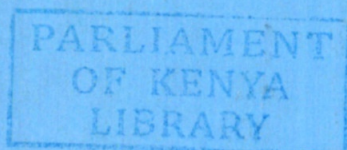
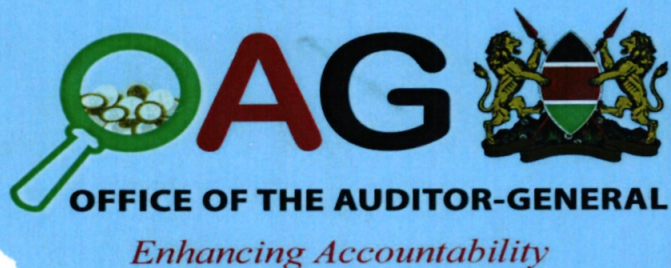


REPUBLIC OF KENYA



REPORT

OF

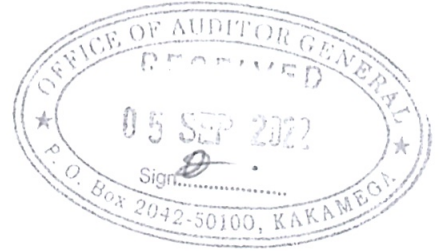
THE AUDITOR-GENERAL

ON

**BUSIA COUNTY (PUBLIC OFFICERS)
REVOLVING FUND**

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

BUSIA COUNTY PUBLIC OFFICERS' REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021



BUSIA COUNTY PUBLIC OFFICERS' REVOLVING FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

BUSIA COUNTY PUBLIC OFFICERS' REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

TABLE OF CONTENTS

TABLE OF CONTENTS	1
1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. THE LOANS MANAGEMENT COMMITTEE	4
3. FUND VICE-CHAIRPERSON'S REPORT	5
4. REPORT OF THE FUND ADMINISTRATOR	7
5. CORPORATE GOVERNANCE STATEMENT	9
6. MANAGEMENT DISCUSSION AND ANALYSIS	11
7. REPORT OF THE TRUSTEES	12
8. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	13
9. REPORT OF THE INDEPENDENT AUDITOR	14
10. FINANCIAL STATEMENTS	15
10.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021	15
10.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021	16
10.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021	17
10.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021	18
10.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021	19
10.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	20
10.7. NOTES TO THE FINANCIAL STATEMENTS	40
11. APPENDIX 2: STATEMENT OF FINANCIAL PERFORMANCE PER QUARTER	46
12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	48

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Busia County Public officers Revolving Fund is a fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the fund and as advised by the SRC in the circular under the reference, Busia county Executive adopted the PFM regulations 2014 to guide in the operationalization of the fund. As advised by the SRC and as provided for under regulation 16 of the said regulations, the County Executive Member appointed Secretary to the Board to manage the fund.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014 provided guidelines for access of Car loan and Mortgage benefits by state and public officers.

The fund is wholly owned by the County Executive of Busia and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide Car loans and Mortgage to members of the County Executive and the Staff of the County Executive.

Vision

“The fund of choice for Member of the County Executive and Staff.”

Mission

“To provide affordable, accessible and sustainable Car loans and Mortgage to members of the county Executive and staff.”

Core Values

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

c) Key Management

Ref	Name	Position
1	Martin Sikolia	Fund Administrator
2	Amos Imooh	Chief Representative
3	Verah Ingutia	Accountant

BUSIA COUNTY PUBLIC OFFICERS' REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

d) Registered Offices

Private Bag
Busia County Government Head Office
Busia – Kisumu /Road/Highway
Busia, KENYA

e) Fund Contacts

Telephone: (254) 721412547
Martin Sikolia
Fund Administrator

f) Fund Bankers

1. Co-operative Bank of Kenya
Busia Branch-01141239079100

g) Independent Auditors

Auditor General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, KENYA

h) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. BOX 40112
City Square 00200
NAIROBI, KENYA





BUSIA COUNTY PUBLIC OFFICERS' REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

2. THE LOANS MANAGEMENT COMMITTEE


The board of trustees during the financial year consisted of:

