

REPUBLIC OF KENYA



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KAKAMEGA COUNTY MICROFINANCE CORPORATION

FOR THE YEAR ENDED  
30 JUNE, 2025

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**COUNTY GOVERNMENT OF KAKAMEGA**

**KAKAMEGA COUNTY MICROFINANCE CORPORATION**

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

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

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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Table of Content

1 Acronyms and Glossary of Terms	ii
2 Key Entity Information and Management	iii
3 Board of Trustees/ Fund Administration Committee	vi
4 Management Team	ix
5 Board Chairperson's Report	xi
6. Report of The Fund Administrator	xii
7. Statement of Performance Against the County Fund's Predetermined Objectives	xiii
8. Corporate Governance Statement	xiv
9. Management Discussion and Analysis	xvi
10. Environmental and Sustainability Reporting	xvii
11. Report of The Trustees	xix
12. Statement of Management's Responsibilities	xx
13. Report of The Office of Auditor General on the Financial Statements for Kakamega County Microfinance Corporation	xxi
14. Statement of Financial Performance for the Year Ended 30 <sup>th</sup> June 2025	1
15. Statement of Financial Position As at 30 June 2025	2
16. Statement of Changes in Net Assets for the year ended 30 <sup>th</sup> June 2025	3
17. Statement of Cash Flows for The Year Ended 30 June 2025	4
18. Statement of Comparison of Budget And Actual Amounts for the year ended 30 <sup>th</sup> June 2025	5
19. Notes to the Financial Statements	6
20. Annexes	35

## 1. Acronyms and Glossary of Terms

### a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
MSMEs	Micro Small and Medium Enterprises

### b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**2. Key Entity Information and Management**

**a) Background information**

The Kakamega County Microfinance Corporation was established by the County Government of Kakamega through the Kakamega County Microfinance Corporation Act, 2018 and commenced operations in the financial year 2019-2020. The Corporation is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

**b) Principal Activities**

The principal activity of the Corporation is to provide microfinance banking services to micro, small and medium enterprises in the County. This will in turn spur socio-economic development in the County

**c) Board of Management**

Ref	Name	Position
1	Hon. Leonard Mayende	Chairman of the Board
2	Mr. Abel O M Nambwaya	Member
3	Mr. Charles I Imbali	Member
4	Mrs. Anne A Kataka	Member
5	Mr. Saul S Wasilwa	Member
6	Mrs. Faith K Gitira	Chief Officer Trade, Industrialization and Tourism
7	Dr. Jeophita June Mwajuma	Chief Officer Finance and Budget
8	Cs Vivianne Mmbaka Komwonyo	County Attorney
9	Mr. Charles Nathan Oranga	Fund Manager/ Administrator

**d) Key Management team**

Ref	Name	Position
1	Mr. Charles Nathan Oranga	Fund Manager/ Administrator
2	CPA Aggrey Musindalo	Director Finance and Administration
3	Mr. Daniel Opiyo	Fund Accountant
4	Mr. Kelvin Shiyuka	Administrative Officer
5	Mrs. Valary Okwara	Credit Manager
6	Mr. Anthony Waswa	Audit, Risk & Compliance Officer

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

No	Entity	Role
1	Audit Committee and Finance committee activities	Provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations
2	Senate Committee Activities	Legislation, Oversight and Representation
3	County Assembly	Legislation, Oversight and Representation
4	Development partner oversight activities	Predominant roles played by development partners have been shown to include capacity building, project planning, lobbying and advocacy, others (including resource mobilization) and financing respectively
5	Controller of Budget	This role involves overseeing the implementation of the budgets of both national and county governments. The Controller of Budget in this role therefore monitors the use of public funds in-year and reports to Parliament on how the funds have been utilised.
6	Office of the Auditor General	The Auditor-General (AG) is mandated to audit and report on the use and management of public resources by public entities. Article 229(6) of the Constitution requires the Auditor-General to confirm whether public money has been applied lawfully and in an effective way

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**f) Registered Offices**

P.O. Box 36-50100, 056 31850 31852/31853

County Headquarters

Kisumu/Kitale Highway

Kakamega, KENYA

**g) Fund Contacts**

E-mail: [kcmfc@kakamega.go.ke](mailto:kcmfc@kakamega.go.ke)

Website: [kakamega.go.ke](http://kakamega.go.ke)

**h) Fund Bankers**

1. KCB Bank-Kakamega branch

**i) Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

**j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

**k) County Attorney**




P.O. Box 36-50100, 056 31850/31852/31853

County Headquarters




Kisumu/Kitale Highway




Kakamega, KENYA

3. Board of Trustees/ Fund Administration Committee

Name	Details of qualifications and experience
 <p>1.Mr. Leonard Mayende</p>	<p><b>Board Chairman</b></p> <p>Doctor of Philosophy – Supply Chain Management (PhD Candidate). Holds MSC – Procurement and Logistics. Bachelor of Arts – Leadership &amp; Management. Certified Strategic Researcher. Associate Member of Corporate Institute of Strategic Research. Certificate of Monitoring and Evaluation in Research. Full member of Kenya Institute of Supply Management (KISM). Over 20 years’ experience in Leadership and Management. Is an Independent Director and Current Board Chairman</p>
 <p>2.Mr. Abel O. M Nambwaya</p>	<p><b>Board Member</b></p> <p>Holds Degree in Christian Leadership and Ministry, Diploma in County Administration and Governance, Certificate in County Governance.</p> <p>Former member of County Assembly of Kakamega Kholera ward, served as Majority leader and Deputy Majority leader. Current Chairman of the Corporation’s Credit Committee.</p>
 <p>3.Mr Charles I. Imbali</p>	<p><b>Board Member</b></p> <p>Holds Masters and Bachelor’s Degree in Vocational Education, Former Member of County Assembly Idakho Central Ward in Ikolomani Constituency. Served as chairman Education Committee, worked as Chief Principal Kenya Technical Training College 12 years, worked as a visiting/part time lecturer in various universities. Current Chairman of Corporation’s Finance Committee.</p>




**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

 <p>4.Mrs. Anne A Kataka</p>	<p><b>Board Member</b></p> <p>Holds Diploma in County Governance.          Certificate in County Governance          Currently the Chairperson - Mwiwila Mission Hospital          Former Nominated Councillor Kisa Central Ward in Khwisero Sub -county. Currently serving as Chairperson for the Corporation's Audit Committee.</p>
 <p>5.Mr. Saul S Wasilwa</p>	<p><b>Board Member</b></p> <p>Holds Bachelor of Laws (LLB)          Post Graduate Diploma in Legal studies and Advocacy. Certified Public Secretary, Member Law Society of Kenya. Has 30 years' experience in legal practice and eleven years of Public Administration in Kenya          Currently as a partner at BMS Advocates LLP Managing Director, Nzoia sugar company 2009-2015.</p>
 <p>6.Mrs. Faith K Gitira</p>	<p>Chief Officer, MTIT          Masters in Health systems management (Ongoing).          Holds Bachelor's Degree in Health systems management.          Diploma in Nursing Speciality in Reproductive Health          Training in financial management from KSG          Training in leadership management and Governance for Health systems strengthening from Amref Africa. A member of Kenya National Nurses Union of Kenya.</p>




