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# REPORT

OF

THE AUDITOR-GENERAL

ON

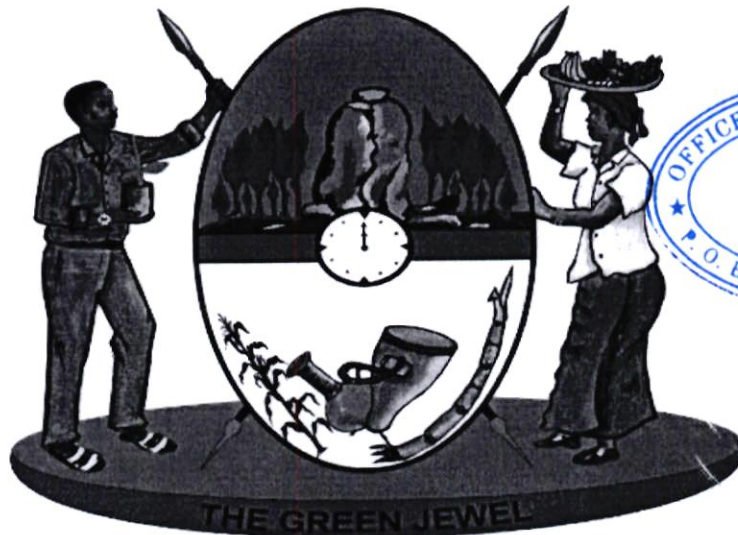
**KAKAMEGA COUNTY AGRICULTURAL  
INPUTS FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

PAPERS LAID	
DATE	23/02/2022
TABLED BY	SML
COMMITTEE	-
CLERK AT THE TABLE	CAROLYNE CEROP

**REPUBLIC OF KENYA**

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



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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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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, 2020**

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**Kakamega County Agricultural Inputs Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Kakamega County Agricultural Inputs Fund is established by and derives its authority and accountability from Agriculture fund Act 31<sup>st</sup> May 2019. The Fund is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

The fund's objective is to procure and distribute subsidized agricultural inputs to farmers in the County. To provide for a Fund that will facilitate faster, transparent and accountable procurement and distribution of subsidised agricultural inputs to farmers in the county.

The Fund's principal activity is to manage — subsidized agricultural inputs including certified seeds, seedlings, fertilizer, agrochemicals, storage facilities, agricultural machinery and equipment, fish fingerlings and brood stock, fishing gear, bees and apiculture equipment, feeds, poultry, livestock, animal genetic material, animal drugs and vaccines in the County.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to ...

**Principal activity**

To procure, distribute and manage subsidized agricultural inputs in the County.

**Mission**

To facilitate faster, transparent and accountable procurement and distribution of subsidised agricultural inputs to farmers in the county.

**Mandate**

To ensure that the agricultural inputs supplied to farmers meet the set standard

**c) The Advisory Committee**

Ref.	Name	Position
1	Jeremiah Namunyu	Chief Officer, Agriculture, Cooperatives and Irrigation
2	Hillary Onjoro	County Director of Agriculture
3	Benard Wanyama	County Director of Livestock Production
4	Dr.Joash Michieka	County Director of Veterinary
5	Zephania Otieno	County Director of Fisheries

**Kakamega County Agricultural Inputs Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**Registered Offices**

P.O. Box 36  
PC Building/Block C , 3<sup>rd</sup> Floor  
Fitina road /Kakamega Kisumu Highway  
Kakamega, KENYA

**d) Fund Contacts**

Telephone:(254) 725964385  
E-mail: cdakakamega@yahoo.com  
Website:

**Fund Bankers**

1. Kenya Commercial bank
2. Coop bank

**e) Independent Auditors**

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

**f) Principal Legal Adviser**

The County Attorney  
County Government of Kakamega  
County Headquarters  
P.O. Box 36 -50100  
Kakamega, Kenya

Kakamega County Agricultural Inputs Fund  
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 For the year ended June 30, 2020