	<p><u>Nancy Dalla – Vice-Chairman</u> Masters of Banking and Finance Bachelor of Science in Financial Services</p>
	<p><u>Martin Sikolia – Secretary</u> BA-Economics Egerton University</p>
	<p><u>Amos Imooh – Member</u> Msc – Health Economics and public Policy University of Nairobi Bsc – Economics and Finance, Kenyatta University</p>
	<p><u>Clementina Omoto-Member</u> MBA – Human Resource Management Jaramogi Oginga Odinga University BA – Education Arts Maseno University</p>
	<p><u>Verah Ingutia-Accountant</u> BBM-Accounting and Finance</p>

BUSIA COUNTY PUBLIC OFFICERS' REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

 A black and white portrait of a woman with dark hair pulled back, wearing a dark top, sitting in an office chair. She is smiling slightly. The background shows a window with curtains.	<p>Moi University</p>
---	------------------------------

3. FUND VICE-CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the loans management committee, the Busia County Public Officers Revolving Fund financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

Board and Management Changes

The board established a taskforce with the mandate to review and interrogate the adequacy and effectiveness of the fund's organogram in carrying out its mandate and make recommendations. The taskforce carried out the assignment and made several recommendations key among them the automation of the fund's operations. The organisation arrangement is expected to enhance efficiency in service delivery.

Review of performance

Income

The fund earned revenues amounting to KShs. 1,609,865.27 from the interest charged on the loans that were disbursed to members of the County Executive Officers.

Projects implementation during the period were carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to a favourable opening bank balance of KShs. 21,781,571.50 at the beginning the year.

Expenditures

The total expenditures during the period amounted to KShs. 3,280,140 out of which the administration expenses amounted to KShs. 3,274,500 and finance costs KShs. 5,640.

FUND VICE-CHAIRPERSON'S REPORT (Continued)

Future outlook

The outlook of the Fund for 2020/2021 looks brighter. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency

BUSIA COUNTY PUBLIC OFFICERS' REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

and effectiveness in the service delivery. The fund looks forward to continued support from the stakeholders to the realization of its mandate.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the county government, stakeholders, management, staff and fellow committee members for their continued support which made us achieve these results.

I look forward to your continued support in the year 2020/2021.

f Signed:  _____

Nancy Dalla
Vice-Chairman

BUSIA COUNTY PUBLIC OFFICERS' REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

4. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Busia County Public Officers Revolving Fund financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

Financial Performance

a) Revenue

In the year ended 30th June 2021, the fund had projected revenues of KShs 1,609,865.27. Out of the projected revenue, the fund was able to realise KShs 1,609,865.27 in actual revenues, representing 100% performance.

In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
Revenue	KShs	KShs	
Public contributions and donations	-	-	-
Transfers from County Govt.	-	-	-
Interest income	1,609,865.27	1,609,865.27	100%
Fines, penalties and other levies	-	-	-
Other income	-	-	-
Total income	1,609,865.27	1,609,865.27	100%

REPORT OF THE FUND ADMINISTRATOR (Continued)

b) Loans

During the financial year 2020/2021, the fund disbursed Kshs 31,324,000.00 as new loans to members.

c) Cash flows

In the FY 2020/2021, we have not had many liquidity disruptions. This was as a result of proper planning and better loan collections.

Conclusion

FY 2020/2021 was a good year in general. Good progress was made and the momentum has been created to enable Busia County Public Officers Revolving Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

REPORT OF THE FUND ADMINISTRATOR (Continued)

BUSIA COUNTY PUBLIC OFFICERS' REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

d) Conclusion

FY 2020/2021 was a good year in general. Good progress was made and the momentum has been created to enable Busia County Executive Car loan and Mortgage scheme fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

REPORT OF THE FUND ADMINISTRATOR (Continued)

I take this opportunity to thank the loans management committee for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Busia County Executive Car loan and Mortgage fund achieves its mission.