 <p>7. Dr. Jeophita June Mwajuma</p>	<p><b>Chief Officer Finance</b></p> <p>Holds PhD in Environmental Microbiology. Master of Science degree in Microbiology. Bachelor of Science degree (Botany/Zoology) from Kenyatta University. Worked as Laboratory Assistant at Mumias Sugar Company. Mombasa Polytechnic University College as an Assistant Lecturer</p> <p>Served as Chief Officer County Government of Mombasa. She is the current Chief Officer in charge of Finance and Budget.</p>
 <p>8. CS Vivianne M Komwonyo</p>	<p><b>County Attorney</b></p> <p>Doctor of philosophy in Law (PhD candidate) University of Nairobi, Masters of Law, Holds Post graduate Diploma in Law, and Bachelor Degree in Law. Certified secretary (CPSK)</p> <p>Member of the chartered institute of certified arbitrators.</p> <p>An advocate of the high court of Kenya and a member of the law society of Kenya with over 14 years' experience in legal practice in both private and public spheres with a bias in public law and corporate governance</p>
 <p>9. Mr. Charles Nathan Oranga</p>	<p><b>Chief Executive Officer</b></p> <p>Holds MA (Project Planning and Management), BA (Economics). A certified Projects Manager and a practising Consultant with over 20 years' experience in managing, monitoring and evaluating development projects and programmes for local and international organizations. Has previously served as program Manager at Food and Agriculture organization of the United Nation and Senior Technical Advisor at Cooperative League of USA. Currently the Chief Executive Officer of the Corporation.</p>

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

4. Management Team

Name	Details of qualifications and experience
 <p>1. Mr. Charles Oranga</p>	<p><b>Chief Executive Officer</b> A certified Projects Manager and a practising Consultant with over 20 years' experience in managing, monitoring and evaluating development projects and programmes for local and international organizations. Has previously served as program Manager at Food and Agriculture organization of the United Nation and Senior Technical Advisor at Cooperative League of USA. Currently the Chief Executive Officer of the Corporation. Holds MA (Project Planning and Management), BA (Economics).</p>
 <p>2. CPA Aggrey Musindalo</p>	<p><b>Director Finance and Administration</b> Has over twenty years' experience in Audit Firms, National Government Ministries, State Corporations and bilateral donor programs. In Kakamega County he has served on the boards of KCIDA and KCRA. Prior to the current posting, he was the CEO/Chief Revenue Administrator-KCRA, Manager-Mumias Municipality and Director-Resource Mobilization &amp; Donor Relations. A member of ICPAK and KIM. Holds certification from Kenya School of Government, KRA School of Revenue Administration and UNCDF Tax Administration Diagnostic Assessment Tool. A Kenyatta University graduate and a CPA(K).</p>
 <p>3. Mr. Daniel Opiyo</p>	<p><b>Fund Accountant</b> He has over 10 years' experience having served in different Departments of the County Government of Kakamega. Currently the Accountant of the Corporation. Worked in Municipal Council of Kakamega as a Payments Cashier as from 2009 to 2013. Holds Bachelor of Commerce (Finance), Diploma in Business Management, Certificate in Business Management. Certificate in Integrated Financial Management Information System Training for Accountants CPA Intermediate.</p>

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

 <p>4.Mr. Kelvin Shiyuka</p>	<p><b>Administrative Officer</b>          Holds a Bachelor of Arts in Criminology and Security Studies.          Marketer Frotcom East Africa          Formerly Personal Assistant to County Executive Committee Member, Kakamega County          Served as secretariate in several ad hoc committees</p> <p>Currently Administrative Officer, Kakamega County Microfinance Corporation</p>	
 <p>5.Mrs. Valary Okwara</p>	<p><b>Credit Manager</b>          Worked a Research Assistant with ECM 360- Nairobi branch, Sub County Monitoring and Evaluation Officer with Abt Associates (USAID), Market Administrative Officer, County Government of Kakamega.          Holds a Bachelor’s degree in Pure Economics</p>	
 <p>6.Anthony Waswa Wabomba</p>	<p><b>Audit, Risk &amp; Compliance Officer</b>          Worked as Accountant at Kakamega County Teaching and Referral Hospital, DANIDA project Accountant at Ministry of Public Health &amp; Sanitation          Currently Audit, Risk &amp; Compliance officer at the Corporation.          Holds a Bachelor of Business Administration (Accounting option) and CPA section 3.</p>	

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**5. Board Chairperson’s Report**

As the Chairperson of the Corporation, I am pleased to present this report for the fiscal year 2024/2025. This past year has been one of change, adaptation, and growth, marked by significant developments in our governance structure and strategic direction.

During the year, there were no changes in our Fund's Board of Management team with the Chairperson on Board who brings extensive experience in Supply Chain Management and Leadership. This is expected to strengthen our Governance and Operational capabilities.

**Review of the Fund’s Performance**

The Fund has shown commendable resilience and progress despite a challenging economic environment. Our portfolio has grown by Kshs 168,000,000 from Kshs 89,250,000 driven by effective management strategies and prudent financial oversight. We have also expanded our outreach programs, reaching more beneficiaries and fulfilling our mandate more effectively.

**Future Outlook**

Looking ahead, we remain focused on driving sustainable growth and enhancing our impact. Key priorities for the coming year include diversifying our investment portfolio, improving operational efficiency, and fostering partnerships to increase our reach and effectiveness. We anticipate a dynamic year ahead, with opportunities for innovation and expansion. Given interest emanating from our stakeholders.

**Other Matters**

We have undertaken an internal review of our governance practices to ensure compliance with all relevant regulations and best practices. The results have been encouraging, confirming our commitment to transparency, accountability, and good governance.

**Conclusion**

In conclusion, I extend my gratitude to our board members, management team, and staff for their dedication and hard work throughout the year. I also thank our shareholders and stakeholders, including beneficiaries and partners, for their continued support and trust. Together, we look forward to another successful year for the Kakamega County Microfinance Corporation.

**Thank you.**

Name: Mr. Leonard Mayende: Signature



Date.....

**Chairperson**  
**Kakamega County Microfinance Corporation**

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**6. Report of The Fund Administrator**

I am pleased to present the Fund Administrator's report for the Kakamega County Micro Finance Corporation for the fiscal year 2024/2025. This report provides a detailed overview of the Fund's performance, financial standing, and achievements, while also highlighting the challenges faced and the strategies adopted to mitigate risks.

**Budget Performance**

The Fund's budget for the current year was Ksh.20,712,371, allocated across various programs to achieve our strategic objectives. Actual on comparable basis for the year totaled Ksh. 18,513,369 resulting in a budget variance of Ksh 2,199,002. The Corporation managed to disburse loans amounting to Kshs. 43,960,000 out of Kshs 60,000,000 estimated for the FY 2024/2025.

**Physical Progress**

Since the establishment of the Kakamega County Microfinance Corporation, we have made significant progress in delivering on our mandate. Key outputs, outcomes, and impacts achieved include:

The loan portfolio has increased from Kshs 25M as at June 2020 to over Kshs 150Mas at June 2025.

The residents who have taken the loans from the corporation have improved their business capital and their livelihood which contributes to the one of the Governors six-point agenda of wealth creation.

The Fund has effectively utilized 63% of its allocated budget towards achieving these results, demonstrating a fairly strong commitment to value-for-money principles.

The corporation has opened and operationalise two offices in the southern and northern parts of the county in bid to decentralize services closer to residents of Kakamega county.

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

### Introduction

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

The key development objectives of the Fund as per the strategic plan for 2023-2028 are to:

- a) Increase access to microfinance banking services for MSMEs
- b) Establish microfinance Bank
- c) Enhance business diversification and business development
- d) Enhance business growth and sustainability
- e) Enhance revenue diversification and financial sustainability
- f) Strengthen institutional capacity to provide microfinance banking services
- g) Strengthen human resource development and management.

