financial Statements (Continued)

7. Revolving Fund

Description	2024-2025	2023-2024
	Kshs	Kshs
Revolving Fund	38,733,670	38,733,670
Total	38,733,670	38,733,670

Notes To The Financial Statements (Continued)

1. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) Key management;
- c) Board of Directors.

b) Related party transactions

Description	2024-2025	2023-2024
	Kshs	Kshs
Transfers From County Executive	0.00	40,000,000
Transfers From County Executive	0.00	40,000,00

Notes To The Financial Statements (Continued)

1. 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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

a) Credit risk

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

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2025				
Receivables From Exchange Transactions	0	0	0	0
Receivables From Non-Exchange Transactions	0	0	0	0
Bank Balances	38,742,847	0	0	0
Total	38,742,847	0	0	0
At 30 June 2024				
Receivables From Exchange Transactions	37,800,000	25,200,000	12,016,000	0
Receivables From Non-Exchange Transactions	0	0	0	0
Bank Balances	596,820	596,820	0	0
Total	38,396,840	25,796,820	12,016,000	0

Notes To The Financial Statements (Continued)

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

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

b) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade Payables	0.00	0.00	0.00	0.00
Current Portion Of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation	0.00	0.00	0.00	0.00
Total				
At 30 June 2024				
Trade Payables	0.00	0.00	0.00	0.00
Current Portion Of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation	0.00	0.00	0.00	0.00
Total				

Notes To The Financial Statements (Continued)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

Description	Other currencies		Total
	Kshs	Kshs	Kshs
At 30 June (Current FY)			
Financial Assets	0.00		
Investments			
Cash			
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	0.00		
Borrowings			
Net Foreign Currency Asset/(Liability)			

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

Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

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

ii. Interest rate risk

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

Management of interest rate risk

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

Notes To The Financial Statements (Continued)

d) Capital risk management.

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve		
Revolving fund	37,800,000	38,733,670
Accumulated surplus		
Total funds	37,800,000	38,733,670
Total borrowings		
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
Gearing		

2. Events after the reporting period

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

3. Ultimate and Holding Entity

The entity is a County Public Fund established by Garissa County Revolving Fund Act, 2018 under County Government of Garissa.

4. Currency

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

20. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported cash and cash equivalent	The amount is in NBK Account Kshs 38,733,670 with proved attached bank balance	Resolved	14 th November, 2024
2	Non allocation of funds by the county executive	The committee was constituted waiting the appointment from governor	Resolved	By the end of this month, the money will be disbursed to the beneficiaries

Guidance Notes:

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

Fund Manager

Date 30th June 2025

13/04/2025