Signed: _____



Martin Sikolia
Fund administrator

5. CORPORATE GOVERNANCE STATEMENT

THE MANAGEMENT COMMITTEE

The Busia County Public Officers Revolving Fund is Fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide car loans and mortgage to members of county executive and staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the management committee at its apex. The structure is designed to ensure an informed decision making process based on accurate reporting to the committee.

LOANS MANAGEMENT COMMITTEE MEETINGS

The loans management committee meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance contract signed with the county executive. The loans management committee also plays an oversight role over all other financial and operational issues. The loans management committee held two full board and five special board meetings during the FY 2020/2021.

STATEMENT OF COMPLIANCE

The board of trustees confirms that the fund has throughout the FY2020/2021 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

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

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

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

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is approved by the audit and risk committee.

The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the FY 2020/2021.

Risk Management

The fund has in place a risk management framework which guides the fund in identifying, assessing and managing the risks. The fund has developed a risk register which documents and prescribes mitigating measures of all the risks both external and internal facing the fund. The risk management framework and register are regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the head of internal audit, who reviews all the risks in the fund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the audit and risk committee to assist the board in the management of risks.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Management Team

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

Auditor

The fund is audited by the Auditor-General.

6. MANAGEMENT DISCUSSION AND ANALYSIS

The fund has continued to grow over the years and the management has put measures in place to safeguard against risks.

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 staff and members of the county assembly with an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

BUSINESS PERFORMANCE

Revenue

The fund earned revenues amounting to KShs. 1,609,865.27 from interest charged from the loans disbursed to members of the county executive officers.

OPERATIONAL PERFORMANCE

The fund's core operating activity has been the offering car loans and mortgage to members of staff and members of the county executive. The county government has supported the fund and increased collections from members have also added to the fund's better performance.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Employees

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

Conclusion

We appreciate the unrelenting support from the loans management committee, management, staff, the county government, and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2021/2022.

7. REPORT OF THE TRUSTEES

The loans management committee submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to provide financing to the members of staff and members of the county executive to purchase cars for personal use and mortgage.

Trustees

The members of the loans management Board who served during the year are shown on page 4. There were changes in the Board during the FY 2020/2021. Three Board members resigned that is Mr. Jesse Mang'eni who was the Chairperson to the Board, Mr. Ken Odero and Peter Okello. The Board is in the process of filling those positions.

Auditors

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

By Order of the Board

Nancy Dalla

Vice-Chairman of the Board

Date: 25/09/2021

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON BUSIA COUNTY (PUBLIC OFFICERS) REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2021

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

Qualified Opinion

I have audited the accompanying financial statements of Busia County (Public Officers) Revolving Fund set out on pages 15 to 48, which comprise of the statement of financial

position as at 30 June, 2021, and the statement of financial performance, the statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Busia County (Public Officers) Revolving 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 comply with the Public Finance Management Act, 2012, and the Busia County (Public Officers) Revolving Fund Act, 2018.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of changes in net assets reflects loans issued totalling to Kshs.31,324,000. However, the amount has been omitted in the statement of cash flows.

Further, the statement indicates decrease in accounts receivable amount of Kshs.27,655,406 which differs with the statement of financial position which indicates that the receivables increased from Kshs.16,629,723 in the financial year 2019/2020 to Kshs.27,655,706 in the financial year 2020/2021 resulting to an increase of Kshs.11,025,683.

In addition, the Notes reference in the statement of financial performance differ with those reflected in the statement of cash flows and Notes to the financial statements for interest income, fund administration expenses and finance costs. No explanation was provided for the inconsistencies.

In the circumstances, the accuracy and completeness of the statement of cash flows and presentation of the financial statements could not be confirmed.

2. Unremitted Payroll Loan Deductions

The statement of financial position and Note 5 to the financial statements reflects current portion of short-term receivables from exchange transactions balance of Kshs.27,655,406 which includes unremitted payroll loan deductions to the Fund of Kshs.9,290,099. However, there was no evidence of effort by Management to collect the debts.

