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**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**TRANS NZOIA COUNTY YOUTH AND  
WOMEN DEVELOPMENT FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2021**





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**TRANS NZOIA COUNTY YOUTH AND WOMEN DEVELOPMENT FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2021**

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

**Trans Nzoia County Youth and Women Development Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Trans Nzoia County Youth and Women Development Fund is established by and derives its authority and accountability from the Trans Nzoia County Youth and Women Development Fund Act, 2014. The Fund is wholly owned by the County Government of Trans Nzoia and is domiciled in Kenya.

The fund's objective is to; -

- a) To provide funds to be used for granting low interest loans to youth with a view to scaling up their lending activities, value addition amongst other activities as may be prescribed
- b) To provide funds to support, revive and initiate micro-enterprises owned by women and the youth in sectors that can have an immediate impact to household economy
- c) To attract and facilitate investment in economic sectors that have linkages to micro, small and medium enterprises that benefit the youth and women
- d) Facilitating access to business development services by micro and small enterprises and promoting an entrepreneurial culture

The Fund's principal activity is empowering marginalised groups of the society by providing access to affordable loans and capacity building

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to enhance economic activities and social welfare of the marginalised persons in the society through access to low interest loans.

**c) Registered Offices**

P.O. Box 4211-30200  
Social Hall Building  
Machinjoni Road  
Next to Kitale Nursing Home (Maitha)  
KITALE, KENYA

**d) Trans-Nzoia County Youth and Women Development Fund Contacts**

Telephone: (254) 30301/  
E-mail: [countyoftransnzoia@gmail.com](mailto:countyoftransnzoia@gmail.com).  
Website: [www.countyoftransnzoia.go.ke](http://www.countyoftransnzoia.go.ke)

**e) Trans-Nzoia County Youth and Women Development Fund Bank Account**

Youth and Women Development Fund  
Trans-National Bank  
Account No.0152817/500UCA00/1/0  
Kitale, Kenya

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**3. FOREWORD BY THE CHIEF OFFICER GENDER, YOUTH, SPORTS, CULTURE AND TOURISM**

The fund during the financial year in question (2020-2021) had a budgetary allocation of Kshs. 0.00 appropriated by the County Assembly of Trans Nzoia for issuance as loans to registered Youth and Women groups across the county during the financial year.

During the period under review, the fund received Kshs Nil from the County treasury for Capacity building of Youth and Women expected to benefit from the loans and KShs.83,575 as interest earned from the bank account accounted for under revenue from exchange transactions.

There was a fund balance brought forward from the financial year 2019/2020 of Kshs. 98,244,005 which composed of:

1. Cash and Cash equivalents	Kshs.	8,393,590
2. Government Imprest	Kshs.	4,925,195
3. Loans to Groups	Kshs.	75,726,461
4. Sundry Debtors	Kshs.	588,190
5. Interest receivable	Kshs	8,610,400

During the financial period under review the fund had a balance brought forward of accounts receivable- loans to groups of Kshs 75,726,461. For the financial year under review, there were no Loans disbursed to groups. The management was not able to recover any of the outstanding balance leaving an outstanding amount of Kshs. 75,726,461 as at the close of the financial year ending 30th June 2021.

As provided for in the Trans Nzoia County Youth and Women Development Fund Act 2014, the fund is managed by appointed management Board. However, the Boards tenure ended on 30<sup>th</sup> June 2018. Appointment/ renewal process of the Board was done and awaits approval. This has generally affected the performance of the department in the area of concern.



Mr Eliud Bichii  
Chief Officer -Gender, Youth, Sports, Culture and Tourism  
Trans Nzoia County Government

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#### **4. CORPORATE GOVERNANCE STATEMENT**

According to the legal framework of the fund, Trans Nzoia County Youth and Women Development Funds Act 2014, Section 8 (1) part (a-h) provides the guidelines on management of the fund and how to conduct business and other related activities as relates to committee meetings. The management structure recognized by the Act are the Youth and Women fund management board and the Ward committees where the Ward administrators are the secretaries.

