

REPUBLIC OF KENYA



Enhancing Accountability

| PAPERS LAID | |
|--------------|----------------|
| DATE | 6/6/2023 |
| TABLED BY | Majority Whip |
| COMMITTEE | - |
| AT THE TABLE | Innocent Mbaya |

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REPORT

OF

THE AUDITOR-GENERAL

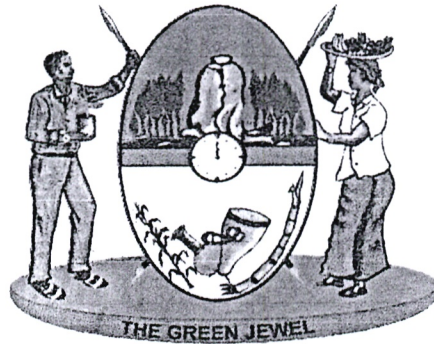
ON

**KAKAMEGA COUNTY AGRICULTURAL
INPUTS FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**

COUNTY GOVERNMENT OF KAKAMEGA

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND



**ANNUAL REPORTS AND FINANCIAL
STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
JUNE 30TH, 2022**

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

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KAKAMEGA COUNTY FARM INPUTS FUND

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kakamega County Agricultural Inputs Fund is established by and derives its authority and accountability from Agriculture fund Act 31st 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 ...

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.

KAKAMEGA COUNTY FARM INPUTS FUND
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c) Board of Trustees/Fund Administration Committee.

There is a Fund Administration Committee which is headed by the chief officer Ministry of Agriculture, Livestock, Fisheries and veterinary services.



Mr. Hillary Onjoro

Chief Officer Ministry of Agriculture





Dr. George Mbakaya

County Director of Agriculture

KAKAMEGA COUNTY FARM INPUTS FUND

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For the Period ended 30th June, 2022

| | |
|---|--|
|  |  |
| Dr. Jason Michieka County Director of Veterinary | Mr. Henry Odanga County Director of Livestock Production |

d) Key Management

The Kakamega County Farm input Fund day-to-day management is under the Ministry of Agriculture, Livestock, Fisheries and Veterinary services.

The Fund Administrator is the Chief Officer of Ministry of Agriculture, Livestock, Fisheries and Veterinary services.

e) Fiduciary Oversight Arrangements

- **County Assembly of Kakamega**
 - ❖ To oversight and provide legislative framework for the Corporation to ensure accountability.
- **Auditor General**
 - ❖ To audit the fund's operations and systems with a view of identifying gaps and making recommendations for improvement to enhance accountability.

KAKAMEGA COUNTY FARM INPUTS FUND
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- **Controller of Budget**

- ❖ To authorize and approve withdrawal and expenditure of the Corporation's budgeted funds.

- **National Treasury**

- ❖ To disburse budgeted funds to the County Governments and subsequently to the fund for expenditure in line with approved budgets.
- ❖ To advise on the implementation of budgets by County Governments and its entities.

f) Registered offices

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

g) Funds Contacts

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

h) Fund Bankers

1. Kenya Commercial bank
2. Coop bank

(i)Independent Auditors

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

(j) Principal Legal Advisor

County Attorney
County Government of Kakamega
P.O Box 36-50100
Kakamega

KAKAMEGA COUNTY FARM INPUTS FUND

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2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

There is a Fund Administration Committee which is headed by the chief officer Ministry of Agriculture, Livestock, Fisheries and Veterinary services.

| Name | Details of qualifications and experience |
|-----------------------|---|
| 1. Hillary Onjoro | Msc Agriculture; 1962, 23 years work experience; Fund Administrator. |
| 2. Benard Wanyama | Msc Animal Production; date of birth; 1962, 35 years work experience. |
| 3. Dr. Jason Michieka | Bsc Veterinary Medicine; date of birth; 1974, over 20 years |
| 4. Norman Munala | Msc Fisheries, 1972 24 years' work experience |