2. THE ADVISORY COMMITTEE

Name	Details of qualifications and experience
1. Jeremiah Namunyu	MSC-Agriculture,BSC-Agriculture,19years experience
2. Hillary Onjoro	Msc Agriculture; 1962, 23 years work experience; Fund ADMINISTRATOR. Provide a concise description of each Trustee's date of birth, key academic and professional qualifications and work experience. Indicate whether the trustee is independent or an executive director and which committee of the Board the trustee chairs where applicable.
3. Benard Wanyama	Msc Animal Production; date of birth; 1962, 35 years work experience.
4. Dr.Joash Michieka	Bsc Veterinary Medicine; date of birth;
5. Norman Munala	Msc Fisheries,1972 24 years' work experience

**Kakamega County Agricultural Inputs Fund  
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**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S  
PREDETERMINED OBJECTIVES**

The key development objectives of the Agricultural Inputs County Government Entity's 2018-2022 plans are to:

- a) Provide high quality agricultural inputs to farmers
  - b) To manage the subsidized agricultural inputs in the County.,
- Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Agricultural inputs	Procure and distribute farm inputs to farmers in the County	Increased productivity(yields) of maize	Number of bags	<b>In FY 19/20 yields of maize increased from 2.5 million bags to 2.9 million bags in the County</b>
Program 2	Objective	Outcome	Indicator	Performance

Kakamega County Agricultural Inputs Fund  
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4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p><b>Insert each key Manager's passport-size photo and name,</b></p> <p>1. Hillary Onjoro</p>	<p><b>Provide a concise description of each Trustee's key academic and professional qualifications and work experience.</b></p> <p>County Director of Agriculture;            Work experience 23 years;            Msc Agriculture</p>
<p>2 Benard Wanyama</p>	<p>County Director of Livestock Production;            Msc Animal production;            Work experience 35years;</p>
<p>3 Dr.Joash Michieka</p>	<p>County Director of Veterinary;            Bsc Veterinary Medicine;            Working experience 12years.</p>
<p>4 Norman Munala</p>	<p>County Director of Fisheries;            Msc Fisheries;</p>

**5. FUND CHAIRPERSON'S REPORT**

- The fund in its 2<sup>nd</sup> year of operationalization and key achievements have been in the formation of the relevant fund management structures.
- The first and second years 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.



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

Jeremiah Namunyu.....

Chief Officer

Ministry of Agriculture, Fisheries, Livestock and Cooperatives

## 6. 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 legal notice 1 of 31<sup>st</sup> May 2019 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, 2020. 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, 2020, 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.

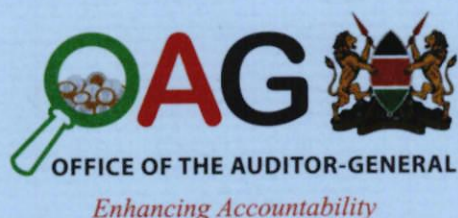
### Approval of the financial statements

The Fund's financial statements were approved by the fund administrator on 7/5/2021  
~~2020~~ and signed on its behalf by:

  
\_\_\_\_\_  
Administrator of the County Public Fund

# REPUBLIC OF KENYA

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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, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Kakamega County Agricultural Inputs Fund set out on pages 11 to 32, which comprise the statement of financial position as at 30 June, 2020, 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, 2020, 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 Kakamega County Agricultural Inputs Fund (Amendment) Regulations, 2019).

#### Basis for Adverse Opinion

##### 1.0 Disclosures and Other Information

The details on the Fund management and advisory committee, including their passport photos, bio data and academic and professional qualifications and experience, corporate governance statement, management discussion and analysis and corporate social responsibility statement/sustainability reporting have not been included in the report and financial statements as required by the reporting guidelines prescribed by the Public Sector Accounting Standards Board (PSASB).

In addition, the significant accounting policies have been lifted as given in the prescribed reporting format without customizing them to 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).

## **2.0 Transfers from the County Government**

The statement of financial performance reflects total revenue of Kshs.296,419,826 being transfers from the County Treasury while Note 1 to the financial statements describes the amount as receipts from farm inputs. In addition, the report and financial statements of the County Executive of Kakamega for the year ended 30 June, 2020 indicate that Kshs.303,656,636 was disbursed to the Fund during the year under review. No explanation or reconciliation has been provided for the Kshs.7,236,810 variance on the information presented by the two related entities.

Consequently, the accuracy of the total revenue of Kshs.296,419,826 for the year ended 30 June, 2020 could not be confirmed.

## **3.0 Other Income/Revenue**

As disclosed in Note 2 to the financial statements, the statements of financial performance reflect nil balance for other income/revenue which relates to receipts from farm inputs. However, the records in respect of the stock of inputs held, purchased and sold to farmers were not provided for audit verification.