In the roles and functions of the chief officer of the fund and for this case the chief officer Gender Youth, Culture, Sports and tourism who shall also be the Secretary to the Board, is required to implement decisions of the board among other functions for the performance of such duties as capacity building, training to women and youth groups including training and induction of the board members upon appointment;

##### **Board meetings**

On board meetings, the Act allows the board to meet not less than four (4) times in every financial year and not more than four (4) months shall elapse between the date of one meeting and the date of the next meeting. The chair person shall convene ordinary meetings to be held at the premises of the board and for this case are the Gender offices at the social hall buildings. The chair is required to inform the board members of meetings fourteen (14) days written notice of every meeting. Despite the provisions of sub-paragraph (l), the Chairperson shall, upon a written request by at least five members of the Board, convene a special meeting of the Board at any time where he considers it expedient for the transaction of the business of the Board.

##### **Roles and functions of the management Board.**

The roles and functions of the management board are stipulated in the Trans Nzoia County Youth and women fund Act of 2014 and are as follows;

- (a) Prepare reports to the CEC member responsible for youth and women on affirmative Action and vet youth and women groups;
- (b) Manage, control and monitor the Fund in such manner and for such purposes as best promotes the purpose for which the Fund is established;
- (c) Receive and consider all loan applications from eligible persons and groups from Ward committees.
- (d) Approve or reject such applications in accordance with the provisions of this Act;
- (e) Monitor recovery of matured loans;
- (f) Subject to the provisions of this Act, exercise discretion in the application of the Fund;
- (g) Keep data of youth and women groups from each ward for purposes of lending on such terms and conditions as the Board may determine;
- (h) Exercise such other lawful powers as may be conferred by this Act or other law. Two-to-three pages

The management board is also empowered by the Act to partner with any person for the purposes of achieving its objectives including partnering with the credit reference bureaus in enforcing repayment of the loans

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**Youth and women ward committee**

The trans Nzoia youth and women fund Act 2014 Section 17 sub section (1), (2) provides for a lower level of fund management at ward Level and shall comprise the following;

- (a) Ward administrator who shall be the CEO of the Committee
- (b) A woman representative elected by the women.
- (c) A youth representative elected by the youths.
- (d) The elected member of the County Assembly.
- (e) Religious organization
- (f) A person with disability
- (g) Special groups

**Quorum for the conduct of business**

The quorum for conduct of the business of the loan shall be two- thirds of the total number of members including the chairperson or the person presiding. The chair shall preside at every meeting of the loans board at which he/she is present and in his/her absence, the members of the loans board present shall elect one person from their number to preside over the meetings of the board and shall have all the powers of the Chairperson.

**Terms and conditions of service of the management Board**

The members of the committee shall be paid such allowance as shall be determined by the salaries and Remuneration Commission and such allowance shall be drawn from the fund administrative allocation which is within 3 the percent of the budget.

**Conflict of interest**

In matters conflict of interests, the board is required unless a unanimous decision is reached, a decision on any matter before the board shall by majority of the votes of the members present and voting and in the case of an equality of votes, the chair person or person presiding over the meeting shall have a casting vote. Subject to provisions of any relevant written law the board may determine its own procedure and the procedure for any committee of the Board and for the attendance of any other persons at its meetings thereof.

**Process of appointment and removal of the Board**

The chairperson and every member of the Board shall be appointed by the CEC Member responsible for youth and women and shall hold office for a term of four years and shall be eligible for appointment for one further term based on satisfactory performance

The term of office of the chairperson and members of the Board as first constituted and at every nomination or change in membership shall commence on the date of appointment approved by County Executive Members.

On removal of a member of the Board, a member may be removed from office only for the following reasons;

- (a) Violation of the Constitution or any other
- (b) Gross misconduct, whether in the performance of the member's Functions or otherwise;
- (c) Physical or mental incapacity to perform the functions of office; or

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(d) Incompetence or neglect of duty.

The CEC Member responsible for youth and women may, upon the recommendation of the Board terminate the nomination of a member of the Board on any of the grounds specified under subsection.

On other circumstances of vacation of office by a board member, a person may cease to be a member of the board if such person

- (a) Resigns in writing, to the CEC Member responsible for youth and women
- (b) Is convicted of a criminal offence and sentenced to a term of imprisonment of not less than six months;
- (c) Is declared bankrupt;
- (d) Is unable to perform the functions of his or her office by reason of mental or physical infirmity;
- (e) Dies.