KAKAMEGA COUNTY FARM 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 plan 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 | In FY 21/22 yields of maize increased from 2.5 million bags to 2.9 million bags in the County Issued 80,000 packets of certified maize seeds Issued 120,000 bags of planting fertilizer Issued 120,000 bags of topdressing fertilizer |

KAKAMEGA COUNTY FARM INPUTS FUND

Reports and Financial Statements

For the Period ended 30th June, 2022

4. MANAGEMENT TEAM

| Name | Details of qualifications and experience |
|-------------------|---|
| Hillary Onjoro | Chief Officer Agriculture, Fisheries, Livestock and Veterinary services Work experience 23 years; Msc Agriculture |
| Benard Wanyama | County Director of Livestock Production; Msc Animal production; Work experience 35years; |
| Dr.Jason Michieka | County Director of Veterinary; Bsc Veterinary Medicine; Working experience 12years. |
| Norman Munala | County Director of Fisheries; Msc Fisheries; work experience 21 years |



Mr.Hillary Onjoro

Chief Officer Ministry of Agriculture, Livestock, Fisheries and Veterinary services

KAKAMEGA COUNTY FARM INPUTS FUND
Reports and Financial Statements
For the Period ended 30th June, 2022

**2. CORPORATE GOVERNANCE STATEMENTS/ FUND ADMINISTRATION
COMMITTEE**

The Chief Officer submits their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Fund affairs.

10.1 Principal activities

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

10.2 Performance

The fund received Ksh 326,584,963 and spend ksh 297,643,781 having a surplus of ksh 28,941,182

10.3 Trustees

The Fund has no board of trustees.

10.4 Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

Sign:

Name: Hillary Onjoro

Chief Officer Ministry of Agriculture, Livestock, Fisheries and Veterinary services

KAKAMEGA COUNTY FARM INPUTS FUND

Reports and Financial Statements

For the Period ended 30th June, 2022

3. 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 the PFM act shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

KAKAMEGA COUNTY FARM INPUTS FUND

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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.

Kakamega County Farm Inputs Fund is a going concern and active in its operations.

Approval of the financial statements

The Fund's financial statements were approved on 11th July 2022 and signed

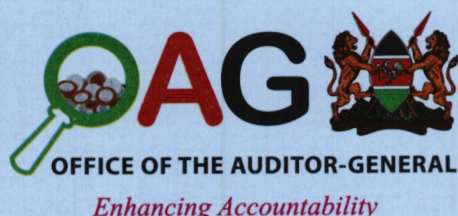


Name:

Hillary Onjoro

Chief Officer Ministry of Agriculture, Livestock, Fisheries and Veterinary services

REPUBLIC OF KENYA



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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, 2022

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 the 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 Kakamega County Agricultural Inputs Fund set out on pages 1 to 34, which comprise of the statement of financial

position as at 30 June, 2022, 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 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, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Public Finance Management (Kakamega County Agricultural Inputs Fund) Regulations, 2018.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

1.1 Farm Inputs Subsidies

The statement of financial performance reflects an amount of Kshs.329,033,623 in respect of farm inputs subsidies as disclosed in Note 1 to the financial statements. However, the statement of cash flows reflects an amount of Kshs.321,884,963 in respect of the same item which, as further disclosed in Note 9 to the financial statements, relates to actual cash received from sale of farm inputs. The variance of Kshs.7,148,660 is attributed to amount of sales not actually received as at 30 June, 2022, being receivables as at that date. However, the amount is at variance with the receivables balance of Kshs.7,816,487 reflected in the statement of financial position. The variance of Kshs.667,827 was not explained nor reconciled.

Further, the amount of Kshs.329,033,623 in respect of farm input subsidies is also at variance with the amount of Kshs.333,804,600 shown in the supporting schedules. The variance of Kshs.4,770,977 was not explained nor reconciled.

In the circumstances, the accuracy and completeness of the amount of Kshs.329,033,623 in respect of farm inputs subsidies could not be confirmed.