### Progress on attainment of Strategic development objectives

The key strategic development objectives are as below with their respective attainment status so far:

S/N0.	Strategic Development Objective	Attainment Status
a	Increase access to microfinance banking services for MSMEs	-The corporation has developed a new loans policy that aims at increasing access by deserving MSMEs who are able to meet the loan obligations
b	Establish Microfinance Bank	-The Corporation commenced the process of meeting the regulatory requirements by Central Bank aimed at getting registered as a microfinance. This includes making a budgetary provision for the licence fees.
c	Enhance Revenue Diversification and Financial Stability	-The Corporation has introduced recovery fees as an income stream borne out of the exercise of physically tracing defaulters thus mitigating the collection costs. -The Corporation is also undertaking Rapid Result Initiatives to recover dormant loans, restructure defaulted loans and ensure maximum compliance by clients.
d	Strengthen Institutional Capacity to provide microfinance services	-The Corporation is undertaking training for staff on digital and mobile applications to enhance efficiency in service delivery.
e	Strengthen Human Resource development and management	-Key staff have been seconded to the Corporation to enhance its human resource capacity. Budgetary provision has also been made to recruit more staff in the current financial year.

## 8. Corporate Governance Statement

### a. Number of Fund Administration Committee meetings held and the attendance to those meetings by members,

The current Board was competitively recruited and sworn in, in the Financial Year 2022/2023 hence committees have been formed and ready to hold meetings starting Financial Year 2023/2024.

### b. Succession plan,

The Board of Directors are always competitively recruited and legally constituted after their term has ended.

### c. Existence of a service charter,

Currently there is a draft service charter, the management is in the process of presenting it to be approved by the board.

### d. Process of appointment and removal of trustees/ Administration Committee members,

Members are appointed by the CEC Ministry of Trade, industrialization and tourism and thereafter vetted by the county public service board. Member can be removed by the resolution of the full board and notification to the Appointing authority if he or she has not adhered to the regulations of the board.

### e. Roles and functions of the Administration Committee members,

The following are the roles and functions of the administration committee members

- Ensure proper and efficient exercise of powers and performance of the functions of the corporation.
- Uphold the vision and mission of the corporation.
- Provide strategic guidance to the corporation and ensure effective organizational planning.
- Advise the management of the Corporation generally on the exercise of the powers and the performance of the functions of the Corporation.
- Approve the estimates of revenue and expenditure of the Corporation.
- Ensure effective and efficient risk management
- Oversee the management performance and;
- Perform such other functions as are provided for under the Act or any other written law.

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**f. Induction and training, Administration Committee members and member's performance,**

Members are always inducted after engagement and are frequently trained on quarterly basis to enhance service delivery to the people of Kakamega county.

**g. Conflict of interest,**

At the beginning of every board meeting members are requested to declare if they had any conflict-of-interest issues on the agenda at hand.

No conflict of interests were raised during board meetings.

**h. Board remuneration,**

The Board Chairman is entitled to a monthly honorarium of Kshs. 50,000 and airtime allowance of Kshs. 5,000. Board members are paid sitting allowances of between Kes 4,000 and Kshs. 15,000 while attending Board meetings. Independent Board members are also reimbursed travel allowances.

**i. Ethics and conduct as well as governance audit undertaken if any**

The corporation relies on Directorate of internal Audit of the County Government Executive to conduct governance audit.

## **9. Management Discussion and Analysis**

Kakamega County Microfinance Corporation was established by an Act of the County Assembly in the year 2018 with the main mandate of providing financial solutions to micro, small and medium traders within the County. It began its operations in the financial year 2019/2020 but due to financial challenges, loaning which is its core mandate did not kick off immediately.

The Corporation began as a credit only micro-finance but the ultimate goal is to become a micro-finance bank as envisioned by the County leadership.

The corporation has for this year allocated Ksh 60,000,000 and Ksh. 14,822,371 as loan disbursement and operational/ administrative budgets respectively for the year 2024/2025.

As at 30<sup>th</sup> June, 2025, the corporation has disbursed Ksh 43,960,000 and recovered over Ksh 55,756,418

From the foregoing the corporation is on a forward trajectory.

### **a. Entity's key projects or investments decision implemented or on going,**

The Corporation had envisaged opening of 3 regional offices in the 3 regions namely; northern, southern and central. We however endeavour to take our services closer to the citizens of this County.

### **b. Fund's compliance with statutory requirements,**

The fund has complied with the required statutory requirements including and not limited to deduction and remittance of taxes.

### **c. Major risks facing the Fund, material arrears in statutory and other financial obligations**

The delays in receiving of the funds slowed down loan disbursements. No enough capacity in enforcement of loan recoveries.

### **d. Any other information considered relevant to the users of the financial statements.**

The fund is in operation and is picking up gradually to reach its potential.

## 10. Environmental and Sustainability Reporting

### 1. Sustainability Strategy and Profile

The Corporation was established by an Act of the County Assembly. Its credit manual provides for 2% levy on all loans as processing fees which has been increased to 3% and 8% per annum interest on reducing balance paid monthly. The processing fee is charged upfront on disbursement. This income revolves in the loaning kitty and the aim is to grow it for purposes of reaching as many traders as possible.

The fees may be reviewed upwards in future depending on the strategic direction of the Corporation.

The County Treasury through the Corporation's parent Ministry continues to budget for funds to support the Corporation in achieving its mandate.

### 2 Environmental performance

The Fund is in the process of developing its strategic plan and its environmental policy which will also be captured in this plan. However; the loans that have been issued to the business people have improved their living standards of within the County through expansion of their businesses.

### 3 Employee Welfare

The Corporation is currently relying on seconded staff from the parent Ministry of Trade, Industrialization and Tourism. It intends to develop its policies guiding staff hiring process, job descriptions, terms of references and performance contracting as it moves toward autonomy. The current staffs conform to Public Service hiring and appraisal policies.

The entity's management conducts weekly/monthly meetings with its staff allowing them to share their success stories and challenges while preparing monthly work plans. Where possible and when resources allow, the staffs are supported to attend short courses, professional development courses, workshops and seminars to improve their skills and work performance.

The entity is also in compliance with Occupational Safety and Health Act of 2007.

### 4 Market Place Practices

a) The Corporation being a County Corporation has trained its staff on Code of Conduct of public servants and the Ethics and Anti-corruption Act. It's funded by public funds and ensures high standards of corporate governance. Our products are fairly priced thus attracting traders from all sectors of the economy.

All Corporation staffs conform and adhere to the public service code of conduct and remain apolitical while delivering services to the public.

b) The Corporation being a public entity works within structures created by the National and County Governments that govern public procurement. It works within the confines of public procurement act and public finance management act and respects its suppliers and is open to

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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scrutiny in the public procurement process. Our procurement officer is regularly allowed to attend trainings and workshops that help him improve skills in public procurement management.

c) Quotations and advertisement for tenders are done in according PPAD Act to enhance ethical marketing practices taking into account the consumer rights and interests

d) Product stewardship or Awareness creation

The corporation works through the market management committees and subcounty administration to take care of customer rights and interests.

### **5. Corporate Social Responsibility / Community Engagements**

The Corporation has made significant strides in promoting social welfare, economic empowerment, and environmental sustainability across the sub-counties we serve. Our commitment to financial inclusion has been a cornerstone of our CSR initiatives. We have successfully provided comprehensive financial literacy training focused on budgeting, savings, and responsible borrowing. These training programs have empowered individuals and small businesses to make informed financial decisions, fostering a culture of financial responsibility.

Moreover, we are proud to report that our financial products have been designed to be accessible to underserved populations, including women, youth, and persons with disabilities. By prioritizing these demographic groups, we have not only increased their access to essential financial services but also contributed to fostering economic participation.

Our support for local business initiatives has been instrumental in promoting job creation and enhancing community development, thereby strengthening the socio-economic fabric of our communities. Through these efforts, the Corporation has demonstrated its dedication to being a catalyst for positive change in the areas we serve

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**11. Report of The Trustees**

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

**Principal activities**

The principal activities of the Corporation are :-

- a) Provide microfinance banking services to micro and medium enterprises;
- b) Undertake any business- related micro finance banking; and
- c) Carry out such other roles necessary for the better carrying out of the object and purpose of the Act.