**Ethics and conduct of the board upon**

Upon appointment, the management board is required to adhere to the requirements of chapter six of the PFM Act in the management and undertakings of the fund

Accounts and Audit is stipulated in section 31. (1) that the Fund shall cause to be kept such books of accounts and other books in relation thereto of all its undertakings, funds, activities and property as the CEC member representing youth and women may from time to time approve and shall, within a period of three months after the end of the financial year, cause to be prepared, signed and forwarded to the CEC-Finance;

- (a) A balance sheet showing details of the assets and ' liabilities of the Fund and
- (b) Such other statements of account as the CEC Member may approve.

The accounts of the Fund shall be examined, audited and reported upon annually by the CEC-Finance in accordance with the public Audit Act

**Trans Nzoia County Youth and Women Development Fund  
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**5. 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 Trans-Nzoia county assembly Act 2014 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, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and by Trans-Nzoia county assembly Act 2014. 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, 2021, 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**

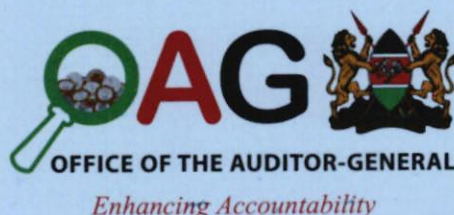
The Trans-Nzoia County Youth and Women Development Fund financial statements were approved and signed by the CEC member for Gender, Youth, Sports Culture & Tourism on 14th August, 2021.



County Executive Committee member – Gender, Youth, Sports, Culture and Tourism

# REPUBLIC OF KENYA

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Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON TRANS NZOIA COUNTY YOUTH AND WOMEN DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2021**

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### PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of Trans Nzoia County Youth and Women Development Fund set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2021, 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, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Trans Nzoia County Youth and Women Development Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012, and the Trans Nzoia County Youth and Women Development Fund Act, 2014.

## **Basis for Adverse Opinion**

### **Receivables from Exchange Transactions**

#### **1.1 Unsupported Loan Balances**

The statement of financial position reflects a balance of Kshs.98,321,014 for total assets, included in this amount is a total loan portfolio balance of Kshs.89,850,246 relating to loans and interest on loans disbursed since 2015/2016 up to 30 June, 2021. The loans constitute of total receivables from exchange transactions as disclosed under Notes 6A, 6B and 6C to the financial statements. However, supporting documents were not provided to confirm how the loans were disbursed and interests earned thereon. Further, an ageing analysis of the receivables was not provided for audit review.

In the circumstances, the accuracy and valuation of the total loan portfolio of Kshs.89,850,246 could not be confirmed.

#### **1.2 Failure to Recover Outstanding Loans**

The statement of financial position reflects a balance of Kshs.98,321,014 for total assets, included in this amount is a total loan portfolio balance of Kshs.89,850,246 which have remained outstanding from 2019/2020. From the foregoing, it is apparent that recoverability of the loans issued out is not feasible.

Review of application forms used to obtain the loans revealed that several groups provided assets such as television sets, fridges, sheep and goats as security for recovery in the event of default. However, the Fund Management did not provide evidence indicating where the assets were being held and how the Fund assured itself of the existence and values of the assets.

In the circumstances, the Fund is not able to meet the objective for which it was established.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Trans Nzoia County Youth and Women Development 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **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 matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public sections 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**

#### **1. Lack of Approved Budget**

The Fund Management did not provide an approved budget for the year under review, contrary to the requirements of Section 30(1) of the Trans Nzoia County Youth and Women Development Fund Act, 2014, which provides that at least three months before commencement of each financial year, the Board shall cause to be prepared estimates of the revenue and expenditure of the Fund for that year.

In the circumstances, Management was in breach of the law.

#### **2. Non - Conformity with Standard on Presentation of the Financial Statements**

The financial statements have not been prepared in conformity with the guidelines and format issued by the Public Sector Accounting Standards Board. There are no reports for the Board of Management, Fund Chairperson and Fund Administrator, Management Discussion and Analysis and Corporate Social Responsibility Statement/Sustainability Reporting.