1.2 Statement of Cash Flows

The statement of cash flows reflects, under cash flows from operating activities, receipts from farm input subsidies of Kshs.321,884,963 and total receipts of Kshs.326,584,963 resulting to a variance of Kshs.4,700,000 which was not explained or reconciled.

The statement also reflects a nil balance under net increase/(decrease) in cash and cash equivalents. However, a reconciliation of the closing balance of Kshs.19,218,794 reflected in the audited financial statements for the year ended 30 June, 2021 and closing

balance of Kshs.47,991,542 for the year ended 30 June, 2022 reflects a net increase of Kshs.28,772,748. The variance of Kshs.28,772,748 was not explained nor reconciled.

In the circumstances, the accuracy of the statement of cash flows could not be confirmed.

1.3 Cash and Cash Equivalents

The statement of financial position reflects a cash and cash equivalents balance of Kshs.47,991,542 as disclosed in Note 5 to the financial statements. However, the balance is at variance with the balance of Kshs.47,991,023 shown in the statement of cash flows. The variance of Kshs.519 was not explained nor reconciled.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance could not be confirmed.

1.4 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects an amount of Kshs.326,584,963 in respect of transfers from the County Government which is at variance with the amount of Kshs.4,700,000 shown in the statement of financial performance. The variance of Kshs.321,884,963 was not explained nor reconciled.

Further, the statement does not reflect any amount in respect of revenue from farm inputs subsidies while the statement of financial performance reflects an amount of Kshs.329,033,623 against the item. The statement is also not complete as it does not reflect a column on performance differences.

In addition, the statement reflects total actual expenditure for the year of Kshs.297,643,781. However, the amount is at variance with the amount of Kshs.297,644,388 shown in the statement of financial performance with an unexplained and unreconciled variance of Kshs.607.

The statement also reflects, under final budget, a total expenditure budget of Kshs.387,221,368 which is at variance with the recalculated figure of Kshs.387,311,843. The resultant variance of Kshs.90,475 was not explained nor reconciled.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

2. Unapproved Expenditure

The statement of financial performance reflects total expenditure for the year of Kshs.297,644,388. However, the Fund did not produce an approved budget prepared by the Fund Management and approved by both the Advisory Committee and the Executive Committee.

In the circumstances, the total expenditure of Kshs.297,644,388 incurred by the Fund during the year under review was irregular and its propriety could not 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, Management has not provided reasons for the delay in resolving the issues. In the circumstances, the financial statements have not been prepared according to the requirements of the reporting template issued by the Public Sector Accounting Standards Board.

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, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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 public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Irregular Transfers to Other Government Agencies

The statement of financial performance reflects an amount of Kshs.293,000,000 in respect of transfers to Other Government Agencies which, as disclosed in Note 4A to the financial statements, relates to transfers to the County Treasury. No explanation was provided on the nature and purpose of the transfers to the County Treasury. This is contrary to Section 154(1)(a) of the Public Finance Management Act, 2012 which provides that an accounting officer shall not authorize the transfer of an amount that is appropriated to another Government entity or person.

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

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, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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 overall governance were not effective.

Basis for Conclusion

Lack of a Functional Internal Audit Unit

During the year under review, the Fund did not have an internal audit unit which gives assurance on effectiveness of the operations and activities of the Fund.

In the circumstances, internal oversight was not performed during the year.

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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to

sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease its 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 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 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

31 March, 2023

8.0 FINANCIAL STATEMENTS

8.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2022.

| | Note | 2021/2022 | 2020/2021 |
|---|------|-----------------------|-----------------------|
| | | KShs | KShs |
| Revenue from exchange transactions | | | |
| Farm Inputs subsidies | 1 | 329,033,622.75 | 374,970,522.00 |
| Transfers from County Government | 4B | 4,700,000.00 | |
| Sub Total | | 333,733,622.75 | 374,970,522.00 |
| Total revenue | | 333,733,622.75 | 374,970,522.00 |
| Expenses | | | |
| Fund administration expenses | 2 | 4,572,603.75 | 7,911,800.00 |
| Finance costs | 3 | 71,784.04 | 86,560.56 |
| Transfer to other Government Agency | 4A | 293,000,000.00 | 360,213,671.00 |
| Total expenses | | 297,644,387.80 | 368,212,032.00 |
| Surplus for the period | | 36,089,234.95 | 6,758,490.00 |

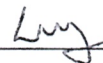
The notes set out on pages 26 to 30 form an integral part of these Financial Statements.