**Results**

The results of the Fund for the year ended June 30, 2025 are set out on pages 1 to 38

**Trustees**

The members of the Board of Trustees who served during the year are shown on page iii. The changes in the Board during the financial year are as shown below:

**Auditors**

The Office of 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



**Chair of the Board**

**Date:** 31/2/2025.....

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**12. Statement of Management’s Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by County Government of Kakamega through the Kakamega County Microfinance Corporation Act 2018 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

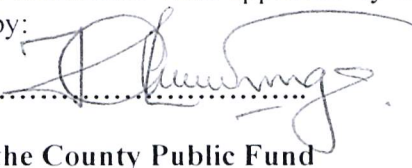
The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 County Government of Kakamega through the Kakamega County Microfinance Corporation Act 2018. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2025, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. OR

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund’s financial statements were approved by the Board on 3/12/2025 and signed on its behalf by:

.....  
  
.....

**Administrator of the County Public Fund**

# 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 KAKAMEGA COUNTY MICROFINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kakamega County Microfinance Corporation set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in

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

In my opinion, except for the 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 Kakamega County Microfinance Corporation as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kakamega County Microfinance Corporation Act, 2019, and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Unconfirmed Interest Income**

The statement of financial performance and Note 9 to the financial statements reflect interest income amounting to Kshs.9,722,398. The amount includes interest income from loans of Kshs.7,985,604, which was not supported by detailed ledgers showing name of loanees, date of loans, principal amount, monthly and annual interest due, and the outstanding balance. The supporting schedule provided indicates a consolidated amount per region.

In the circumstances, the accuracy and completeness of interest income amounting to Kshs.9,722,398 could not be confirmed.

### **2. Current Portion of Long-Term Receivables from Exchange Transactions**

#### **2.1 Unsupported Receivables from Exchange Transactions**

The statement of financial position and Note 18 to the financial statements reflect current portion of long-term receivables from exchange transactions balance of Kshs.64,472,709. The amount includes current loan repayment due of Kshs.42,068,325 which was not supported by loan repayment ledgers indicating name of the loanees, date of loan, period of repayment, repayments made and the outstanding balance due.

#### **2.2 Long Outstanding Loan by County Assembly of Kakamega**

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.64,462,709 which, as disclosed in Note 18 to the financial statements includes other exchange debtors amount of Kshs.18,973,200. The exchange debtors refer to loans given to County Assembly of Kakamega. The money had been advanced in two tranches of Kshs.3,973,200 and Kshs.15,000,000 on 08 December, 2021 and 03 August, 2022 respectively. According to the Management, the unwritten arrangement was that the funds were to be refunded to the corporation

immediately upon exchequer disbursements which were due at that time. However, the county assembly did not honor the gentleman's agreement and the total amount of Kshs.18,973,200 remains outstanding to date, and no explanation was provided for failure by county assembly to repay the money. Further, the supporting documents were not provided for audit to support the outstanding loan balance.

In the circumstances, the accuracy and completeness of current portion of long-term receivables from exchange transactions balance of Kshs.64,472,709 could not be confirmed.

### **3. Unsupported Long-Term Receivables from Exchange Transactions**

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.158,231,174, and as disclosed in Note 18 to the financial statements. However, the balance was not supported by loans ledgers indicating name of the loanees, date loan was issued, period of repayment, repayments made and the outstanding balance due.

In the circumstances, the accuracy and completeness long-term receivables from exchange transactions balance of Kshs.158,231,174 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 Microfinance Corporation Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Emphasis of Matter**

##### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.82,799,569 and Kshs.74,387,487 respectively resulting to an under-funding of Kshs.8,411,782 or 10% of the budget. Similarly, the county corporation expended Kshs.59,440,177 against an expenditure budget of Kshs.82,799,569 resulting to an under-expenditure of Kshs.23,359,392 or 29% of budget.

The under-funding of the approved budget is an indication that certain activities and projects in the annual plan were not implemented, which may have affected service delivery.

My opinion is not modified in respect of this matter.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matters**

### **Unresolved Prior Year Matters**

In the previous year audit, several issues were raised under Report on the Financial Statements as detailed in **Appendix I**. The implementation status of Auditor-General's recommendations section of the financial statements indicates that the issues were resolved at the County Assembly level and are awaiting Senate appearance. However, the supporting documents for the resolutions made were not provided for audit review.

### **Other Information**

The Management is responsible for the other information set out on page iii to xx which comprise of Key Entity Information and Management, Board of Trustees, Management Team, Board Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against the County Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of The Trustees and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the County Corporation's, financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

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

## **Basis for Conclusion**

### **1. Unsecured Non-Current Assets**

During the year under review, the county corporation acquired ten computer tablets amounting for Kshs.239,990 intended for registration and follow up of loans. However, an audit inspection done on 05 June, 2025 revealed that the tablets were not tagged in accordance with Regulation 132(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that (a) proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse and, (b) Movement and conditions of assets can be tracked.

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

### **2. Failure to Maintain an Updated Fixed Assets Register**

During the year under review, the fixed asset register was not properly recorded to include date of purchase, description of the asset, supplier, accumulated depreciation, depreciation for the year, location/user of the asset, serial numbers and net book values. This was contrary to Regulation 132(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that (a) proper control systems exist for assets and that Preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse and, (b) Movement and conditions of assets can be tracked.

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

### **3. Lack of Internal Audit Reports**

During the year under review, the internal audit did not carry out quarterly internal audits at the corporation in accordance with Regulation 166(1) of the Public Finance Management (County Government) Regulations, 2015 which states that each head of internal audit unit shall prepare a quarterly internal audit report which shall cover areas provided for in guidelines and shall be in a format issued by the Cabinet Secretary.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Lack of a Board Charter and Board Work Plan**

During the year under review, the Board of trustees of the county corporation had not developed a Board charter and Board work plan contrary to the Governance parameter given in table 1.11 of Mwongozo code of governance which require the Board to have in place a board charter defining the role and responsibilities of the board members.

In the circumstances, the effectiveness of the county corporation's governance could not be confirmed.

### **2. Lack of Information and Communication Technology (ICT) Continuity and Disaster Recovery Plans**

During the year under review, the county corporation did not have an approved Information Technology continuity plan and disaster recovery plan in accordance with Governance parameter given in table 3.6 (a) and (d) of the Code of Governance for State Corporations (Mwongozo) which states that the board should establish an ICT policy which is aligned to the objectives of the organization and ensure that an appropriate Business continuity plan (BCP) is in place.

In the circumstances, the effectiveness of the county corporation's ICT environment internal controls could not be confirmed.

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 the 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 governance.

In preparing the financial statements, Management is responsible for assessing the County Corporation'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 cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

Nairobi

11 December, 2025

## Appendix I

### Unresolved Prior Year Matters

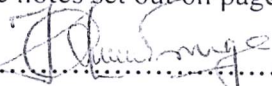
Reference No. of the Auditor-General's Report	Title of Audit Issue
	<b>Report on the Financial Statements</b>
1	Unconfirmed Transfers from the County Government
2	Unsupported Interest Income and Other Income
3	Unsupported Borrowing by Kakamega County Assembly
4	Unconfirmed Intangible Asset Balance
5	Lack of Depreciation and Amortization Policy
6	Non-Performing Loans

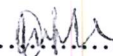
Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

14. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	6	0	0
Transfers From the County Government	7	6,074,800	7,741,126
Fines, Penalties and Other Levies	8	0	0
		<b>6,074,800</b>	<b>7,741,126</b>
<b>Revenue From Exchange Transactions</b>			
Interest Income	9	9,722,398	9,183,023
Other Income	10	1,421,500	1,245,900
		<b>11,143,898</b>	<b>10,428,923</b>
<b>Total Revenue</b>		<b>17,218,698</b>	<b>18,170,049</b>
<b>Expenses</b>			
Use of goods and services	12a	10,523,483	11,636,613
Board expenses	12b	3,576,200	3,891,451
Depreciation and Amortization Expense	13	1,140,594	2,190,300
<b>Total Expenses</b>		<b>15,240,277</b>	<b>17,718,364</b>
<b>Other Gains/Losses</b>	15	<b>0</b>	<b>0</b>
<b>Surplus/(Deficit) For the year ended 30<sup>th</sup> June 2025</b>		<b>1,978,421</b>	<b>451,685</b>