The report and financial statements are therefore incomplete and do not comply with Section 164 of the Public Finance Management Act, 2012, which requires Accounting Officers to prepare financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

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 matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Failure to Constitute a Substantive Board**

The tenure of service of the Board of Management of the Fund expired on 30 June, 2018. Since then, a new Board has not been constituted. No explanation was provided for failure to constitute a new Board, contrary to the requirements of Sections 8 and 9 of the Trans Nzoia County Youth and Women Fund Act, 2014, which provides that the Management of the Fund shall vest in a Management Board.

In the circumstances, Management was in breach of the law.

#### **2. Failure to Undertake Independent Assessment of Systems and Internal Controls**

There was no evidence that Trans Nzoia County Youth and Women Development Fund Management Committee performed a formal risk assessment. Further, there was no evidence that risky areas had been identified in terms of loans awarded, revenues, expenditure, frauds and errors.

In the circumstances, the existence and adequacy of the internal controls put in place could not therefore be evaluated.

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

## **Responsibilities of Management and 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 sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the County Government 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied

in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

**01 September, 2022**

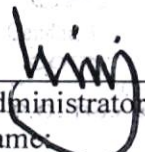
Trans Nzoia County Youth and Women Development Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021


7. FINANCIAL STATEMENTS

7.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup>  
 JUNE 2021

	Note	2020/2021	2019/2020
<b>Revenue from Non-Exchange Transactions</b>			Kshs
Transfers from County Government	1	-	-
<b>Revenue from exchange transactions</b>			
Interest income	2	83,575	166,351
<b>Total revenue</b>		<b>83,575</b>	<b>166,351</b>
<b>Expenses</b>			
Fund Administration Expenses	3	-	
General expenses	4	6,566	26,032
<b>Total expenses</b>		<b>6,566</b>	<b>26,032</b>
<b>Surplus for the period</b>		<b>77,009</b>	<b>140,319</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 17/01 2021 and signed by:

  
 Administrator of the Fund  
 Name:


  
 Fund Accountant  
 Name:  
 ICPAK Member Number:


**Trans Nzoia County Youth and Women Development Fund  
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**7.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2020/2021	2019/2020
			Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and Cash Equivalents	5	8,470,768	8,393,590
Current Receivables	6A	5,513,385	5,513,554
Interest Receivable	6B	8,610,400	8,610,400
<b>Non-current assets</b>			
Current principal loan repayments due	6C	75,726,461	75,726,461
<b>TOTAL ASSETS</b>		<b>98,321,014</b>	<b>98,244,005</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	7	989,539	989,539
<b>Net assets</b>		<b>97,331,475</b>	<b>97,254,466</b>
Revolving Fund		102,000,000	102,000,000
Accumulated Loss		(4,668,525)	(4,745,534)
<b>Total net assets and liabilities</b>		<b>97,331,475</b>	<b>97,254,466</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 14/8/21 2021 and signed by:

  
\_\_\_\_\_  
Administrator of the Fund  
Name:

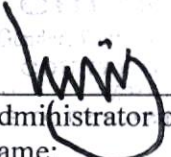
  
\_\_\_\_\_  
Fund Accountant  
Name:  
ICPAK Member Number:


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**7.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021**

	Revolving Fund	Accumulated surplus	Total
		Kshs	Kshs
<b>Balance as at 1 July 2019</b>	<b>102,000,000</b>	<b>(4,885,853)</b>	<b>97,114,147</b>
Surplus/(deficit) for the period	-	140,319	140,319
Funds received during the year	-	-	-
<b>Balance as at 30 June 2020</b>	<b>102,000,000</b>	<b>(4,745,534)</b>	<b>97,254,466</b>
<b>Balance as at 1 July 2020</b>	<b>102,000,000</b>	<b>(4,745,534)</b>	<b>97,254,466</b>
Surplus/(deficit) for the period	-	77,009	77,009
<b>Balance as at 30 June 2021</b>	<b>102,000,000</b>	<b>(4,668,525)</b>	<b>97,331,475</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 14/8/2021 and signed by:

  
\_\_\_\_\_  
Administrator of the Fund  
Name:

  
\_\_\_\_\_  
Fund Accountant  
Name:  
ICPAK Member Number:

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**7.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	Note	FY2020/2021	FY2019/2020
			Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from County Government	1	-	-
Interest Income	2	83,575	166,351
<b>Total Receipts</b>		<b>83,575</b>	<b>166,351</b>
<b>Payments</b>			
Fund Administration Expenses	3	-	-
General expenses	4	6,566	26,032
<b>Total Payments</b>		<b>6,566</b>	<b>26,032</b>
<b>Cash flows from operating activities</b>		<b>77,009</b>	<b>140,319</b>
<b>Adjustments for:</b>			
Borrowings by the parent Ministry	5A	-	-
Refunds by the Parent Ministry	5A	-	-
Group Savings Received during the year	7	-	-
Group Savings Refunded during the year	7	-	(141,390)
(Increase)/ Decrease in Accounts receivable		-	1,500
<b>Net Cash flows from operating activities</b>		<b>77,009</b>	<b>429</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments	6C	-	28,000
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>28,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>77,009</b>	<b>28,429</b>
Cash and cash equivalents at 1 JULY 2020		8,393,590	7,502,024
<b>Add;</b> Adjustment for the undercast of refunds received in the FY 2018-2019		169	471,717
<b>Less;</b> Adjustment for the undercast of loan to groups during the FY 2018-2019			(24,100)
<b>Add;</b> Adjustment of interest received not included in the schedule of FY 2018-2019			415,520
<b>Cash and cash equivalents at 30 JUNE 2021</b>		<b>8,470,768</b>	<b>8,393,590</b>

7.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2021	2021	2021	2021	2021	2021
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Transfers from County Government	-	-	-	-	-	-
<b>Interest income</b>						
Interest on principal loans				-	-	-
Interest income on bank deposits	-	-	-	83,575		
<b>Total income</b>	-	-	-	83,575		-
<b>Expenses</b>						
Fund Administration Expenses						
General expenses	-	-	-	6,566		-
<b>Total expenditure</b>	-	-	-	6,566		-
<b>Surplus for the period</b>	-	-	-	<b>77,009</b>		-

**7.6 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 2019**

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 2019**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2019:</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 cash flows. 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> <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</li> </ul>

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Standard	Effective date and impact:
	entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<b>IPSAS 42: Social Benefits</b>	<b>Applicable: 1<sup>st</sup> January 2022</b> 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: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
<b>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</b>	<b>Applicable: 1st January 2022:</b> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.
<b>Other Improvements to IPSAS</b>	<b>Applicable: 1<sup>st</sup> January 2021:</b> 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 b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. 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 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 re-valued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis

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Standard	Effective date and impact:
	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
	IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which was inadvertently omitted when IPSAS 40 was issued

**c) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

**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 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 2020/2021 was approved by the County Assembly on 16th August 2020 as required by law. There was one number of supplementary budgets passed in the year on 21st December 2020. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under section 7.5 of these financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. Property, plant and equipment**

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

**6. Intangible assets**

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

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

**7. Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Held-to-maturity*

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

### *Impairment of financial assets*

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

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

### *Financial liabilities*

#### *Initial recognition and measurement*

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

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

#### *Loans and borrowing*

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**8. Inventories**

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

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

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

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

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

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

**9. Provisions**

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

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

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

***Contingent liabilities***

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Contingent assets*

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

### **10. Nature and purpose of reserves**

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

### **11. Changes in accounting policies and estimates**

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

### **12. Employee benefits – Retirement benefit plans**

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

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

### **13. Foreign currency transactions**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**14. Borrowing costs**

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

**15. Related parties**

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

**16. Cash and cash equivalents**

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

**17. Comparative figures**

The amendments have been done on the opening balances of cash and cash equivalents as detailed in under Note 5; Currents receivables as per note 6A

**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 Trans Nzoia County Assembly Act 2014 under the Ministry of Gender, youths, sports, culture and Tourism. Its ultimate parent is the County Government of Trans Nzoia

**20. Currency**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**21. Significant judgments and sources of estimation uncertainty**

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

State all judgments, 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. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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**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:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2021</b>				
Receivables from exchange transactions	89,850,246	89,850,246	-	-
Bank balances	8,470,768	8,470,768	-	-
<b>Total</b>	<b>98,321,014</b>	<b>98,321,014</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2020</b>				
Receivables from exchange transactions	89,850,415	89,850,415	-	-
Bank balances	8,393,590	8,393,590	-	-
<b>Total</b>	<b>98,244,005</b>	<b>98,244,005</b>	<b>-</b>	<b>-</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 entity has significant concentration of credit risk on amounts due from beneficiaries