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 10th August 2022 and signed by:



Administrator of the Fund

Name: Abdallah Onjoro Achiebo



Fund Accountant

Name: Vitalis Laudo Liambila

ICPAK Member Number:23079

KAKAMEGA COUNTY FARM INPUTS FUND

Reports and Financial Statements

For the Period ended 30th June, 2022

8.2 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

| | Note | 2021/2022 | 2020/2021 |
|--|------|-------------------|----------------------|
| | | KShs | KShs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 47,991,542 | 19,218,794.00 |
| Receivables from Non- exchange transactions | 8 | | 500,000.00 |
| Receivables from exchange transactions | 7 | 7,816,487 | |
| | | 55,808,029 | 19,718,794.00 |
| Non-current assets | | | |
| Long term receivables from exchange transactions | | | - |
| Prepayments | | | - |
| Inventories | | | - |
| Property, plant and equipment | | | - |
| | | | - |
| Total assets | | 55,808,029 | 19,718,794.00 |
| Liabilities | | | |
| Current liabilities | | | |
| | | - | - |
| | | | - |
| Non-current liabilities | | | |
| Long term portion of borrowings | | | - |
| Non-current employee benefit obligation | | | - |
| Total liabilities | | | - |
| Net assets | | 55,808,029 | 19,718,794.00 |
| Revolving Fund | | 44,435,910.00 | 44,435,910.00 |
| Revaluation Reserves | | - | - |
| Accumulated Deficit/Surplus | | 11,372,119 | (24,717,116.00) |
| Total net assets and liabilities | | 55,808,029 | 19,718,794.00 |

The accounting policies and explanatory notes 26 to 30 these financial statements form an integral part of the financial statements. The entity financial statements were approved on July 2022 and signed by:



Administrator of the Fund

Name: Abdallah Onjoro Achiebo



Fund Accountant

Name: Vitalis Laudo Liambila

ICPAK Member Number:23079

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8.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2022

| | Revolving Fund | Reval uation Reser ve | Accumulated surplus | Total |
|-----------------------------------|-------------------|--------------------------------|------------------------|---------------|
| | | KShs | KShs | KShs |
| Balance as at 1 July 2020 | 44,435,910.00 | - | (31,475,606) | 12,960,304.00 |
| Surplus/(deficit) for the period | - | - | 6,758,490 | 6,758,490 |
| Funds received during the year | - | - | - | - |
| Funds Transferred during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2021 | 44,435,910.00 | - | (24,717,116) | 19,718,794 |
| Balance as at 1 July 2021 | 44,435,910.00 | - | (24,717,116) | 19,718,794 |
| Surplus/(deficit) for the period | - | - | 36,089,235 | 36,089,234 |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2022 | 44,435,910.00 | - | 11,372,119 | 55,808,029 |

The accounting policies and explanatory notes 26 to 30 these financial statements form an integral part of the financial statements. The entity financial statements were approved on 11th July 2022 and signed by:



Administrator of the Fund

Name: Abdallah Onjoro Achiebo



Fund Accountant

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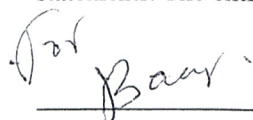
For the Period ended 30th June, 2022

8.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2022.