(The notes set out on pages 6 to 35 form an integral part of these Financial Statements)

  
Name: Charles Oranga  
Administrator of the Fund

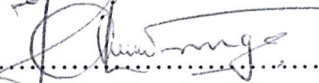
  
Name: Daniel Opiyo  
Fund Accountant  
ICPAK Member Number:

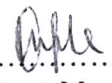
Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

15. Statement of Financial Position As at 30 June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	17	47,716,125	33,040,592
Current Portion of Long- Term Receivables from Exchange Transactions	18	64,462,709	55,379,613
<b>Total Current Assets</b>		<b>112,178,834</b>	<b>88,420,205</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	22	3,440,843	4,341,537
Intangible Assets	23	5,000,000	5,000,000
Long Term Receivables from Exchange Transactions	18	158,231,174	179,463,372
<b>Total Non- Current Assets</b>		<b>166,672,017</b>	<b>188,804,909</b>
<b>Total Assets</b>		<b>278,850,851</b>	<b>277,225,114</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	25	0	352,684
Current Provisions	26	0	
		<b>0</b>	<b>352,684</b>
<b>Non-Current Liabilities</b>			
Long Term Portion of Borrowings	27	0	0
<b>Total Liabilities</b>		<b>0</b>	<b>352,684</b>
<b>Net Assets</b>		<b>278,850,851</b>	<b>276,872,430</b>
Revolving Fund		257,250,000	257,250,000
Reserves		1,655,000	1,655,000
Accumulated Surplus		19,945,851	17,967,430
<b>Total Net Assets and Liabilities</b>		<b>278,850,851</b>	<b>276,872,430</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 31/12/2025 and signed by:

  
Name: Mr Charles Oranga  
Administrator of the Fund

  
Name: Mr. Daniel Opiyo  
Fund Accountant  
ICPAK Member Number:

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

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

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2023	257,250,000	0	17,515,745	274,765,745
Surplus/(Deficit) For the Period	-	-	451,685	451,685
Funds Received During the Year	0	-		0
Transfers	0		(0)	
Revaluation Gain	-	1,655,000	-	1,655,000
<b>Balance As At 30 June 2024</b>	<b>257,250,000</b>	<b>1,655,000</b>	<b>17,967,430</b>	<b>276,872,430</b>
<b>Balance As At 1 July 2024</b>	<b>257,250,000</b>	<b>1,655,000</b>	<b>17,967,430</b>	<b>276,872,430</b>
Surplus/(Deficit) For the Period		-	1,978,421	1,978,421
Funds Received During the Year	0	-	-	0
Transfers	0		0	0
Revaluation Gain	-	0	-	0
<b>Balance As At 30 June 2025</b>	<b>257,250,000</b>	<b>1,655,000</b>	<b>19,945,851</b>	<b>278,850,851</b>

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the county government	7	6,074,800	7,741,126
Interest received	9	9,722,398	9,183,023
Other Incomes	10	1,421,500	1,245,900
<b>Total receipts</b>		<b>17,218,698</b>	<b>18,170,049</b>
<b>Payments</b>			
Use of goods and services	12a	10,523,483	11,636,613
Board expenses	12b	3,576,200	3,891,451
Finance cost		0	0
<b>Total payments</b>		<b>14,099,683</b>	<b>15,528,064</b>
<b>Net cash flows from operating activities</b>	30	<b>3,119,015</b>	<b>2,641,985</b>
<b>Cash flows from investing activities</b>			
Intangible assets	23	0	0
Acquisition of Assets		(239,900)	(1,655,000)
Proceeds from loan principal repayments		55,756,418	75,730,866
Loan disbursements paid out		(43,960,000)	(57,280,000)
<b>Net cash flows used in investing activities</b>		<b>11,556,518</b>	<b>16,795,866</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		0	0
Accounts payables	25	0	352,684
<b>Net cash flows used in financing activities</b>		<b>0</b>	<b>352,684</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>14,675,533</b>	<b>19,790,535</b>
Cash and cash equivalents at 1 July 2024	17	33,040,592	13,250,057
<b>Cash and cash equivalents at 30 June 2025</b>	17	<b>47,716,125</b>	<b>33,040,592</b>

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

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**18. Statement of Comparison of Budget And Actual Amounts for the year ended 30<sup>th</sup> June 2025**

Description	Original budget	Adjustment s	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Balance B/f	1,412,371	(0)	1,412,371	1,412,371	0	100
Transfers From County Govt.	12,700,000	(6,625,200)	6,074,800	6,074,800	0	100
Interest Income	4,800,000	4,922,398	9,722,398	9,722,398	0	100
Other Income	1,800,000	0	1,800,000	1,421,500	378,500	78
Proceeds from loan	63,790,000	0	63,790,000	55,756,418	8,033,582	87
<b>Total Income</b>	<b>84,502,371</b>	<b>(1,702,802)</b>	<b>82,799,569</b>	<b>74,387,487</b>	<b>8,411,782</b>	<b>98</b>
<b>Expenses</b>						
Use of Goods	22,707,371	(1,702,802)	21,004,569	14,099,683	6,904,886	67
Depreciation	1,500,000	0	1,500,000	1,140,594	359,406	76
Acquisition of Asset	295,000	0	295,000	239,900	55,100	81
Loan Disbursement	60,000,000		60,000,000	43,960,000	16,040,000	73
<b>Total Expenditure</b>	<b>84,502,371</b>	<b>0</b>	<b>82,799,569</b>	<b>59,440,177</b>	<b>23,359,392</b>	<b>71</b>
<b>Surplus For the Period</b>				<b>14,947,310</b>		

**Budget notes**

1. Delay in loan repayment has hampered the corporation's performance target (IPSAS 24.14)
2. The reduction of the original by 6.6M was occasioned due to change priorities at the department of finance. (IPSAS 24.29)
3. The difference in the surplus and deficits in statement of financial performance and statement of comparison of budget and actual amounts is as a result of different accounting treatment of assets where the acquisition of asset is recognised as an expense in statement of comparison of budget and actual amounts while in the statement of financial performance the depreciation component is only recognised or charged. Balance brought forward is also not recognized in statement of financial performance.

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	14,947,310
1	Balance brought forward not recognized in the Statement of financial performance	33,040,592
	Depreciation	1,140,594
	Balance bf	(1,412,371)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	47,716,125

19. Notes to the Financial Statements  
Significant Accounting Policies

1. General Information

The Kakamega County Microfinance Corporation was established by the County Government of Kakamega through the Kakamega County Microfinance Corporation Act, 2018 and commenced operations in the financial year 2019-2020. The Corporation is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

2. Statement of compliance and basis of preparation

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

3. Adoption of new and revised standards

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

<p>IPSAS 45- Property Plant and Equipment</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i>  The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i>  The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i>  This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i>  The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i>  The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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(i) Early adoption of standards

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

#### **4. Summary of Significant Accounting Policies**

##### **a) Revenue recognition**

###### **i. Revenue from non-exchange transactions**

###### **Transfers from other government entities**

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

###### **ii. Revenue from exchange transactions**

###### **Interest income**

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

###### **Dividends**

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

###### **Rental income**

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

##### **b) Budget information**

The original budget for FY 2024/2025 was approved by the County Assembly on 21/6/2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Corporation recorded a reduction in appropriations of 6,625,200 on the FY 2024/2025 budget following the governing body's approval.