In the circumstances, the accuracy and completeness of the current portion of short-term receivables from exchange transactions balance of Kshs.27,655,406 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Busia County (Public Officers) Revolving

Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Jointly Register Loan Property

Review of loan records provided for audit revealed that an amount of Kshs.20,344,000 was disbursed to eight (8) officers for properties that were not jointly registered between the Fund and the borrowers. Further, the Fund was not in possession of the original ownership documents for the properties contrary to Regulation 33 of the Busia County (Public Officers) Revolving Fund Regulations, 2019.

In the circumstances, Management was in breach of the law

2. Lack of Property Insurance Records

The Fund did not provide for audit records on comprehensive insurance of motor vehicles purchased under car loan and mortgage protection and fire policies for the mortgages issued. This is contrary to Regulation 37(2) of the Busia County (Public Officers) Revolving Fund Regulations, 2019 which requires a person to whom a loan facility has been extended to comprehensively insure the motor vehicle and take out a mortgage protection and fire policy of the property.

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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall 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 Management is aware of the intention to terminate the Fund or 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 controls 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 controls 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 controls 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 controls 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 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 controls.

- 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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

09 September, 2022

14. FINANCIAL STATEMENTS

14.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Transfers from the County Government	1	-	72,000,000
Fine, penalties and other levies	2	-	-
			72,000,000
Revenue from exchange transactions			
Interest income	3	1,609,865.27	1,340,766.65
Other income	4	-	-
Total revenue		1,609,865.27	1,340,766.65
Expenses			
Fund administration expenses	5	3,274,500	2,751,500
General expenses	6	-	-
Finance costs	7	5,640	41,479.50
Total expenses		3,280,140	2,792,979.50
Gain/loss on disposal of asstes	8		
Deficit for the year		(1,670,274.74)	(1,452,212.50)


The notes set out on pages 33 to 44 form an integral part of these Financial Statements

BUSIA COUNTY PUBLIC OFFICERS' REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

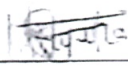
14.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	8,452,048.50	21,781,571.50
Current portion of short term receivables from exchange transactions	5	27,655,406	16,629,723.50
Non-current assets			
Long term receivables from exchange transactions	5	50,643,239.99	31,998,262.50
Total assets		86,750,694.49	70,409,557.50
Net assets			
Revolving Fund		86,750,694.49	70,409,557.50
Accumulated deficit		(1,670,274.73)	(1,452,212.50)
Total net assets and liabilities		85,080,419.76	68,957,345

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 _____ 2021 and signed by:



 Administrator of the Fund
 Name: Martin Sikolia



 Fund Accountant
 Name: Vessal Jang'ata

BUSIA COUNTY PUBLIC OFFICERS' REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

14.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 July 2019	48,627,986	-	72,000,000.00
Surplus for the year	-	-	-
Administrative cost	(41,479.50)		
Loan issued	(65,184,066)		
Remittance	13,666,295.85		
Interest received	1,340,766.65	-	-
Balance as at 30 June 2020	21,781,571.50	-	21,781,571.50
Balance as at 1 July 2020	21,781,571.50	-	21,781,571.50
Loan issued	(31,324,000.00)	-	
Administration costs	(3,280,140.00)	-	-
Remittance	20,097,417.00		
Interest received	1,177,200		-
Balance as at 30 June 2021	8,452,048.50	-	8,452,048.50

14.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Interest received	1	1,609,865.27	1,340,766.50
Total Receipts		1,609,865.27	1,340,766.50
Payments			
Fund administration expenses		3,274,500	2,751,500
Finance cost		5,640	41,479.50
Total Payments		3,280,140	2,792,979.50
Net cash flows from operating activities		(1,670,274.73)	(1,452,213)
Adjusted for:			
Decrease in accounts receivables		27,655,406.09	16,629,723.05
Prior year adjustments		-	-
Net increase/(decrease) in cash and cash equivalents		25,985,131.36	15,177,510
Cash and cash equivalents at 1 JULY	4	21,781,571.50	-
Cash and cash equivalents at 30 JUNE	4	8,452,048.50	21,781,571.50