| | Note | 2021/2022 | 2020/2021 |
|--|----------|--------------------|-----------------------|
| | | KShs | KShs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Farm Inputs Subsidies | 9 | 321,884,963 | 374,970,522.00 |
| Total Receipts | | 326,584,963 | 374,970,522.00 |
| Payments | | | |
| Fund administration expenses | 2 | (4,572,603) | 7,911,800.00 |
| Finance cost | 3 | (71,784) | 86,561.00 |
| Transfer to other Government agency | 4A | (293,000,000) | 360,213,671.00 |
| Total Payments | | 297,643,781 | 368,212,032.00 |
| Net cashflows from operating activities | | 24,240,576 | 6,758,490.00 |
| Net changes in cash and cash equiv | | - | (500,000.00) |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | - | - |
| Proceeds from loan principal repayments | | - | - |
| Add back depreciation | | - | - |
| Net cashflows used in investing activities | | - | - |
| Cashflows from financing activities | | | |
| Transfer from other Government Entities | 4B | 4,700,000 | - |
| Net cashflows used in financing activities | | - | - |
| Net increase/(decrease) in cash and cash equivalents | | - | 6,258,490 |
| Cash and cash equivalents at 1 JULY 2021 | 5 | 19,218,794 | 12,960,303.56 |
| Cash and cash equivalents at 30 JUNE 2022 | 5 | 47,991,023 | 19,218,794.00 |


The statement of the cash flow has been prepared using a direct method

The accounting policies and explanatory notes 26 to 30 these financial statements form an integral part of the financial statements. The entity financial statements were approved on 11th July 2022 and signed by:



Administrator of the Fund

Name: Abdallah Onjoro Achiebo



Fund Accountant

Name: Vitalis Laudo

ICPAK Member Number:23079

8.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2022.

| | Original budget | Adjustments | Final budget | Actual on comparable basis | % utilisation |
|--|-----------------------|-------------|-----------------------|----------------------------|---------------|
| | 2022 | 2022 | 2022 | 2022 | 2022 |
| | KShs | KShs | KShs | KShs | |
| Revenue | | | | | |
| Transfers from County Govt. | 450,000,000.00 | - | 450,000,000.00 | 326,584,963 | 72% |
| Total income | 450,000,000.00 | - | 450,000,000.00 | 326,584,963 | 72% |
| Expenses | | | | | |
| Fund administration expenses-Transfers | 370,200,671.00 | - | 370,200,671.00 | 293,000,000 | 79% |
| General expenses | 17,020,697.00 | - | 17,020,697.00 | 4,572,603 | 26% |
| Finance Costs | 90,475.00 | - | 90,475.00 | 71,178 | 78% |
| Total expenditure | 387,221,368.00 | - | 387,221,368.00 | 297,643,781 | 76% |
| Deficit for the period | | | | 28,941,182 | |

Budget notes

1. The budget was utilised well and the performance is up to 76%

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 11th July 2022 and signed by:



Administrator of the Fund

Name: Abdallah Onjoro Achiebo



Fund Accountant

Name: Vitalis Laudo Liambila

ICPAK Member Number: 23078

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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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

- a) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

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| Standard/ Amendments : Applicable: 1 st January 2021: | Impact |
|---|--|
| 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 | There was no impact of the amendment to IPSAS 13 with respect to the current financial report |
| 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 | There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021 |
| 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 revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. | There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets. |
| 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 | <i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i> |

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

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| Standard | Effective date and impact: |
|---|--|
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2022: 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:</p> <ul style="list-style-type: none"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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. |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2022 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> <ul style="list-style-type: none"> (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. |
| <p>Amendments to Other IPSAS</p> | <p>Applicable: 1st January 2022:</p> |

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| Standard | Effective date and impact: |
|---|--|
| resulting from IPSAS 41, Financial Instruments | 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. |

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

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 fund did have an approved budget during the year as it was dormant throughout the financial year.

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

a) 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.

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

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cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

b) 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.

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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.

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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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 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.

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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members of key management are regarded as related parties and comprise the directors/Trustee, the Fund Managers and Fund Accountant.