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

**Summary of Significant Accounting Policies (Continued)**

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

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

**c) Property, plant and equipment**

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

**a) Intangible Assets**

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

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

**b) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a one year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

**Summary of Significant Accounting Policies (Continued)**

**e) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

**Summary of Significant Accounting Policies (Continued)**

**Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

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

**Summary of Significant Accounting Policies (Continued)**

**Financial liabilities**

**Classification**

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

**d) Inventories**

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**e) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**f) Social Benefits**

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

**Summary of Significant Accounting Policies (Continued)**

**g) Contingent liabilities**

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

**Contingent assets**

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

**h) Nature and purpose of reserves**

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

**i) Changes in accounting policies and estimates**

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

**j) Employee benefits – Retirement benefit plans**

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

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

**Summary of Significant Accounting Policies (Continued)**

**k) Foreign currency transactions**

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

**l) Borrowing costs**

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

**m) Related parties**

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

**n) Cash and cash equivalents**

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

**o) Comparative figures**

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

**Summary of Significant Accounting Policies (Continued)**

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

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

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

**a) Estimates and assumptions –**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

6. Notes To The Financial Statements Continued

7. Transfers from County Government

Description	FY 2023/2024	FY 2024/2025
	Kshs	Kshs
Transfers From County Govt. –Operations	7,741,126	6,074,800
<b>Total</b>	<b>7,741,126</b>	<b>6,074,800</b>

9. Interest income

Description	FY 2023/2024	FY 2024/2025
	Kshs	Kshs
Interest Income from Loans	9,183,023	7,985,604
Interest Income on Bank Deposits	0	1,736,794
<b>Total Interest Income</b>	<b>9,183,023</b>	<b>9,722,398</b>

10. Other income

Description	FY 2023/2024	FY 2024/2025
	Kshs	Kshs
Loan processing Fees	1,245,900	1,318,800
Income for CRB Retention	0	102,700
Income for insurance retention	0	
<b>Total Other Income</b>	<b>1,245,900</b>	<b>1,421,500</b>

12. (a) Use of Goods and Services

Description	FY 2023/2024	FY 2024/2025
	Kshs.	Kshs.
General Office Expenses	697,464	1,130,636
Domestic Travel	5,000,482	6,139,775
Hospitality	590,366	547,447
Electricity And Water Expenses	168,281	81,544
Fuel And Oil Costs	843,586	858,206
Insurance Costs	344,543	336,817
Printing	29,075	238,250
Maintenance of other Assets	0	38,950
Consultancy Services	1,640,000	0

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

Subscriptions for membership	16,200	
Maintenance of Motor Vehicle	257,526	472,753
Other operating expenses	352,000	1,195,500
Telephone And Communication Expenses	522,800	648,520
Bank Charges	3,332	6,043
<b>Sub - total</b>	<b>10,523,483</b>	<b>11,636,613</b>

**12.(b) Board expenses**

Boards, Committee, Seminars and Conference	3,576,200	3,891,451
<b>Sub - total</b>	<b>3,576,200</b>	<b>3,891,451</b>

**13. Depreciation and Amortization Expense**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Property Plant and Equipment	1,140,594	2,190,300
Intangible Assets	0	
<b>Total</b>	<b>1,140,594</b>	<b>2,190,300</b>

**17. Cash and cash equivalents**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Current Account	47,716,125	33,040,592
Others	0	
<b>Total Cash and Cash Equivalents</b>	<b>47,716,125</b>	<b>33,040,592</b>

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Notes to the Financial Statements Continued

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

		FY 2024/2025	FY 2023/2024
Financial Institution	Account number	Kshs	Kshs
<b>a) Current Account</b>			
<b>Kenya Commercial Bank</b>			
1. Bank KCB Operation account	1258591545	183,367	1,412,371
2. KCB Loan Interest account	1281337595	5	5
3. KCB loan repayment Account	1258591944	4,589,900	29,724,671
4. KCB MCA Loan Rec Account	1324324031	42,942,853	1,903,545
<b>Sub- Total</b>		<b>47,716,125</b>	<b>33,040,592</b>

**18. Receivables from exchange transactions**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable	3,421,184	3,596,195
Current Loan Repayments Due	42,068,325	32,810,218
Other Exchange Debtors	18,973,200	18,973,200
<b>Total Current Receivables</b>	<b>64,462,709</b>	<b>55,379,613</b>

**Non-Current Receivables**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	158,231,174	179,463,372
<b>Total Non- Current Receivables</b>	<b>158,231,174</b>	<b>179,463,372</b>

Kakamega County Microfinance Corporation  
 Annual Report and Financial Statements for the year ended June 30, 2025

Notes to the Financial Statements Continued

Additional disclosure on interest receivable

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	0	0
Accrued interest receivable from of long-term loans of previous years	0	0
Interest receivable from current portion of long-term loans issued in the current year	0	0
<b>Current loan repayments due</b>	0	0
Current portion of long-term loans from previous years	0	0
Accrued principal from long-terms loans from previous periods	0	0
Current portion of long-term loans issued in the current year	0	0

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes To The Financial Statements (Continued)**

**22. Property, plant and equipment**

Cost	Land and Buildings	Motor vehicles(25%)	Furniture and fittings(12.5%)	Computers and office equipment(33.3%)	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at 1<sup>st</sup> July 2023</b>	0	4,920,000	886,033	1,207,000	7,013,033
Additions	0	0	501,000	1,154,000	1,655,000
Disposals	0	0	0	0	0
Transfers/Adjustments	0	0	0	0	0
<b>As at 30<sup>th</sup> June 2024</b>	0	4,920,000	1,387,033	2,361,000	8,668,033
<b>As at 1<sup>st</sup> July 2024</b>	0	4,920,000	1,387,033	2,361,000	8,668,033
Additions	0	0	-	239,900	239,900
Disposals	(0)	-	-	-	(0)
Transfer/Adjustments	(0)	0	0	(0)	(0)
<b>As at 30<sup>th</sup> June 2025</b>	0	4,920,000	1,387,033	2,600,900	8,907,933
<b>Depreciation And Impairment</b>					
<b>As at 1<sup>st</sup> July 2023</b>		1,537,500	221,508	377,188	2,136,196
Depreciation	0	1,230,000	173,379	786,921	2,190,300
Impairment					
<b>As at 30<sup>th</sup> June 2024</b>	0	2,767,500	394,887	1,164,109	4,326,496
<b>As at 1<sup>st</sup> July 2024</b>	0	2,767,500	394,887	1,164,109	4,326,496
Depreciation	(0)	538,125	124,018	478,451	1,140,594

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

Cost	Land and Buildings	Motor vehicles(25%)	Furniture and fittings(12.5%)	Computers and office equipment(33.3%)	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Disposals	0	-	-	-	-
Transfer/Adjustment	0	(0)	(0)	(0)	(0)
<b>As at 30<sup>th</sup> June 2025</b>	<b>0</b>	<b>3,305,625</b>	<b>518,905</b>	<b>1,642,560</b>	<b>5,467,090</b>
<b>Net Book Values</b>					
As at 30 <sup>th</sup> June 2024	0	2,152,500	992,146	1,196,891	4,341,537
As at 30 <sup>th</sup> June 2025	0	1,614,375	868,128	958,340	3,440,843

The corporation applies the national treasury's depreciation policy on a straight-line method at the rates indicated below.