Consequently, the accuracy of the other income from farm inputs recorded as nil for the year ended 30 June, 2020 could not be confirmed.

## **4.0 Fund Administration Expenses**

The statement of financial performance reflects fund administration expenses of Kshs.314,143,024 as disclosed in Note 3 to the financial statements which relates to transfer to county revenue account. No reason was given for transfer of the Kshs.314,143,024 to the County Treasury contrary to Section 14(3) of the Public Finance Management (the Kakamega County Agricultural Inputs Fund) Regulations, 2019, 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. Further, financial statements of the County Executive of Kakamega for the year ended 30 June, 2020 disclosed receipt of Kshs.316,393,600 as revenue from farm inputs resulting to a variance of Kshs.2,250,576 which has not been explained or reconciled.

Consequently, the accuracy of the fund administration expenses figure of Kshs.314,143,024 for the year ended 30 June, 2020 could not be confirmed.

## **5.0 General Expenses**

The statement of financial performance reflects general expenses figure of Kshs.13,694,449 in respect of other expenses as disclosed in Note 4 to the financial statements, which in turn include Kshs.495,600 for which no supporting documentation was provided for audit verification. In addition, the Kshs.495,600 was issued as imprest which has not accounted for.

Consequently, the accuracy of the general expenses figure of Kshs.13,198,849 for the year ended 30 June, 2020 could not be confirmed.

## 6.0 Purchases and Inventory

The statement of financial performance has not disclosed any purchases of farm inputs during the year. Also, from the previous financial statements there was no stock of farm inputs brought forward to the year under review. It is therefore not clear how the revenue recorded from sale of farm inputs of Kshs.296,419,826 was achieved without purchases or stock of the inputs.

As a result, the completeness and accuracy of the statement of financial performance for the year ended 30 June, 2020 could not be ascertained.

## 7.0 Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.12,960,304 as at 30 June, 2020 held in three (3) bank accounts as detailed in Note 6 to the financial statements. However, the balance excludes Kshs.5,364,254 disclosed in the financial statements of the County Executive of Kakamega for the year ended 30 June, 2020 as shown below:

<b>Account Name</b>	<b>Balance June, 2020 (Kshs.)</b>	<b>Balance June, 2019 (Kshs.)</b>
Farm Mechanization Development A/c	4,999,400	353
Farm Mechanization Collection A/c	364,954	11,425
<b>Total</b>	<b>5,364,254</b>	<b>11,778</b>

Consequently, the accuracy and validity of the cash and cash equivalents balance of Kshs.12,960,304 as at 30 June, 2020 cannot therefore be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Agricultural 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 adverse 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. There were no key audit matters to report in the year under review

### Other Matter

### Budgetary Control and Performance

The Fund did not prepare and present for approval a budget for its operations during the year under review contrary to Regulation 16 of the Public Finance Management (The Kakamega County Agricultural Inputs Fund) (Amended) Regulations, 2019 which states

that at least three months before the commencement of each financial year the Advisory Committee shall cause to be prepared estimates of the revenue and expenditure of the Fund for that year and that the annual estimates shall be approved by the Advisory Committee before the commencement of the financial year to which they relate and shall be submitted to the Executive Committee for approval and after the Executive Committee has given approval the Advisory Committee shall not increase any sum provided in the estimates without the consent of the Executive Committee.

According to the statement of comparison of budget and actual amounts for the year ended 30 June, 2020, the Fund had a budget for both revenue and expenditure of Kshs.320,000,000. During the year, the actual revenue was Kshs.296,419,825 resulting to an under-collection of Kshs.23,580,175 or 7.4%, while the total expenditure was Kshs.327,895,432 which was Kshs.7,895,432 or 2.5% over the budgeted amount of Kshs.320,000,000.

The Fund's Management therefore breached the law. In addition, the Fund may not be able to execute its mandate without a properly approved budget and work plan.

## 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**

#### **Irregular Daily Subsistence Allowances**

Included in the general expenses of Kshs.13,694,449 is daily subsistence amount of Kshs.3,827,800 paid out to five officers from the Department of Agriculture while attending training at Bukura Agricultural Training Centre, which is a fully owned and funded facility by the County Government of Kakamega.