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 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 Kakamega County agriculture Fund was established by County assembly Act under . Its ultimate parent is the County Government of Kakamega.

20 Currency

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

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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.

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

Provisions were raised on depreciation value of property plant and

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:

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| | Total amount KShs | Fully performing KShs | Past due KShs | Impaired KShs |
|--|----------------------|--------------------------|------------------|------------------|
| At 30 June 2021 | | | | |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from non-exchange transactions | - | - | - | - |
| Bank balances | - | - | - | - |
| Total | - | - | - | - |
| | - | - | - | - |
| At 30 June 2020 | - | - | - | - |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from non-exchange transactions | - | - | - | - |
| Bank balances | - | - | - | - |
| Total | - | - | - | - |

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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 |
| At 30 June 2021 | | | | |
| Trade payables | - | - | - | - |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Employee benefit obligation | - | - | - | - |
| Total | - | - | - | - |
| At 30 June 2020 | | | | |
| Trade payables | - | - | - | - |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Employee benefit obligation | - | - | - | - |
| Total | - | - | - | - |

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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.

d) 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.

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For the Period ended 30th June, 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

| | KShs | Other currencies | Total |
|---|------|------------------|-------|
| | KShs | KShs | KShs |
| At 30 June 2021 | | | |
| Financial assets | - | - | - |
| Investments | - | - | - |
| Cash | - | - | - |
| Debtors/ receivables | - | - | - |
| Liabilities | - | - | - |
| Trade and other payables | - | - | - |
| Borrowings | - | - | - |
| Net foreign currency asset/(liability) | - | - | - |

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 |
| 2021 | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |
| 2020 | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) 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.

f) 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:

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| | 2021/2022 | 2020/2021 |
|---|------------------|------------------|
| | KShs | KShs |
| Revaluation reserve | - | - |
| Revolving fund | - | - |
| Accumulated surplus | - | - |
| Total funds | - | - |
| | - | - |
| Total borrowings | - | - |
| Less: cash and bank balances | - | - |
| Net debt/(excess cash and cash equivalents) | - | - |
| Gearing | - | - |

9.0 NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Farm inputs subsidies

| Description | 2021/2022 | 2020/2021 |
|---|--------------------|-----------------------|
| | KShs | KShs |
| Sale of subsidised farm Inputs to farmers | 329,033,622 | 374,970,522.00 |
| Total | 329,033,622 | 374,970,522.00 |

2. General expenses

| Description | 2021/2022 | 2020/2021 |
|------------------------------|---------------------|------------------|
| | KShs | KShs |
| Daily subsistence | 1,824,950.00 | 3,088,100 |
| Catering | | 538,200 |
| Fertilizer testing | | 15,500 |
| Farmers fare refund | | 3,800,000 |
| Loading and offloading costs | | 450,000 |
| Speech Cards | | 12,000 |
| Store rent | 2,567,653.75 | - |
| Conference facility | 180,000.60 | |
| Media | | 8,000 |
| Total | 4,572,604.35 | 7,911,800 |

3. Finance costs

| Description | 2021/2022 | 2020/2021 |
|------------------------------|---------------|------------------|
| | KShs | KShs |
| Interest on Bank overdrafts | - | - |
| Interest on loans from banks | - | - |
| Bank charge | 71,784 | 86,560.56 |
| Total | 71,784 | 86,560.56 |

4 A. Transfers to other Government Agency

| Description | FY2021/2022 | FY2020/2021 |
|------------------------------|--------------------|--------------------|
| | KShs | KShs |
| Transfers to County treasury | 293,000,000 | 360,213,671 |
| Total | 293,000,000 | 360,213,671 |

4 B. Transfers from other Government Agency

| Description | FY2021/2022 | FY2020/2021 |
|--------------------------------|--------------------|--------------------|
| | KShs | KShs |
| Transfers from County treasury | 4,700,000 | |
| Total | 293,000,000 | 360,213,671 |