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 2021</b>				
Trade payables	-	-	989,539	989,539
Current portion of borrowings	-	-	5,513,385	5,513,385
<b>Total</b>	-	-	<b>6,502,924</b>	<b>6,502,924</b>
<b>At 30 June 2020</b>				
Trade payables	-	-	989,539	989,539
Current portion of borrowings	-	-	5,513,554	5,513,554
<b>Total</b>	-	-	<b>6,503,093</b>	<b>6,503,093</b>

**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 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. 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.

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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:

	2020/2021	2019/2020
	KShs	Kshs
Revolving fund	102,000,000	102,000,000
Accumulated Loss	(4,668,525)	(4,745,534)
<b>Total funds</b>	<b>97,331,475</b>	<b>97,254,466</b>
Total borrowings	5,513,385	5,513,554
Less: cash and bank balances	8,470,768	8,393,590
<b>Net debt/ (excess cash and cash equivalents)</b>	<b>(2,957,383)</b>	<b>(2,880,036)</b>
<b>Gearing</b>	<b>(-21.5%)</b>	<b>-20.5%</b>

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7.7 NOTES TO THE FINANCIAL STATEMENTS

<b>1</b>	<b>Transfers from County Government</b>		
	<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
			<b>Kshs</b>
	Transfers from County Government-Operations	-	-
	<b>Total Transfers</b>	-	-
<b>2</b>	<b>Interest income</b>		
	<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
			<b>Kshs</b>
	Interest income on bank deposits	83,575	166,351
	<b>Total interest income</b>	<b>83,575</b>	<b>166,351</b>
<b>3</b>	<b>Fund Administration Expenses</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Description</b>		<b>Kshs</b>
	Staff Costs	-	-
	Board Allowances	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
<b>4</b>	<b>General expenses</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Description</b>		<b>Kshs</b>
	Bank Charges	6,566	26,032
	Hospitality	-	-
	<b>Total</b>		<b>26,032</b>
<b>5</b>	<b>Cash and cash equivalents</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Description</b>		<b>Kshs</b>
	Trans National Bank	8,470,599	7,530,453
	Add: Adjustment for the undercast of refunds Received in the FY 2018-2019	169	471,717
	Less: Adjustment for the undercast of loans to groups during the FY 2018-2019		(24,100)
	Add: adjustment of Interest received not included in the schedule of FY 2018-2019		415,520
	<b>Total cash and cash equivalents</b>	<b>8,470,768</b>	<b>8,393,520</b>
<b>6</b>	<b>Receivables from exchange transactions</b>		
	<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>6A. Current Receivables</b>		
	Balance b/f	5,513,554	5,986,771
	Add Borrowings during the year		-

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Less Refunds received during the year		(1,500)
Less: Adjustment for undercast of Refunds received not included in the schedule of FY 2018-2019	169	(471,717)
<b>Outstanding Borrowings</b>	<b>5,513,385</b>	<b>5,513,554</b>
<b>6B. Interest Receivable/Due</b>		
<b>Balance b/f</b>	<b>8,610,400</b>	<b>8,610,400</b>
<b>Outstanding Interest Receivable</b>	<b>8,610,400</b>	<b>8,610,400</b>
<b>6C. Non-Current Receivables</b>		
<b>Balance b/f</b>	<b>75,726,461</b>	<b>76,145,881</b>
Less Principal Loan Recoveries	--	(28,000)
Add Adjustment for the undercast Loans to Groups in the FY 2018-2019	-	24,100
Less Adjustment for overstatement of outstanding loans to group FY 2018-2019	-	(415,520)
<b>Current principal loan repayments due</b>	<b>75,726,461</b>	<b>75,726,461</b>
<b>Total Receivables from Exchange Transactions</b>	<b>89,850,246</b>	<b>89,850,415</b>
<b>7 Trade and Other Payables from Exchange Transactions</b>		
		<b>KShs</b>
<b>Balance B/f</b>	<b>989,539</b>	<b>1,130,929</b>
Less Group Savings Refunds during the year	-	(141,390)
<b>Refundable Deposits/Group Savings due</b>	<b>989,539</b>	<b>989,539</b>