No reason was however been provided for paying the officers for a training that was fully funded and delivered from the County Government facility.

In the circumstances, the Kshs.3,827,800 expenditure is therefore irregular and a 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**

### **Establishment and Administration of the Fund**

The Fund has not appointed and established the advisory committee and secretariat as envisaged by part II of the Public Finance Management Act (Kakamega County Agricultural Inputs Fund) (Amendment) Regulations, 2019.

Further, there is no evidence that quarterly financial statements were prepared and presented to the County Assembly as required by the Regulation. In addition, formal appointment of the Fund Administrator was not provided for audit.

Consequently, the Fund's Management is in breach of the law. In addition, the effectiveness of the internal controls could not be ascertained.

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 as a going concern, 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 entity 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 going concern 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 as a going concern or 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 as a going concern or 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**


**02 February, 2022**


Kakamega County Agricultural Inputs Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2020

8. FINANCIAL STATEMENTS

8.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
 30<sup>th</sup> JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Revenue</b>			
Transfer from county treasury	1	296,419,826	420,646,248
Other Income	2	-	179,269,890
<b>Total revenue</b>		<b>296,419,826</b>	<b>599,916,138</b>
<b>Expenses</b>			
Fund administration expenses	3	314,143,024	157,408,435
General expenses	4	13,694,449	398,433,167
Finance costs	5	57,959	8,656
<b>Total expenses</b>		<b>327,895,432</b>	<b>555,850,258</b>
<b>Surplus/( deficit) for the period</b>		<b>(31,475,606)</b>	<b>44,065,880</b>

  
 Administrator of the Fund  
 Name: *Adrian Onjoro*


  
 Fund Accountant  
 Name: Isaac Mukabwa  
 ICPAK Member Number: 19878

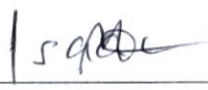
Kakamega County Agricultural Inputs Fund  
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8.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	12,960,304	44,435,910
<b>Total assets</b>		<b>12,960,304</b>	<b>44,435,910</b>
<b>Net assets</b>			
Revolving Fund		-	-
Reserves		-	370,030
Accumulated surplus		12,960,304	44,065,880
<b>Total net assets and liabilities</b>		<b>12,960,304</b>	<b>44,435,910</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2020 and signed by:


  
 \_\_\_\_\_  
 Administrator of the Fund  
 Name: *Hillary Onjoro*


  
 \_\_\_\_\_  
 Fund Accountant  
 Name: Isaac Mukabwa  
 ICPAK Member Number: 19878

Kakamega County Agricultural Inputs Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2020

8.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2019</b>	-	-	-	-
Surplus/(deficit) for the period	-	-	31,475,606	31,475,606
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	-	-	31,475,606	31,475,606
<b>Balance as at 1 July 2019</b>	-	-	44,435,910	44,435,910
Surplus/(deficit) for the period	-	-	(31,475,606)	(31,475,606)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	-	-	12,960,304	12,960,304


  
 Administrator of the Fund  
 Name: *Henry Onjoro*

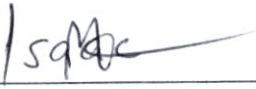
  
 Fund Accountant  
 Name: Isaac Mukabwa  
 ICPAK Member Number: 19878

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8.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY2019/2020 KShs	FY2018/2019 KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from farm inputs	1	296,419,826	420,646,248
Other income	2	-	179,269,890
<b>Total Receipts</b>		<b>296,419,826</b>	<b>599,916,138</b>
<b>Payments</b>			
Fund administration expenses	3	314,143,024	157,408,435
General expenses	4	13,694,449	398,433,167
Finance cost	5	57,959	8,656
<b>Total Payments</b>		<b>327,895,432</b>	<b>555,850,258</b>
<b>Net cash flows from operating activities</b>		<b>(31,475,606)</b>	<b>44,065,880</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(31,475,606)</b>	<b>44,065,880</b>
Cash and cash equivalents at 1 JULY		44,435,910	370,030
<b>Cash and cash equivalents at 30 JUNE</b>	6	<b>12,960,304</b>	<b>44,435,910</b>

  
 Administrator of the Fund  
 Name: *Anthony Onjoro*

  
 Fund Accountant  
 Name: Isaac Mukabwa  
 ICPAK Member Number: 19878

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8.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
 THE PERIOD ENDED 30<sup>th</sup> JUNE 2020