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5. Cash and cash equivalents

| 5Description | FY2021/2022 | FY2020/2021 |
|------------------|-------------------|-------------------|
| | KShs | KShs |
| Commercial Banks | 47,991,542 | 19,218,812 |
| Total | 47,991,542 | 19,218,812 |

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

| Financial institution | Account number | 2021/2022 | 2020/2021 |
|-------------------------------------|----------------|------------|------------|
| | | KShs | KShs |
| a) Current account | | | |
| Cooperative Bank Collection account | | 31,999,028 | 12,528,406 |
| KCB Collection Account | | 15,803,039 | 6,604,977 |
| KCB Fund Account | | 189,475 | 85,411 |

7. Receivables from exchange transactions

| Description | 2021/2022 | 2020/2021 |
|---|------------------|-----------|
| | KShs | KShs |
| Kakamega County Dairy Development Corporation | 874,200 | - |
| Likuyani Ward Agricultural Officer | 948,631 | |
| Lugari Ward Agricultural Officer | 366,500 | |
| Navakholo Ward Agricultural Officer | 741,200 | |
| Malava Ward Agricultural Officer | 298,360 | |
| Butere Ward Agricultural Officer | 1,160,216 | |
| Mumias West Ward Agricultural Officer | 980,000 | |
| Mumias East Ward Agricultural Officer | 648,800 | |
| Matungu Ward Agricultural Officer | 1,150,000 | |
| Shinyalu Ward Agricultural Officer | 505,200 | |
| Ikolomani Ward Agricultural Officer | 143,380 | |
| TOTAL | 7,816,487 | |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Receivables from Non-Exchange transaction

| Description | 2021/2022 | 2020/2021 |
|---|------------------|-------------------|
| | KShs | KShs |
| Transfer from County Executive | - | - |
| Outstanding Imprest | - | 500,000.00 |
| Total receivables from non-exchange transactions | - | 500,000.00 |

9. Actual Cash Received from Sale of Farm Inputs

| Sale of Fertilizer and Certified Maize Seeds | | |
|---|--------------------------|-----------------------|
| | Ksh. | Ksh. |
| | Co-operative Bank | KCB |
| July | 6,825,723.40 | 508,455.00 |
| August | 3,891,535.00 | 1,647,436.00 |
| September | 1,789,095.00 | 177,339.00 |
| October | 982,750.00 | 133,465.00 |
| November | 158,425.00 | 65,340.00 |
| December | 21,455,678.00 | 19,698,811.00 |
| January | 72,405,178.00 | 33,900,095.00 |
| February | 73,698,833.00 | 37,531,339.00 |
| March | 25,536,067.00 | 12,089,780.00 |
| April | 3,730,295.00 | 1,987,714.00 |
| May | 1,757,920.00 | 1,382,140.00 |
| June | 389,075.00 | 142,475.00 |
| | 212,620,574.40 | 109,264,389.00 |

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19 Cash generated from operations

| | 2021/2022 | 2020/2021 |
|---|------------------|------------------|
| | KShs | KShs |
| Surplus/ (deficit) for the year before tax | | |
| Adjusted for: | | |
| Depreciation | - | - |
| Amortisation | - | - |
| Gains/ losses on disposal of assets | - | - |
| Interest income | - | - |
| Finance cost | - | - |
| Working Capital adjustments | - | - |
| Increase in inventory | - | - |
| Increase in receivables | - | - |
| Increase in payables | - | - |
| Net cash flow from operating activities | - | - |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 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 Kakamega County Government;
- b) The Parent County Government Ministry;
- c) Kakamega County Assembly;

b) Related party transactions

| | 2021/2022 | 2020/2021 |
|---------------------------------|-----------|-----------|
| | KShs | KShs |
| Transfers from related parties' | - | - |
| Transfers to related parties | - | - |

KAKAMEGA COUNTY FARM INPUTS FUND
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| S no | Issues/Observation | Management Response | Status | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------|---|-------------------------|-----------------------------------|-------------------------|-----------------------------------|------------------------------|--------|--------|------|------------------|--------|--------|--------|---------------|--------|--------|--------|---------------------------------------|--------|------|--------|--|------------|
| 1. | <p>1. Presentation and Disclosure of Financial Statements The numbering of the notes in the statement of financial performance and statement of cash flows does not correspond with the numbering in the notes to the financial statements, as shown below.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Statement of performance</th> <th>Statement of cash flows</th> <th>Notes to the Financial Statements</th> </tr> </thead> <tbody> <tr> <td>Fund Administration Expenses</td> <td>Note 6</td> <td>Note 6</td> <td>None</td> </tr> <tr> <td>General Expenses</td> <td>Note 7</td> <td>Note 7</td> <td>Note 6</td> </tr> <tr> <td>Finance costs</td> <td>Note 8</td> <td>Note 8</td> <td>Note 7</td> </tr> <tr> <td>Transfer to other Government Agencies</td> <td>Note 9</td> <td>None</td> <td>Note 9</td> </tr> </tbody> </table> <p>In addition it was noted that the financial statements did not contain the background information which include Fund administrator report and passport size photos of key managers and Fund Administration Committee as required by the Public Sector Accounting Standards Board (PSASB) guidelines. In the circumstances the presentation of the financial statements was incorrect.</p> | Item | Statement of performance | Statement of cash flows | Notes to the Financial Statements | Fund Administration Expenses | Note 6 | Note 6 | None | General Expenses | Note 7 | Note 7 | Note 6 | Finance costs | Note 8 | Note 8 | Note 7 | Transfer to other Government Agencies | Note 9 | None | Note 9 | | UNRESOLVED |
| Item | Statement of performance | Statement of cash flows | Notes to the Financial Statements | | | | | | | | | | | | | | | | | | | | |
| Fund Administration Expenses | Note 6 | Note 6 | None | | | | | | | | | | | | | | | | | | | | |
| General Expenses | Note 7 | Note 7 | Note 6 | | | | | | | | | | | | | | | | | | | | |
| Finance costs | Note 8 | Note 8 | Note 7 | | | | | | | | | | | | | | | | | | | | |
| Transfer to other Government Agencies | Note 9 | None | Note 9 | | | | | | | | | | | | | | | | | | | | |
| 2 | 2. Non- establishment and Administration of the fund | | | | | | | | | | | | | | | | | | | | | | |

KAKAMEGA COUNTY FARM INPUTS FUND

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For the Period ended 30th June, 2022

| | | | |
|---|---|--|------------|
| | <p>The management did not establish an Advisory Committee as required under Part ii, section 5 of the Public Finance Management Act (Kakamega County Farm Inputs Fund) Regulations, 2018, which requires establishment of Advisory Committee consisting of a chairperson, Chief Officer for Agriculture, County Attorney, County Director of Agriculture, County Officer in charge of farm inputs and two representatives of farmers and farmers' organizations. Further the secretariat to the Advisory Committee was also not constituted as provided for in regulations 12 of the regulations.</p> <p>In the circumstances, the Management was in breach of the law.</p> <p>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</p> | | |
| 3 | <p>3. Unsupported Expenditure</p> <p>The statements of financial performance reflects expenditure of Kshs. 7,911,800 under general expenses. However, the expenditure was not supported by relevant documentation, including expenditure returns and signed schedules for refunds for farmers fare.</p> <p>In the circumstances, the accuracy and validity of the expenditure of Kshs.7, 911,800 could not be confirmed.</p> | | UNRESOLVED |
| 4 | <p>4. Unresolved Prior Year Matters</p> | | UNRESOLVED |

KAKAMEGA COUNTY FARM INPUTS FUND
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| | | | |
|--|--|--|--|
| | <p>Various prior year audit issues remained unresolved as at 30th June, 2020. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the public Sector Accounting Standards Board.</p> | | |
|--|--|--|--|