**Related party balances**

**a) Nature of related party relationships**

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

- a) The County Government;
- b) The Parent County Government Ministry;

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**8 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe:
<b>1.Non-Current Assets</b>	The financial statements reflect current principal loan repayments due of Kshs.76,145,881 under Note 6C to the financial statements. However, it was noted that the loan remained unpaid since 30 June, 2016 in contravention of Article 2.1 of the Trans Nzoia County Youth and Women Fund loan agreement form which requires principal loan repayments to be made up to a maximum period of one year from the time of issuance. In the circumstances, the recoverability of the outstanding loan balance of Kshs.75,754,461 remained doubtful.	The management made the efforts to renew the contract of the fund employee who was responsible for the follow up on groups who were issued with loans in order to repay the amount, the process is on	Fund Administration Committee	Not Resolved	N/A
<b>2.Current Receivables</b>	Included in the current receivables balance of Kshs.5,986,771 under note 6A is an amount of Kshs.5,985,195 in respect of borrowing from the	The department made efforts to prepare the vouchers and it went through the IFMIS system up to I.B but last year we had an issue with finances due to Covid 19	Fund Administrator	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe:
	<p>fund by the parent Ministry. However, it was noted that the borrowed funds had not been refunded since 2016 when they were transferred to the parent Ministry. Further, no document was availed for audit review on the terms of transfer of the funds.</p> <p>In the circumstances, the recoverability of the outstanding borrowings balance of Kshs.5,985,195 remained doubtful.</p>	<p>pandemic so we never managed to recover any but still department has processed the vouchers ready for payment</p>			
<p><b>3 Cash and Cash Equivalents</b></p>	<p>The financial statements reflect cash and cash equivalents balance of Kshs.7,502,024 under Note 5 to the financial statements. However, the reconciled balance in the bank reconciliation statement as at 30 June, 2019 was Kshs.8,365,330 leading to an unreconciled variance of Kshs.863,306. In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.7,502,024 as at 30 June,</p>	<p>The management made efforts to find out the source of variance and we made the prior year adjustments in the financial statements for the FY2019/2020</p>	<p>Fund Administrator</p>	<p>Resolved</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe:
	2019 could not be confirmed.		Fund Administrator		
<b>Lack of Approved Budget</b>	The statement of comparison of budget and actual amounts for the period shows final budget figure of nil while the actual receipts totalled Kshs.2,434,118 and actual expenditure amounted to Kshs.190,685. Thus, the Chief Executive Officer and the Management Board of the Fund did not operate with an approved budget in - contravention Section 149(2h) of the Public Finance Management Act, 2012, which requires the accounting officer to prepare estimates of expenditure of the entity in conformity with the strategic plan.	The management has made efforts to renew the contract of the Board and awaits approval. The board will institute and implement the budgets for the subsequent financial years among other stipulated functions to include establishing regulations governing the fund	Fund Administrator	Not resolved	
<b>Weak Governance and Internal Control Environment</b>	Review of the Fund's governance and internal control environment revealed that the Internal Audit Department of Trans Nzoia County Executive	The management has liaised with the internal audit department to carry out the audit of the fund, The internal Audit report will be available during the subsequent	Fund Administrator	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe:
	<p>had never reviewed and evaluated budgetary performance, transparency and accountability mechanisms and processes of the Fund since its inception in the year 2014, in line with Regulation 153 (1) of the PFM County Government Regulations, 2015. In the circumstances, the Fund operation may not have been efficiently managed in line with best practice and framework.</p> <p>Further, it was noted that the Fund had operated without a substantive Board in place since 30 June, 2018 and thus hindering its ability to operate optimally as outlined in Section 9(2) of the Trans Nzoia County Youth and Women Development Fund Act, 2014 which provides that the key function of the Board shall be to manage, control and monitor the Fund in such manner and for such purposes as best promotes</p>	<p>audits</p> <p>The management has made efforts to renew the contract of the Board and awaits approval</p>	<p>Fund Administrator</p>	<p>Not Resolved</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe:
	the purpose for which the Fund is established.				