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

14.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2021	2021	2021	2020	2020	2021
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Interest income	1,609,865.27	-	1,609,865.27	1,340,766.50	Increased by 269,098.77	20
Total income	1,609,865.27	-	1,609,865.27	1,340,766.50	269,098.77	-
Expenses						
Fund administration expenses	3,274,500	-	3,274,500	2,751,500	Increased by 523,000	19
Finance cost	5,640	-	5,640	41,479.50	Reduced by 35,839.50	86
Total expenditure	3,280,140	-	3,280,140	2,792,979.50	558,839.50	20
Deficit for the period	(1,670,274.73)	-	(1,670,274.73)	(1,452,213)	(289,740.73)	

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

14.6. 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 2021

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2019 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

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

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2020: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

c) Early adoption of standards

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

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2020/2021 was approved by the Loans management committee . Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 12.5 of these financial statements.

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

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

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

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.

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

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 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 entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

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

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

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.

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

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.

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

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.

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

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.

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

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 Fund Administrator and the 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

17. Comparative figures

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

18. Events after the reporting period

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

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the ABC county assembly.

20. Currency

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

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

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.

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 18.

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND

Reports and Financial Statements

For the year ended June 30, 2021

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.

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

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

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

a) Credit risk

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

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

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The entity has significant concentration of credit risk on amounts due from customers.

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.

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

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.

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 company's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

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

Sensitivity analysis

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

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

14.7. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Interest income from loans(mortgage and car loan)	1,609,865.27	1,340,766.65
Total	1,609,865.27	1,340,766.65

These refer to interests received from the loans disbursed to members of the county assembly and the staff.

2. Fund administration expenses

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Committee allowances	3,274,500	2,751,500
Total	3,274,500	2,751,500

3. Finance costs

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Bank charges	5,640	41,479.50

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

Total	3,280,140	2,792,979.50

4. Cash and cash equivalents

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Current account (4 a)	8,452,048.50	21,781,571.50
Total Bank Balances	8,452,048.50	21,781,571.50

4 (a) detailed analysis of the cash and cash equivalents

Financial institution		FY2020/2021	FY2019/2020
	Account number	KShs	KShs
Current account			
Co-operative Bank	01141239079100	8,452,048.50	21,781,571.50
Grand Total		8,452,048.50	21,781,571.50

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

5. Receivables from exchange transactions

Description	FY 2020/2021	FY 2019/2020
	KShs	KShs
Current receivables		
Interest receivable	1,609,865.27	1,452,212.50
Current loan repayments due	27,655,406.09	16,629,723.05
Due from the county Executive	-	-
Unremitted payroll loan deductions	9,290,099	-
Total current receivables	38,555,370.36	18,018,935.55
Non-current receivables		
Long term loan repayments due	50,643,239.99	31,998,262.50
Total Non-current receivables	50,643,239.99	31,998,262.50
Total receivables from exchange transactions	89,198,610.35	50,017,198.05

6. Cash generated from operations

Description	FY 2020/2021	FY 2019/2020
	KShs	KShs
Surplus for the year before tax	-	-
Adjusted for:		

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

Finance cost	5,640	41,479.50
Working capital adjustments		
Decrease in receivables		-
Total	5,640	41,479.50

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Related party balances

1) Due from related parties

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Due from the county executive	-	-
Total	-	-

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. CHANGES IN RECIEVABLES (member balances)

Description of the error	FY2020/2021	FY2019/2020
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	50,643,239.99	48,627,986
Prior year adjustment	-	
Account recievable issued during the year (B)	31,324,000.00	65,184,066
Accounts recievables settled during the year (C)	27,655,406.99	16,629,723
Net changes in account recievables D=A+B-C	54,311,833	97,182,329