Depreciation Rates

1. Vehicle 25 %    2. Furniture 12.5%    3. Computer 33.3%

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To The Financial Statements (Continued)

23. Intangible assets

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Cost</b>		
At Beginning of The Year	5,000,000	5,000,000
Additions	0	0
At End of The Year	5,000,000	5,000,000
<b>Amortization And Impairment</b>		
At Beginning of The Year	5,000,000	5,000,000
Amortization	0	0
At End of The Year	0	0
Impairment Loss	0	0
At End of The Year	5,000,000	0
<b>NBV</b>	<b>5,000,000</b>	<b>5,000,000</b>

24. Investment Property

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
At beginning of the year	0	0
Additions	0	0
Disposal during the year	0	0
Depreciation	0	0
Impairment	0	0
Gain/(loss) in fair value (if fair value is elected)	0	0
At end of the year	0	0

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To The Financial Statements (Continued)

25. Trade and other payables from exchange transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Trade Payables	0		352,684	
Refundable Deposits	0		0	
Accrued Expenses	0		0	
Other Payables	0		0	
<b>Total Trade and Other Payables</b>	<b>0</b>		<b>352,684</b>	
<b>Ageing analysis (Trade and other payables)</b>	<b>FY 2024/2025</b>	<b>% of the Total</b>	<b>FY 2023/2024</b>	<b>% of the Total</b>
Under one year	0	%	352,684	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
<b>Total (tie to above total)</b>	<b>0</b>		<b>352,684</b>	

26. Provisions

Description	Leave provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
<b>Balance b/f</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additional provisions	0	0	0	0
Provision utilised	0	0	0	0
Change due to discount and time value for money	0	0	0	0
<b>Total provisions year end</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current Provisions	0	0	0	0
Non-Current Provisions	0	0	0	0

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To The Financial Statements (Continued)

27. Borrowings

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Balance At Beginning of The Period</b>	0	0
External Borrowings During the Year	0	0
Domestic Borrowings During the Year	0	0
Repayments of External Borrowings During the Period	0	0
Repayments of Domestic Borrowings During the Period	0	0
<b>Balance At End of The Period</b>	0	0

The table below shows the classification of borrowings into external and domestic borrowings:

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>External Borrowings</b>		
Dollar Denominated Loan From 'X Organization'	0	0
Sterling Pound Denominated Loan From 'Y Organization'	0	0
Euro Denominated Loan from Z Organization'	0	0
<b>Domestic Borrowings</b>	0	0
Kenya Shilling Loan From KCB	0	0
Kenya Shilling Loan from Barclays Bank	0	0
Kenya Shilling Loan from Consolidated Bank	0	0
Borrowings From Other Government Institutions	0	0
<b>Total Balance at End of The Year</b>	0	0

The table below shows the classification of borrowings long-term and current borrowings:

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Short Term Borrowings (Current Portion)	0	0
Long Term Borrowings	0	0
<b>Total</b>	0	0

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To The Financial Statements (Continued)

28. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2024/2025	2023/2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0	0	0	0	0
Non-Current Benefit Obligation	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

29. Social Benefit Liabilities

Description	2024/2025	2023/2024
	Kshs	Kshs
Health social benefit scheme	0	0
Unemployment social benefit scheme	0	0
Orphaned and vulnerable benefit scheme	0	0
Elderly social benefit scheme	0	0
Bursary social benefits	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
Current social benefits	0	0
Non- current social benefits	0	0
<b>Total (tie to totals above)</b>	<b>0</b>	<b>0</b>

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To The Financial Statements (Continued)

30. Cash generated from operations.

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	1,978,421	451,685
<b>Adjusted For:</b>		
Depreciation	1,140,594	2,190,300
Amortisation		0
Gains/ Losses On Disposal Of Assets		(0)
Interest Income		0
Finance Cost		0
<b>Working Capital Adjustments</b>		
Increase In Inventory		(0)
Increase In Receivables		(0)
Increase In Payables		0
<b>Net Cash Flow From Operating Activities</b>	<b>3,119,015</b>	<b>2,641,985</b>

Notes To The Financial Statements (Continued)

31. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

b) Related party transactions

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Transfers From Related Parties	0	0
Transfers To Related Parties	0	0

c) Key management remuneration

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Board Of Trustees	0	0
Key Management Compensation	0	0
<b>Total</b>	0	0

d) Due from related parties

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Due From Parent Ministry	0	0
Due From County Government	0	0
<b>Total</b>	0	0

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Other Disclosures Continued**

**e) Due to related parties**

<b>Description</b>	<b>FY 2024/2025</b>	<b>FY 2023/2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Due To Parent Ministry	0	0
Due To County Government	0	0
Due To Key Management Personnel	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**32. Contingent assets and contingent liabilities**

<b>Contingent Liabilities</b>	<b>FY 2024/2025</b>	<b>FY 2023/2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Court Case Against the Fund	0	0
Bank Guarantees	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Notes To The Financial Statements (Continued)

**33. 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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2025</b>				
Receivables From Exchange Transactions	0	0	0	0
Receivables From Non-Exchange Transactions	0	0	0	0
Bank Balances	0	0	0	0
<b>Total</b>	0	0	0	0
<b>At 30 June 2024</b>	0	0	0	0
Receivables From Exchange Transactions	0	0	0	0
Receivables From Non-Exchange Transactions	0	0	0	0
Bank Balances	0	0	0	0
<b>Total</b>	0	0	0	0

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes To The Financial Statements (Continued)**

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

The board of directors sets the Corporation’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**b) Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2025</b>				
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
<b>Total</b>	0	0	0	0
<b>At 30 June 2024</b>	0	0	0	0
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
<b>Total</b>	0	0	0	0

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes To The Financial Statements (Continued)**

**e) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

Description		Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2025</b>			
Financial Assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ Receivables	0	0	0
<b>Liabilities</b>	0	0	0
Trade And Other Payables	0	0	0
Borrowings	0	0	0
<b>Net Foreign Currency Asset/(Liability)</b>	0	0	0

Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
<b>(2025</b>			
Euro	10%	0	0
USD	10%	0	0
<b>2024</b>		0	0
Euro	10%	0	0
USD	10%	0	0

ii. Interest rate risk

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

*Management of interest rate risk*

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

*Sensitivity analysis*

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 0 (2022: Kshs 0 ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 0 (2021 – Kshs 0).

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes To The Financial Statements (Continued)**

**d) Capital risk management.**

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

<b>Description</b>	<b>FY2024/2025</b>	<b>FY 2023/2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	0	0
Revolving fund	0	0
Accumulated surplus	0	0
<b>Total funds</b>	0	0
	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
<b>Gearing</b>	0%	0%

**34. Events after the reporting period**

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

**35. Ultimate and Holding Entity**

The entity is a County Public Fund established by Kakamega County Microfinance Corporation Act 2018 under the Ministry of Trade, Industrialization and Tourism. Its ultimate parent is the County Government of Kakamega.

**36. Currency**

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

20. Annexes

Annex I: Implementation Status of Auditor- General's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p><b>Unconfirmed Transfers from the County Government</b> The statement of financial performance reflects transfers from the County Government amounting to Kshs.7,741,126 as disclosed in Note 1 to the financial statements. However, the financial statements of the County Executive of Kakamega reflects a corresponding transfer of Kshs.7,500,000, resulting to unexplained variance of Kshs.241,126. In the circumstances, the accuracy and</p>	<p>Management Response <i>Management acknowledges the auditor's observation regarding the discrepancies in financial reporting. It is important to clarify that the executive financial statements were prepared on a cash basis, while the agency's financial statements were prepared on an accrual basis. This difference in reporting frameworks has resulted in a variance of Ksh. 241,126. Going forward, management will work to ensure alignment between the two reporting frameworks and enhance communication to minimize such discrepancies in the future. We appreciate the auditors' insights and remain committed to maintaining transparency and accuracy in our financial reporting practices. During the period under review, the corporation received transfers from the County Government</i></p>	Resolved at County Assembly level	Awaiting senate appearance.