	Original budget 2020	Adjustment s 2020	Final budget 2020	Actual on comparable basis 2020	Performance difference 2020	% utilisation 2020
Revenue	KShs	KShs	KShs	KShs	KShs	
Income	320,000,000	-	320,000,000	296,419,826	23,580,175	93
<b>Total income</b>	<b>320,000,000</b>	<b>-</b>	<b>320,000,000</b>	<b>296,419,826</b>	<b>23,580,175</b>	<b>93</b>
<b>Expenses</b>						
Fund administrati on expenses	305,940,000	-	305,940,000	314,143,024	(8,203,024)	103
General expenses	14,000,000	-	14,000,000	13,694,449	305,551	98
Finance cost	60,000	-	60,000	57,959	2,041	97
<b>Total expenditur e</b>	<b>320,000,000</b>	<b>-</b>	<b>320,000,000</b>	<b>327,895,432</b>	<b>(7,895,432)</b>	<b>102</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,475,606)</b>		

IPSAS 24.14

**8.6. 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 stated 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 2020**

Standard	Impact
IPSAS 40: Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> 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 are covered purely under Public Sector combinations as amalgamations.

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cashflows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:  <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> </ul>

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flow</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</li> </ul>

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Standard	Effective date and impact:
	<p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalue assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

**c) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.

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**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 2019/2020 was approved by the County Assembly in June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of 0 on the FY 2019/2020 budget following the governing body's approval.

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

In addition to the 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 xxx of these financial statements.

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**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 costs 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.

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

- The debtors or 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.

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**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.

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**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 Kakamega County Farm Input Fund does not maintain a reserve account but its wipes back all the balances to County Revenue Fund for budgeting.

**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, onto 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 PFM Act under the Ministry of Agriculture, Fisheries and corporations. Its ultimate parent is the County Government of Kakamega.

**20. Currency**

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

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**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 mater

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**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 entity's management based on prior experience and their assessment of the current economic environment.

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
<b>At 30 June 2019</b>				
Receivables from exchange transactions	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>				
Receivables from exchange transactions	-	-	-	-
<b>Total</b>	-	-	-	-

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**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 entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

**b) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2019</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>				
Trade payables	-	-	-	-
<b>Total</b>	-	-	-	-

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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:

		Other currencies	Total
	KShs	KShs	KShs
<b>At 30 June 2019</b>			
Financial assets	-	-	-
<b>Liabilities</b>			
Trade and other payables	-	-	-
Net foreign currency asset/(liability)	-	-	-

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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.

	Change in currency rate	Effect on surplus/ deficit	Effect on Equity
	KShs	KShs	KShs
<b>2020</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2019</b>		-	-
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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

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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:

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve	-	-
<b>Total funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
<b>Gearing</b>	-	-

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8.7. NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Receipts from farm inputs	296,419,826	420,646,248
<b>Total revenue</b>	<b>296,419,826</b>	<b>420,646,248</b>

2 Other Income

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Receipts from farm inputs	-	179,269,890
<b>Total revenue</b>	<b>-</b>	<b>179,269,890</b>

3 Fund administration expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Transfer to County Revenue Fund	314,143,024	157,408,435
<b>Total</b>	<b>314,143,024</b>	<b>157,408,435</b>

4 General expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
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
Other expenses	13,694,449	-
<b>Total</b>	<b>13,694,449</b>	<b>398,433,167</b>

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5 Bank charges

Description - -	FY2019/2021	FY2018/2019
	KShs	KShs
Bank service charge	57,959	8,656
<b>Total</b>	<b>57,959</b>	<b>8,656</b>

6 Cash and cash equivalents

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Commercial Banks	12,960,304	44,435,910
<b>Total cash and cash equivalents</b>	<b>12,960,304</b>	<b>44,435,910</b>

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

Financial institution	Account number	FY2019/2020	FY2018/2019
		KShs	KShs
<b>c) Current account</b>			
Cooperative Bank Collection account		2,750,646	2,352,524
KCB Collection Account		1,703,464	19,873,315
KCB Fund Account		8,506,194	22,210,071
<b>Grand total</b>		<b>12,960,304</b>	<b>44,435,910</b>