1. APPENDIX 2: STATEMENT OF FINANCIAL PERFORMANCE PER QUARTER

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	FY2020-2021	2019-2020
	KShs	KShs	KShs	KShs		KShs
Revenue from non-exchange transactions						
Public contributions and donations	-	-	-	-	-	-
Transfers from the County Government	-	-	-	-	-	-
Fines, penalties and other levies	-	-	-	-	-	-
	-	-	-	-	-	-
Revenue from exchange transactions						
Interest income	388,232.54	450,878.27	412,146.36	358,608.10	1,609,865.17	1,340,766.65
Other income	-	-	-	-	-	-
Total revenue	388,232.54	450,878.27	412,146.36	358,608.10	1,609,865.17	1,340,766.65
Expenses						
Fund administration expenses	1,784,140.00	324,900	290,200	880,900.00	3,274,500.00	2,792,979.50
General expenses	-	-	-	-	-	-
Finance costs	4,440.00	-	-	1,200.00	5,640.00	41,479.50
Total expenses	1,788,580.00	324,900	290,200	882,100	3,280,140.00	2,834,459.00
Other gains/losses						
Gain/loss on disposal of assets						
Surplus/(deficit) for the period	(1,400,347.46)	125,978.27	121,946.36	(523,491.9)	(1,670,274.83)	(1,452,212.50)

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

LOAN DISBURSEMNETS, RECOVERIES AND BALANCES

NO	NAME	DISBURSEMENT	INTEREST RECOVERED	PRINCIPAL RECOVERED	LOAN BALANCE
1	ANDREW OTITI	1,618,000	26,643	657,657	474,916
2	ASSUMPTA OBORE	6,900,000	137,968	1,128,324	4,934,367
3	CLEMENTINA OMOTOOUNDO	4,335,200	72,361	885,659	2,659,001
4	DANIEL NYONGESAMOGORIA	1,794,879	30,718	756,230	546,148
5	EZEKIEL OKWACH OTIENO	2,022,500	33,541	816,659	601,406
6	GEORGE EKIRAPA OKWARA	2,427,000	70,504	229,496	2,133,219
7	GILBERT ODUORYANYANGO	2,022,500	33,405	812,967	593,648
8	ISAACALIKWE ANDANJE	2,427,000	40,122	986,334	712,365
9	ISAAC OMERI OBORE	1,860,700	30,718	756,230	546,148
10	JANET MANYASI NANGILA	2,900,000	38,493	705,141	2,132,427
11	JOHN WABWIRE MWAMI	3,027,000	50,583	807,735	1,550,493
12	JUDITH MAKETSO AWINO	1,213,500	19,917	493,257	356,181
13	LAWRENCE AKIJAKIN EMONG'OLE	500,000	3,597	233,441	0.00
14	LENARD WANDA OBIMBIRA	1,500,000	44,809	-77,539	1,522,566
15	LYDIA SUSAN NABWIRE	1,375,300	22,657	559,019	403,648
16	MOSES MULOMI OKHOBA	9,000,000	166,456	3,211,558	4,283,613
17	MOSES WEUNDA	1,500,000	24,728	609,700	440,229
18	MOSES MWANJE OSIA	2,022,500	33,404	822,016	593,576
19	NELSON MAKOKHA KWAMINI	2,265,200	37,434	920,634	664,811
20	PATRICK AFWANDE	1,000,000	7,516	487,656	0.00
21	PHAUSTINE BARASA	5,536,000	92,288	1,400,794	2,967,196
22	RACHAEL WANGA JOY	1,794,879	30,717	756,267	546,094
23	RICHARD ACHIAMBO	1,559,460	26,687	657,649	474,862
24	RUTH WILHEM MUKHONGO	1,559,460	26,687	657,649	474,862
25	SOSPETER OJAAMONG	22,000,000	378,320	7,411,867	9,785,330
26	STEPHEN NASIAGI	1,559,460	26,687	657,649	474,862
27	JOHN ANYARA	1,542,000	36,791	379,921	1,149,339
28	AMOS IMOOH	2,094,900	53,031	-4,891	2,121,860
29	MARTIN SIKOLIA	2,500,000	0.00	0.00	2,500,000
30	PRISCA ISEREM	5,000,000	0.00	0.00	5,000,000
	TOTAL	96,857,438	1,609,865	27,655,406	50,643,240

BUSIA COUNTY PUBLIC OFFICERS REVOLVING FUND
Reports and Financial Statements
For the year ended June 30, 2021

15. 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 (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inconsistent loans recovery from the payroll	Loan recoveries on going	Amos Imooh Chief Representative to the Board	Ongoing	FY 2020/2021-FY 2023-2024