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)										
	completeness of transfers from the County Government amounting to Kshs.7,741,126 could not be confirmed.	<p><i>on various dates as shown below:</i></p> <table border="0"> <tr> <td><i>13/07/2023</i></td> <td><i>241,126</i></td> </tr> <tr> <td><i>11/09/2023</i></td> <td><i>- 3,000,000</i></td> </tr> <tr> <td><i>04/12/2023</i></td> <td><i>- 2,250,000</i></td> </tr> <tr> <td><i>09/05/2024</i></td> <td><i>- 2,250,000</i></td> </tr> <tr> <td><i>Total</i></td> <td><i>- 7,741,126</i></td> </tr> </table>	<i>13/07/2023</i>	<i>241,126</i>	<i>11/09/2023</i>	<i>- 3,000,000</i>	<i>04/12/2023</i>	<i>- 2,250,000</i>	<i>09/05/2024</i>	<i>- 2,250,000</i>	<i>Total</i>	<i>- 7,741,126</i>		
<i>13/07/2023</i>	<i>241,126</i>													
<i>11/09/2023</i>	<i>- 3,000,000</i>													
<i>04/12/2023</i>	<i>- 2,250,000</i>													
<i>09/05/2024</i>	<i>- 2,250,000</i>													
<i>Total</i>	<i>- 7,741,126</i>													
2	<p><b>Unsupported Interest Income and Other Income</b> The statement of financial performance reflects interest income and other income of Kshs.9,183,023 and Kshs.1,245,900 respectively as disclosed in Note 2 and 3 to the financial statements. However, review of the loan amortization schedules provided for audit indicates a consolidated interest income and loan processing fees from Sub-counties instead</p>	The management has noted the auditor's observation and has provided the loan schedules for individual loans for audit review.	Resolved at County Assembly level	Awaiting senate appearance.										

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>of individual loanees balances. In the circumstances, the accuracy and completeness of interest income and other income amounts of Kshs.9,183,023 and Kshs.1,245,900 respectively, could not be confirmed.</p>			
3	<p><b>Unsupported Borrowing by Kakamega County Assembly</b> The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.55,379,613, and as disclosed in Note 7 to the financial statements. The balance includes Kshs.18,973,200 in relation to other exchange debtors being amount lend by the Corporation to the County Assembly of Kakamega.</p>	<p>Management acknowledges the auditors' concerns regarding the other exchange debtors of Kshs. 18,973,200 and states that the amount was not initially advanced as a loan to County Assembly but was a request to cater for their operations awaiting disbursement from exchequer to be refunded, however at the time of audit for the FY 2023-2024 the amount had not been refunded back and the recovery effort had been initiated through the office of County Executive Member for Finance.</p>	Resolved at County Assembly level	Awaiting senate appearance.

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>However, the purpose of lending, terms and conditions of the loan and evidence of approval for lending was not provided for audit review.</p> <p>In the circumstances, the accuracy, completeness and regularity of the current portion of long-term receivables from exchange transactions balance of Kshs.18,973,200 could not be confirmed.</p>			
4	<p><b>Unconfirmed Intangible Assets Balance</b></p> <p>The statement of financial position reflects intangible assets balance of Kshs.5,000,000 and as disclosed in Note 10 to the financial statements. The intangible assets were acquired on 3 June, 2023 at the cost of Kshs.5,000,000. However, there</p>	<p>Management acknowledges the auditor's concern regarding the lack of amortization for intangible assets. We would like to clarify that the agency did not amortize the intangible assets during the year because it is still in the process of obtaining hosting rights from the vendor. The agency is utilizing the software</p>	Resolved at County Assembly level	Awaiting senate appearance.

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>was no explanation for failing to amortize the assets during the year under review as required by accounting standards. In the circumstances, the accuracy and completeness of intangible assets balance of Kshs.5,000,000 could not be confirmed.</p>	<p>under the terms agreed upon in the covenant signed between the vendor and the corporation. Management will review its amortization policies to ensure compliance with IPSAS in future reporting periods.</p>		
5	<p><b>Lack of Depreciation and Amortization Policy</b> The statement of financial performance reflects depreciation and amortization amount of Kshs.2,190,300. However, depreciation and amortization policy was not provided for audit review. In the circumstances, the accuracy of depreciation and amortization amount of</p>	<p>Management acknowledges the auditor's observation and has made amendments to the Property, Plant, and Equipment (PPE) schedule by inserting the applicable depreciation rates at the bottom of the table. Currently, the corporation applies the national government's depreciation policy as its guiding framework. Moving forward, we will ensure that our depreciation policy is formalized for greater clarity and compliance with IPSAS requirements.</p>	Resolved at County Assembly level	Awaiting senate appearance.

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Kshs.2,190,300 could not be confirmed.			
6	<p>Non- Performing Loans</p> <p>The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.55,379,613. However, review of the loan repayment and loan amortization schedules provided for audit revealed that no loan repayments were received during the year under review in respect to loans amounting to Kshs.15,918,204. Further, no provision for bad and doubtful debts have been made in the financial statements. In the circumstances, the accuracy, completeness and recoverability of</p>	<p>The management acknowledges the auditor's concerns raised in the recent audit report. In response, the management has taken proactive steps to address these issues for the current fiscal year 2024/2025.</p> <ol style="list-style-type: none"> <li>1. Provision for Bad and Doubtful Debts The management has submitted a board paper requesting approval for a provision for bad and doubtful debts set at 20%. This measure aims to enhance our financial resilience and ensure that we are prepared for potential loan defaults.</li> <li>2. Enhanced Loan Appraisal Approach</li> </ol>	Resolved at County Assembly level	Awaiting senate appearance.\]

Kakamega County Microfinance Corporation  
 Annual Report and Financial Statements for the year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>the current portion of long-term receivables from exchange transactions balance of Kshs15,918,204 could not be confirmed.</p>	<p>To strengthen our loan appraisal processes, management has established an improved approach that includes the involvement of Market Management Committees and Market Enterprise Groups. These entities play a critical role in identifying prospective clients, supporting thorough due diligence, and facilitating effective monitoring and recovery of loans.</p> <p>3. Active Loan Recovery Efforts            In addition, the management has undertaken rigorous field visits aimed at recovering outstanding loans. These</p>		

Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		efforts are crucial in maintaining the integrity of our lending portfolio and ensuring that we meet our recovery targets.		
	<p><b>Budgetary Control and Performance</b></p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totaling to Kshs.21,862,389 and Kshs.18,183.699 respectively, resulting to an under-funding of Kshs.3,678.690 or 17 % of the budget. Similarly, the statement indicates that the Corporation spent Kshs.75,463.699 against approved budget of Kshs.137.862,389 resulting to under-expenditure of Kshs.62,398.690 or 45% of the budget.</p>	<p>The management has noted the auditors concerns on issues of underfunding and under expenditure. The underfunding of Ksh. 3,678,690 was as a result of unrealized interest income and other incomes. this was as a result of not meeting the disbursement target to potential traders. The management has put in place measures to increase uptake of the loans and recovery of the same as the potential traders have been sensitized and are willing to take loans in groups. At the same time the management has reduced repayment period from 12months to 6 months especially on small loans.</p>		

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.			

**Chief Executive Officer**

Date 5/12/2025.....

**Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025**

**Annex II: Inter-Fund Confirmation Letter**

The [insert SC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2025 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 <sup>th</sup> June 2025							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 <sup>th</sup> June 2025			Total (D)=(A+B+C)	Amount Received by [beneficiary Fund] (KShs) as at 30 <sup>th</sup> June 2025 (E)	Differences (KShs) (F) (D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)			
Total							

In confirm that the amounts shown above are correct as of the date indicated.

**Head of Accountants department of beneficiary Fund:**

Name Daniel Opiyo ..... Sign [Signature] ..... Date 5/12/2025 .....

**Kakamega County Microfinance Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Annex III: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities	Q1	Q2	Q3	Q4	Source Of Funds	Implementing Partners

**Kakamega County Microfinance Corporation  
Annual Report and Financial Statements for the year ended June 30, 2025**

**Annex IV: Reporting on Disaster Management Expenditure**

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments