

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*



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REPORT

OF

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THE AUDITOR-GENERAL

ON

VIHIGA COUNTY TRADE AND  
ENTERPRISE FUND

FOR THE YEAR ENDED  
30 JUNE, 2024



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**VIHIGA COUNTY TRADE AND ENTERPRISE FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2024**

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

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***Vihiga County Trade and Enterprise Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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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 (Or Any Other Corporate Governance Body for The Fund)	vii
4. Management Team	ix
5. Board/Fund Chairperson's Report	xi
6. Report of The Fund Administrator	xiii
7. Statement of Performance against the County Fund's Predetermined Objectives	xiv
8. Corporate Governance Statement	xvi
9. Management Discussion and Analysis	xviii
10. Environmental and Sustainability Reporting	xix
11. Report of The Trustees	xx
12. Statement of Management's Responsibilities	xxi
13. Report of The Independent Auditor on the Financial Statements for Trade and Enterprise Fund	xxii
14. Statement of Financial Performance for the Year Ended 30 <sup>th</sup> June 2024	1
15. Statement of Financial Position as at 30th June, 2024	2
16. Statement of Changes in Net Assets for the year ended 30 June 2024	4
17. Statement of Cash Flows for The Year Ended 30 June 2024	5
18. Statement of Comparison Of Budget And Actual Amounts For The Period	6
19. Notes to the Financial Statements	7
20. Annexures	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

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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## **2. Key Entity Information and Management**

### **a) Background information**

Vihiga County Trade and Enterprise Fund is established by and derives its authority and accountability from of Vihiga County Trade and Enterprise Fund Act 2018 on 21<sup>st</sup> December,2018. The Fund is wholly owned by the County Government of Vihiga and is domiciled in Kenya.

The fund's objective is to:

- i. Facilitate access to affordable credit by micro and small enterprises
- ii. Provide access to Finance for promotion of innovative enterprises
- iii. Provide training, mentorship and provision of business development services to entrepreneurs

### **Principal Activities**

The principal activity/mission/ mandate of the Fund is to provide affordable loans to eligible residents of Vihiga County.

### **Vision**

“Powering Your Dream”

### **Mission**

To provide affordable, accessible and sustainable credit to eligible resident, traders and entrepreneurs of Vihiga County

### **Core Values**

The fund upholds the values of:

**INTEGRITY:** We strive to be honest, fair and ethical in all dealings with our clients, suppliers, partners, co-workers and the communities in which we operate.

**ACCOUNTABILITY:** We will individually and collectively take full responsibility for our actions and hold ourselves accountable to each other and to all stakeholders.

*Vihiga County Trade and enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**b) Board of Trustees/Fund Administration Committee**

Ref	Position	Name
1	Chairman	Mr Franklin Muchile
2	Fund Administrator – Secretary	Mr Joseph Mbeta
3	Chief Officer Trade	Dr Anaya Senelwa
4	Board Member	Ms Veronica Musiega
5	Board Member	Mr Morris Ayodi
6	Board Member	Mr Abisai Angote
7	Board Member	Mr Christopher Kwache
8	Board Member	Ms Doris Anjawa
9	Board Member	Mr Hajj Amani
10	Board Member	Dr Billy Nyonje
11	Board Member	Ms Philice Mukhala Khimuli
12	Board Member	Ms Achungo Lillian Omumia

**c) Key Management team**

Ref	Position	Name
1.	Fund Administrator – Secretary	Mr Joseph Mbeta
2.	Fund Accountant	Lucy Gathoni
3.	Secretariat	Jotham Amutsama
4.	Secretariat	Jenipher Mutuli
5.	Secretariat	Joyce Vutagwa
6.	Secretariat	Mercy Toroitich
7.	Secretariat	Millicent Khalwala
8.	Secretariat	Carol Kajaira
9.	Secretariat	John Masaba
10.	Secretariat	Jane Ndikolo
11.	Secretariat	Resmond Makama

**Key Entity and Management (Continued)**

**d) Fiduciary Oversight Arrangements**

*Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):*

SN	Position	Name
1	Directorate Internal Audit	
2	Staff car Mortgage and car Loan Advisory Committee	

***Vihiga County Trade and enterprise Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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Board of Trustees/ Fund Administration Committee (Or Any Other Corporate Governance Body for The Fund)

**e) Registered Offices**

P.O. Box 344 – 50300,  
Maragoli,  
Kisumu-Busia Highway,  
Kenya.

**f) Fund Contacts**

**Telephone:** +254 728 142717

**E-mail:** [vihigatradeandenterpriseFund@gmail.com](mailto:vihigatradeandenterpriseFund@gmail.com)

**g) Fund Bankers**

Equity Bank,  
Mbale Branch,  
P.O. Box 75104-00200,  
Nairobi, Kenya

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

*Vihiga County Trade and enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**








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**j) County Attorney**






County Attorney,  
County Government of Vihiga,  
P.O. Box 344-50300,  
Maragoli, Kenya.

***Vihiga County Trade and enterprise Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**3. Board of Trustees/ Fund Administration Committee (Or Any Other Corporate Governance Body for The Fund)**







Name	Details of qualifications and experience
 Mr. Frankline Muchile chairman	Chairperson of the Board of Board Trustee, Member of Human Resource Committee and Member in charge of special interest groups i.e. Bodaboda sector, Certificate in Corporate Governance
 Mr Joseph Mbeta Fund Administrator – Secretary	Certified public Accountant CPA III
 Dr Anaya Snelwa	Chief Officer Commerce, Tourism and Co-operatives and ex-officio board Member.
 Ms Veronica Musiega	Board member in charge of most representative business membership organization i.e. Small –Medium Enterprises. Diploma Business Management
 Mr Morris Ayodi	Board member in charge of Sabatia sub-county Certificate in Corporate Governance
 Mr Abisai Angote	Chairperson credit committee and a Board member in charge of Vihiga Sub-county Certificate in Corporate Governance
 Mr Christopher Kwache	Board member in charge of Differently –abled persons. Certificate in Corporate Governance

*Vihiga County Trade and enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**






 Ms Doris Anjawa	Chairlady Training Committee and board member in charge of most representative association of women engaged in micro, small enterprises. Bachelor Degree
 Mr Hajj Amani	Board member in charge of youth engaged in micro, small enterprises. Diploma communication
 Dr Billy Nyonje	Chairperson Monitoring and Evaluation Committee and Board member in charge of Luanda sub-county. PhD Theology
 Ms Philice Mukhala Khimuli	Board member in charge of Hamisi sub- county Public certified accountant
 Ms Achungo Lillian Omumia	Board Member in charge of Emuhaya sub-county Certificate Education

**Vihiga County Trade and enterprise Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**4. Management Team**

NO.	Name	Details of qualifications and experience
1.	 Mr Joseph Mbeta	Fund Administrator Certified Public Accountant III D.o.b 10.09.1975 11 Years in public service
2.	 Ms Lucy Gathoni	Accountant Certified Public Accountant III D.o.b 22/08/1990 9 Years in public service
3.	 Mr Jotham Amutsama	Accountant Certified Public Accountant II D.o.b 14/12/89 10 Years in public service
4.	 Ms Carol Kajaira	Accountant Certified Public Accountant II D.o.b 16/02/1991 12 Years in public service
5.	 Ms Joyce Vutagwa	Supply chain officer Diploma in supply Chain Management D.o.b 28/10/1992 7 Years in public service
6.	 Ms Jenipher Mutuli	Credit officer Bachelor Degree D.o.b 22/01/1989 8 Years in public service

*Vihiga County Trade and enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

7.	 Ms Millicent Vuzigwa	Human Resource Diploma in Human Resource D.o.b 22/11/1973 8 Years in public service
8.	 Ms Mercy Toroitich	Credit officer Bachelor Degree D.o.b 26/03/1989 8 Years in public service
9.	 Mr. Resmond Makama	Credit officer Certificate D.o.b 10/10/1992 8 Years in public service
10.	 Ms Jane Ndikolo	Credit officer Certificate in Human Resource Management Module 1 D.o.b 19/05/1971 9 Years in public service
11.	 Mr. John Masaba	Credit officer Bachelor Degree D.o.b 28/10/1981 14 Years in public service

## **5. Board/Fund Chairperson's Report**

It is my pleasure to present, on behalf of entire board, the Vihiga County Trade and Enterprise Fund Annual Report and Financial Statements for the year ending June 30, 2024. The financial statements represent the financial position of the Vihiga County Trade and Enterprise Fund over the financial year 2023/2024.

### **Sustainability**

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

### **Board and Management Changes**

During the period, four key management staff were redeployed back to the mother department and three other staff from the department were released to the fund.

### **Review of performance**

#### **Income**

In the year ending June 30, 2024 the fund had a closing balance of Kes. 2,044 in its main account and Kes 36,580 in its recovery account.

#### **Expenditure**

The Fund incurred an expenditure of Kes 596,110 during the period under review on administrative and general expenses.

#### **Future outlook**

The Vihiga County Trade and Enterprise fund seeks to find consistent financial support from mother department to enable it carry its primary mandate of issuing affordable loans and also meet its administrative costs. This will help in bridging the gaps that exists due to lack of continuous and sufficient funding.

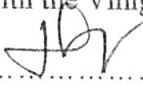
The management is looking forward to building robust and a sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in service delivery. The fund looks forward to continued support from the County Government and development partners in the realization of its objectives.

*Vihiga County Trade and enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**Conclusion**

I take this opportunity to express my sincere gratitude and appreciation to the County Government, stakeholders, management staff and fellow board members for their support. I look forward to your continued support with the Vihiga County Trade and Enterprise Fund.

Name Franklin Ford Muchile Signature..........Date.....

Chairperson of the Board/Fund

*Vihiga County Trade and enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**6 Report of The Fund Administrator**

It is my pleasure to present the Vihiga County Trade and Enterprise Fund annual report and financial statements for the year ended June 30, 2024. The financial statements represent the financial performance of the fund over the past financial year 2023/2024.

During the period there was an opening balance of Kes 16,154 in the Main Account and it was able to recover Kes 274,670 from the beneficiaries of the loans issued.

**Financial Performance**

**a) Revenue**

In the year ending June 30, 2024 the fund had a closing balance of Kes. 2,044 in its main account and Kes 36,580 in its recovery account. The Fund is exploring other ways of increasing its capital base mostly through donors and strategic partnerships.

**b) Loans**

During the period under review the principal outstanding loans advanced amounted to Kes 52,182,895. There were no new loan disbursements during the period under review.

**Cash flows**

During the period, the fund did not receive its budgetary allocation from the County Executive as captured in the approved budget. The only inflows recorded were for amount recovered from beneficiaries.

**c) Conclusion**

I take this opportunity to thank the Vihiga County Trade and Enterprise Fund Board for their support, the secretariat team and other stakeholders who have ensured that Vihiga County Trade and Enterprise Fund achieve its mission, vision and objectives.

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



**Mr Joseph Mbeta**  
**FUND ADMINISTRATOR**

**7.Statement of Performance against the County Fund’s Predetermined Objectives**

<b>OBJECTIVES</b>	<b>VERIFIABLE INDICATORS</b>	<b>MEANS OF VERIFICATION</b>	<b>ASSUMPTIONS</b>
<b>Overall objective:</b> Improved loan accessibility for SMEs, Co-operatives, Individuals, Differently Abled-Persons and organised groups promoting the socio-economic potential for the residents of Vihiga County	The number of groups, Co-operatives, Individuals, Differently Abled-Persons, SMEs being supported by VCTEF	-Group’s/Individuals transformation -Loan repayment performance	During FY ,20 Members of staff accessed the facility and were able build their own houses
<b>Specific objective 1:</b> Assessment of loan demands from the interested groups and Individuals	Number of local groups, Differently Abled-Persons, individuals with established business ventures with growth and development attitude Number of groups with a business plan seeking to start the business venture		
<b>Output 1.1:</b> Loan policy programme in place <i>Activities</i> <ul style="list-style-type: none"> <li>- Carry out Training Needs Assessment</li> <li>- Sensitisation of the groups, individuals over loan advancement scheme</li> <li>- Provision of open loan</li> </ul>	The number of groups that have applied and enrolled in VCTEF. <ul style="list-style-type: none"> <li>- Baseline survey conducted</li> <li>- Number of groups/individuals identified and sensitized</li> <li>- Number applicants</li> </ul>	<ul style="list-style-type: none"> <li>- Baseline survey report</li> <li>- Fully filled application forms with attachments</li> <li>- The approved loan management plan</li> <li>- Project Reports</li> <li>- Participant’s/training records</li> </ul> Stakeholder mapping	<b>Assumptions:</b> <ul style="list-style-type: none"> <li>- Training policy in place</li> <li>- Loan policy in place</li> <li>- Monitoring and evaluation policy in place</li> </ul>

*Vihiga County Trade and enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

<p>application forms to potential applicants</p> <ul style="list-style-type: none"> <li>- Vetting of the loan applicants</li> <li>- Evaluation of loan deficit</li> </ul> <p>Collaborate with development partners (charities and donor</p>	<p>enrolled in VCTEF pool</p> <ul style="list-style-type: none"> <li>- Number of successful applicants identified, trained and advanced loan</li> <li>- Amount of loan deficit identified</li> </ul> <p>Identified development partner to collaborate with VCTEF</p>		
<p><b>Specific objective 2:</b> Established loan recovery strategies</p>	<p>Updated loan recovery statement</p>	<p>-</p>	
<p><b>Output 2.1:</b> Established efficient loan recovery strategies</p> <p><i>Activities</i></p> <ul style="list-style-type: none"> <li>- Assessment of potential applicants</li> <li>- Assessment of business ventures</li> <li>- Capacity building of loan secretariat team</li> </ul> <p>Monitoring and Evaluation of the groups and SMEs performance after receipt of the loans</p>	<p>Loan recovery strategies incorporated.</p> <ul style="list-style-type: none"> <li>- Established credit committee</li> <li>- Established training committee</li> <li>- Establish till Number and loan recovery account for loan recovery</li> </ul> <p>Established Monitoring and Evaluation Committee</p>	<ul style="list-style-type: none"> <li>- Credit committee reports/minutes</li> <li>- Training reports</li> <li>- Monitoring and evaluation reports</li> <li>- Loan recovery statements</li> </ul>	<p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>- Loan recovery policy in place</li> <li>- Credit committee in place</li> <li>- Risk management and audit committee in place</li> <li>- Monitoring and evaluation policy in place</li> </ul>

## **8. Corporate Governance Statement**

### **THE BOARD**

The Vihiga County Trade and Enterprise Fund is a revolving fund established pursuant to Vihiga County Trade and Enterprise Act, 2018. The Fund is operationalized by the Vihiga County Trade and Enterprise Fund regulations 2019.

The Fund mandate is to provide affordable and accessible loans to traders and entrepreneurs of Vihiga County.

The fund is in the process of putting up a robust corporate governance structure to guide its operations with other stakeholders.

### **BOARD MEETINGS**

The Board meets quarterly or as need arises in order to monitor and review the implementation of the fund's strategic decisions. It plays an oversight role on all financial and operational issues as pertains to the Fund. The Trustees held Four board meetings during the financial year under review.

### **SUCCESSION PLAN**

The Board is constituted to be in office for a period of three (3) years. Thereafter the Board members are eligible for re-appointment once, except the one-person person nominated by the most representative association of women engaged in micro, small enterprises and two persons of opposite gender representing the special interests group.

### **PROCESS OF APPOINTMENT**

Section 6 and 7 of the Vihiga County Trade and Enterprise Fund Act provides for composition and appointment of the board.

### **REMOVAL OF TRUSTEE**

Section 15(1) of the Vihiga County Trade and Enterprise Fund Act provides for the conditions that leads to removal from office of member of the Board of Trustees upon recommendation by the County executive committee or as the case may be for-

- a. Inability to perform the functions of the office arising out of physical or mental incapacity
- b. Gross misconduct
- c. Incompetence or negligence or
- d. Absence from three consecutive meetings of the board without a reasonable explanation
- e. Violation of the constitution or any other written law

## **ROLES AND FUNCTIONS OF THE BOARD/TRUSTEE**

Section 9 (1), (2) and (3) of the Vihiga County Trade and Enterprise Fund Act outlines the powers of the board.

## **BOARD/TRUSTEE REMUNERATION**

Section 13 of the Vihiga County Trade and Enterprise Fund Act provides for Boards remuneration.

“The Board shall be paid such allowances in accordance with established County salaries and remuneration commission guidelines.”

## **GOVERNANCE AUDIT**

There exists an established Independent Vihiga County Trade and Enterprise Fund Audit and Risk Committee whose mandate is to oversight utilisation of Public Funds in the fund as guided by Vihiga County Trade and Enterprise Fund Act 2018 and the Public Finance Management Act, 2012.

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

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 operating 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.

The management has ensured that we comply with statutory requirements relating to the functions of the fund.

### **BUSINESS PERFORMANCE**

#### **Revenue**

The fund did not receive allocation to fund its budget for the F/Y year 2023/2024. The budget deficit was facilitated by transfers from the recovery account as of that period.

#### **Cash flow**

The cash and cash equivalents at the end of the period under review was Kes 38,624 attributable to the bank balances in its main and recoveries account.

### **OPERATIONAL PERFORMANCE**

The fund's core operating activity is to offer affordable and accessible credit to the traders and entrepreneurs of Vihiga County.

#### **Employees**

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services. However, Vihiga County Trade and Enterprise Fund Staff Establishment has a variance of thirty positions against an authorised fifty-three positions. The employees of the Fund are staff seconded by the Department of Commerce, Tourism and Co-operatives.

#### **Conclusion**

We appreciate the unrelenting support from the Board of Trustees, Management Staff, The County Government of Vihiga, partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the period to come.

### **10. Environmental and Sustainability Reporting**

The department of Commerce, Tourism and Co-operatives has done various activities for the people of Vihiga. This include planting trees at Maragoli forest, market cleaning in various markets, construction of market and boda boda sheds among others.

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

Corporate social responsibility is an integral part of our culture. As a responsible organisation, we respect the interests of our stakeholders – our employees, customers, suppliers and the wider community and we actively seek opportunities to improve the business environment and to contribute to the well-being of the communities around us.

We are looking forward to getting involved in more Corporate Social Responsibility activities by partnering with other stakeholders in areas of mutual interest.

*Vihiga County Trade and enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**11. Report of The Trustees**

The Trustees submit their report and financial statements for the year ending 30<sup>th</sup> June 2024 which show the state of the Fund affairs during the financial year.

**Principal activities**

The principal activity of the Fund is to provide financing to the eligible Vihiga County business people to improve their business and in the long run improve their living standards.

**Results**

The results of the Fund for the year ending 30<sup>th</sup> June 2024 are set out in the financial statements and report.

**Trustees**

The Board of Trustees who served during the year under review is captured above.

**Auditors**

The Auditor General Kenya 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



Franklin Ford Muchile  
**CHAIRPERSON**

Date-----

***Vihiga County Trade and enterprise Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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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 Vihiga County Trade and Enterprise Fund Act 2018 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the International Public Sector Accounting Standards Board.

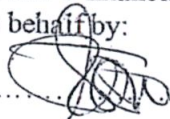
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the F/Y 2023/2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Vihiga County Trade and Enterprise Fund 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 FY year that ended June 30, 2024, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 10<sup>th</sup> September, 2024 and signed on its behalf by:

  
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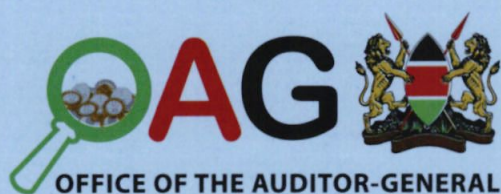
**Joseph O. Mbeta**  
**Fund Administrator**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000

Email: info@oagkenya.go.ke

Website: www.oagkenya.go.ke



*Enhancing Accountability*

HEADQUARTERS

Anniversary Towers

Monrovia Street

P.O Box 30084-00100

NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON VIHIGA COUNTY TRADE AND ENTERPRISE FUND FOR THE YEAR ENDED 30 JUNE, 2024

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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 Vihiga County Trade and Enterprise Fund set out on pages 1 to 36, which comprise of the statement of financial

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*Draft Report of the Auditor-General on Vihiga County Trade and Enterprise Fund for the year ended 30 June, 2024*

position as at 30 June, 2024, and the statement of financial performance and statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts and notes to the financial statements for the year then ended 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, the financial statements present fairly, in all material respects, the financial position of Vihiga County Trade and Enterprise Fund as at 30 June, 2024, 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 Vihiga County Trade and Enterprise Fund Act, 2018 and the Public Finance Management Act, 2012.

### **Basis for qualified Opinion**

#### **1. Irregular Expenditure on Use of Goods and Services**

The statement of financial performance and as indicated in Note 5 reflects Kshs.596,110 on use of goods and services that includes catering services of Kshs.13,000; board allowances Kshs.400,000; printing and stationery of Kshs.13,550; telephone and communication expenses of Kshs.59,000 and daily subsistence allowance of Kshs.107,205. However, review of the payment vouchers revealed the following weaknesses:

- i. The Fund Administrator initiated and processed payments resulting to lack of segregation of duties.
- ii. The payment vouchers were not duly processed, authorized and examined.
- iii. Schedules of beneficiaries attached to expenditure on board allowances for Kshs.400,000 were not signed and there was no evidence of acknowledgement of receipt of the allowances by the beneficiaries.
- iv. Daily subsistence allowance of Kshs.105,000 lacked payment voucher and schedule was not signed to acknowledge receipt of the allowance by the beneficiaries.
- v. Schedule of beneficiaries of airtime allowances totaling to Kshs.59,000 not signed and acknowledged by the beneficiaries.

In the circumstances, the occurrence, completeness and accuracy of use of goods and services could not be confirmed.

#### **2. Unreconciled Variances- Receivables from Exchange Transactions**

The statement of financial position as indicated in Note 8 to the financial statement reflects a balance of Kshs.52,306,745 in respect to current portion of long-term receivables from

exchange transactions. However, review of financial statements and ledger balances for the current loan repayments due and interest receivable revealed unreconciled variances as detailed below;

<b>Loan Component</b>	<b>Financial Statements (Kshs.)</b>	<b>Ledger Balance (Kshs.)</b>	<b>Variances (Kshs.)</b>
Current Loan Repayments Due	45,015,486	45,532,051	(516,565.896)
Interest Receivable	3,093,382	3,106,310	(12,928)
<b>TOTAL</b>	<b>52,182,895</b>	<b>52,836,280</b>	<b>(653,385)</b>

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs. 52,306,745 could not be confirmed.

### 3. Unsupported Intangible Assets Balance

The statement of financial position reflects a balance of Kshs.820,000 in respect to intangible assets. This balance has remained constant over the last two financial years. However, no amortization charges were made on the intangible assets in the year under review.

In the circumstances, the completeness and accuracy of the intangible assets balance of Kshs.820,000 could not be confirmed.

### 4. Unsupported Current Portion of Borrowings

The statement of financial position under Note 13 to the financial statement reflects a balance of Kshs.1,300,000 in respect to current portion of borrowings. However, supporting schedules were not provided for audit review.

In the circumstances, the accuracy and completeness of the current portion of borrowings of Kshs.1,300,000 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Vihiga County Trade and Enterprise Fund 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

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. There were no key audit matters to report in the year under review.

## **Other Matter**

### **Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal controls, Risk management and governance. However, Management had not resolved the issues as at 30 June, 2024.

## **Other Information**

### **Conclusion**

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

### **Basis for Conclusion**

In connection with my audit on the Project'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 and I am required to report that fact. I have nothing to report in this regard.

## **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, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

## **Reduction in Revolving Fund**

The statement of changes in net assets reflects an amount of Kshs.53,705,075 on revolving fund. This is a decrease of Kshs.494,509 from the previous year's balance of Kshs.54,199,584. Review of loan recoveries accounts bank statements and cash book revealed that a total of Kshs.596,110 was transferred from the recoveries account to the main operations account which was used to pay for office operations. However, authority to transfer funds was not provided for audit review.

In the circumstances, the Fund is not likely to meet its objective.

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, because of the significance of the matter(s) discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of a Risk Management Policy and Approved Strategic Plan**

Review of records revealed that the Fund did not have a Risk Management Policy contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015. The Regulation requires the Accounting Officer of a County entity to develop risk management strategies which include fraud prevention mechanisms that build robust business operations. Further, the management had a draft strategic plan which had not been approved for implementation hence not clear how they will work towards attaining its vision and identify the organization's goals and objectives.

No satisfactory explanation was provided by Management for the omission which may have raised the level of financial and operational risks faced by the Fund.

In the circumstances, the effectiveness of risk management in the Fund could not be confirmed.

#### **2. Long Outstanding Loans**

The statement of financial position and as disclosed in Note 8 reflects current portion of long-term receivables from exchange transactions of Kshs.52,306,745. Review of records

maintained indicate that the first loan disbursement was done in July 2019 while the second loan disbursement was done in July 2020 and were to be repaid within three (3) years from date of disbursement. However, the loans are long overdue with low repayments and these loans are non-performing loans.

Their recovery appears doubtful and management is in breach of its own policies.

### **3. Lack of Review by Internal Audit**

During the year under review, the funds operations were not reviewed by internal audit function and no risk assessment was performed. This is contrary to Section 155(5) of Public Finance Management Act, 2012 which stipulates that a county government entity shall maintain internal auditing arrangements, and shall ensure that it complies with this Act and (a) has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board was not followed.

The Fund's Management is in breach of the Law and may not be getting the advice of the Internal Auditors as expected.

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 Trustees**

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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern 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.

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

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

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 for 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 IFPP 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**

**23 December, 2024**

*Vihiga County Trade and Enterprise Fund*

**Annual Report and Financial Statements for the year ended June 30, 2024**

**14. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2024**

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Transfers From the County Government	1	-	-
Fines, Penalties and Other Levies	2	-	-
		-	-
<b>Revenue From Exchange Transactions</b>			
Interest Income	3	85,389	-
Other Income	4	512,765	1,419,164
		<b>598,154</b>	<b>1,419,164</b>
<b>Total Revenue</b>		<b>598,154</b>	<b>1,419,164</b>
<b>Expenses</b>			
Use of goods and services	5	(596,110)	(1,403,010)
Depreciation and Amortization Expense	6	-	-
<b>Total Expenses</b>		<b>(596,110)</b>	<b>(1,403,010)</b>
<b>Surplus/(Deficit) for the Period</b>		<b>2,044</b>	<b>16,154</b>

*(The notes set out on pages 20 to 33 form an integral part of these Financial Statements)*



.....  
Name: Joseph O. Mbeta  
Administrator of the Fund



.....  
Name: Lucy Gathoni  
Fund Accountant  
ICPAK Member Number:

*Vihiga County Trade and enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**15. Statement of Financial Position as at 30th June, 2024**

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Current Assets</b>			
Cash and Cash Equivalents	7	38,624	361,419
Current Portion of Long- Term Receivables From Exchange Transactions	8	52,306,745	29,412,931
<b>Total current assets</b>		<b>52,345,369</b>	<b>29,774,350</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	9	1,870,700	1,870,700
Intangible Assets	10	820,000	820,000
Long Term Receivables from Exchange Transactions	8	-	23,050,688
<b>Total non- current assets</b>		<b>2,690,700</b>	<b>25,741,388</b>
<b>Total Assets</b>		<b>55,036,069</b>	<b>55,515,738</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	11	-	-
Current Portion of Borrowings	13	1,300,000	1,300,000
<b>Total current liabilities</b>		<b>1,300,000</b>	<b>1,300,000</b>
<b>Non-Current Liabilities</b>			
Long Term Portion of Borrowings	21	-	-
Non-Current Employee Benefit Obligation	22	-	-
Social benefit liabilities	23	-	-
<b>Total Liabilities</b>		<b>1,300,000</b>	<b>1,300,000</b>
<b>Net Assets</b>		<b>53,736,069</b>	
Revolving Fund		53,717,871	54,199,584
Accumulated Surplus		18,198	16,154
<b>Total Net Assets and Liabilities</b>		<b>53,736,069</b>	<b>55,515,738</b>

*Vihiga County Trade and enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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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 30/09/ 2024 and signed by:



.....  
**Name: Joseph O. Mbete**  
**Administrator of the Fund**



.....  
**Name: Lucy Gathoni**  
**Fund Accountant**  
**ICPAK Member Number:**

*Vihiga County Trade and Enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**16. Statement of Changes in Net Assets for the year ended 30 June 2024**

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2022-2023</b>	54,199,584	-	-	54,199,584
Surplus/(Deficit) For the Period	-	-	16,154	16,154
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2023</b>	<b>54,199,584</b>	<b>-</b>	<b>16,154</b>	<b>54,215,738</b>
<b>Balance As At 1 July 2023</b>	<b>54,199,584</b>	<b>-</b>	<b>16,154</b>	<b>54,215,738</b>
Surplus/(Deficit) For the Period		-	2,044	2,044
Funds Received During the Year	-	-	-	-
Transfers	(481,713)	-	-	(481,713)
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2024</b>	<b>53,717,871</b>	<b>-</b>	<b>18,198</b>	<b>53,736,069</b>

*(Provide details on the nature and purpose of reserves)*

*Vihiga County Trade and enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**17. Statement of Cash Flows for The Year Ended 30 June 2024**

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government	1	-	-
Interest received	3	85,389	82,400
Receipts from other operating activities	4	496,611	1,300,000
<b>Total receipts</b>		<b>582,000</b>	<b>1,382,400</b>
<b>Payments</b>			
Fund administration expenses		-	(98,900)
General expenses	5	(596,110)	(1,304,110)
	14		
<b>Net cash flows from operating activities</b>		<b>(535,476)</b>	<b>(20,610)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		212,681	293,664
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		<b>212,681</b>	<b>293,664</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>(322,795)</b>	<b>273,054</b>
Cash and cash equivalents at 1 July		361,419	88,365
<b>Cash and cash equivalents at 30 June</b>		<b>38,624</b>	<b>361,419</b>

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

**Vihiga County Trade and Enterprise Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**18. Statement of Comparison Of Budget And Actual Amounts For The Period**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Public Contributions and Donations	-	-	-	-	-	
Transfers From County Govt.	20,000,000	-	20,000,000	-	20,000,000	0%
Interest Income	1,000,000	-	1,000,000	85,389	914,611	8.5%
Other Income	7,000,000	-	7,000,000	512,765	6,487,235	7.3%
<b>Total Income</b>	<b>28,000,000</b>	<b>-</b>	<b>28,000,000</b>	<b>598,154</b>	<b>27,401,846</b>	<b>2.1%</b>
<b>Expenses</b>						
Fund Administration Expenses	200,000	-	200,000	-	200,000	0%
General Expenses	27,800,000	-	27,800,000	(596,110)	27,203,890	2%
Finance Cost	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>28,000,000</b>	<b>-</b>	<b>28,000,000</b>	<b>(596,110)</b>	<b>27,403,890</b>	<b>2%</b>
<b>Surplus For the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,044</b>	<b>2,044</b>	
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Budget notes**

- The utilization of the budget is below 90% because there was no allocation of Funds for the fund in the year under review what was expensed is from recoveries.

**19. Notes to the Financial Statements**

**Significant Accounting Policies**

**1. General Information**

Vihiga County and Enterprise Fund entity is established by and derives its authority and accountability from Vihiga County Trade and Enterprise Fund Act. The entity is wholly owned by the Vihiga County Government and is domiciled in Kenya. The entity's principal activity is providing affordable loans to eligible residents of Vihiga County.

**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**

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

Standard	Relevant Information
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for</li> </ul>

*Vihiga County Trade and Enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

Standard	Effective date and impact of the Standard
	<p>financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were</li> </ul>

**Vihiga County Trade and Enterprise Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

	<p>inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued</p>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></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 cash flows 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	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p>

**Vihiga County Trade and Enterprise Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

Standard	Effect, if any, and impact
for Sale and Discontinued Operations	<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>

**(iii) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

**2. 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 2023-2024 was approved by the County Assembly on June 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 Fund recorded additional appropriations of 28,000,000 on the FY 2024 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 8 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.

**d) 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.

**e) 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. 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)**

**f) 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. (amend as appropriate).* 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.

**g) 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.

**h) 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.

**i) 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)**

**j) 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.

**k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

**l) 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.

**m) 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)**

**n) 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.

**o) 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.

**p) 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.

**q) 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.

**r) 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**

b) 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.

*(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)*

**Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

**6. Notes to The Financial Statements Continued**

**1. Transfers from County Government**

Description	2023-2024	2022-2023
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
Unconditional Development grants	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**2. Fines, penalties and other levies**

Description	2023-2024	2022-2023
Late Payment Penalties	-	-
Fines	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*(Provide brief explanation for this revenue)*

**3. Interest income**

Description	2023-2024	2022-2023
Bal b/f	23,400	-
Recovered interest	61,989	-
<b>Total Interest Income</b>	<b>85,389</b>	<b>-</b>

**Notes to the Financial Statements Continued**

*(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified. Disclose write backs if any or recoveries from write offs).*

**Vihiga County Trade and Enterprise Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**4. Other Income**

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Balance b/f Main Account Equity	16,154	60,164
Portion of capital transferred	481,713	59,000
Other income(training and insurance)	14,898	-
Borrowing from JLB	-	1,300,000
<b>Total Other Income</b>	<b>512,765</b>	<b>1,419,164</b>

**5. Use of Goods and Services**

Description	2023-2024	2022-2023
	Kshs.	Kshs.
General Office Expenses	-	42,000
Loan Processing Costs	-	-
Professional Services Costs	-	-
Catering services	14,880	56,000
Board Allowances	400,000	526,000
Bank Charges	1,475	900
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Postage And Courier	-	-
Printing And Stationery	13,550	-
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	59,000	413,000
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Daily Subsistence	107,205	365,110
Social benefit expenses*		
<b>Total</b>	<b>596,110</b>	<b>1,403,010</b>

*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42*

**Vihiga County Trade and Enterprise Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**6. Depreciation and Amortization Expense**

Property Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	-	-

**7. Cash and cash equivalent**

<b>a) Current Account</b>			
Equity Bank –Main Account	960278742925	2,044	16,154
Equity Bank-Recoveries Account	960278742949	36,580	345,265
<b>Grand Total</b>		<b>38,624</b>	<b>361,419</b>

**8. Receivables from exchange transactions**

Interest Receivable	3,093,381.99	1,716,974.10
Current Loan Repayments Due	45,015,485.50	25,462,004.00
Penalties Receivable	4,197,877.51	2,233,952.60
Other Exchange Debtors	-	
Less: Impairment Allowance	-	
<b>Total Current Receivables</b>	<b>52,306,745.00</b>	<b>29,412,930.86</b>
<b>Non-Current Receivables</b>		
Long- Term Interest Receivable	-	1,438,396.89
Long Term Loan Repayments Due	-	19,766,162.00
Long term penalties receivables	-	1,846,129.01
<b>Total Non- Current Receivables</b>	-	<b>23,050,688.24</b>
<b>Total Receivables From Exchange Transactions</b>	<b>52,306,745.00</b>	<b>52,463,619.10</b>

*Vihiga County Trade and Enterprise Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes to the Financial Statements Continued**

**Additional disclosure on interest receivable**

Description	2023-2024	2022-2023
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	3,093,382	1,716,974
Accrued interest receivable from of long-term loans of previous years	-	1,438,397
Interest receivable from current portion of long-term loans issued in the current year	-	-
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years	45,015,485.30	25,462,004
Accrued principal from long-terms loans from previous periods	-	19,766,162
Current portion of long-term loans issued in the current year	-	-

***Vihiga County Trade and Enterprise Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**  
**Notes To The Financial Statements (Continued)**

**9. Property, plant and equipment**

<b>At 1<sup>st</sup> July 2022</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
Additions	-	-	-
Disposals	-	-	-
Transfers/Adjustments	-	-	-
<b>At 30<sup>th</sup> June 2023</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
<b>At 1<sup>st</sup> July 2023</b>	<b>1,140,800</b>		
Additions	-	-	-
Disposals	-	-	-
Transfer/Adjustments	-	-	-
<b>At 30<sup>th</sup> June 2024</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
<b>Depreciation And Impairment</b>			
At 1 <sup>st</sup> July 2022	-	-	-
Depreciation	-	-	-
Impairment	-	-	-
<b>At 30<sup>th</sup> June 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 1<sup>st</sup> July 2023</b>			
Depreciation	-	-	-
Disposals	-	-	-
Impairment	-	-	-
Transfer/Adjustment	-	-	-
<b>At 30<sup>th</sup> June 2024</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
<b>Net Book Values</b>			
<b>At 30<sup>th</sup> June 2023</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
<b>At 30<sup>th</sup> June 2024</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>

*Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements for the year ended June 30, 2024*

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

**10. Intangible assets**

Description		
<b>Cost</b>		
<b>At Beginning of The Year</b>	820,000	820,000
Additions	-	-
<b>At End of The Year</b>	<b>820,000</b>	<b>820,000</b>
<b>Amortization And Impairment</b>		
<b>At Beginning of The Year</b>	820,000	820,000
Amortization	-	-
<b>At End of The Year</b>	<b>820,000</b>	<b>820,000</b>
Impairment Loss	-	-
<b>At End of The Year</b>	<b>820,000</b>	<b>820,000</b>
<b>NBV</b>	<b>820,000</b>	<b>820,000</b>

Notes to The Financial Statements (Continued)

**11. Trade and other payables from exchange transactions**

Trade Payables	-	-		
Refundable Deposits	-	-		
Accrued Expenses	-	-		
Other Payables	-	-		
<b>Total Trade and Other Payables</b>	-	-		
<b>Ageing analysis (Trade and other payables)</b>	<b>2023-2024</b>	<b>% of the Total</b>	<b>2022-2023</b>	<b>% of the Total</b>
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (tie to above total)</b>	-		-	

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

**12. Provisions**

Description	Current provision Kshs	Other provision Kshs	Total Kshs
Balance At the Beginning Of The Year	-	-	-
Additional Provisions	-	-	-
Provision Utilised	-	-	-
Change Due To Discount And Time Value For Money	-	-	-
Transfers From Non -Current Provisions	-	-	-
<b>Balance At The End of The Year</b>	-	-	-

*Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements for the year ended June 30, 2024*

**13. Borrowings**

<b>Balance At Beginning of The Period</b>	<b>1,300,000</b>	<b>1,300,000</b>
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
<b>Balance At End of The Period</b>	<b>1,300,000</b>	<b>1,300,000</b>

**14. Cash generated from operations**

Description	2023-2023	2022-2023
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	<b>(14,110)</b>	-
<b>Adjusted For:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	(85,389)	-
Finance Cost	-	-
<b>Working Capital Adjustments</b>		
Increase In Inventory	-	-
Increase In Receivables	(435,977)	-
Increase In Payables	-	-
<b>Net Cash Flow From Operating Activities</b>	<b>(535,476)</b>	-

*(The total of this statement should tie to the cash flow section on net cash flows from operating activities)*

**Vihiga County Trade and Enterprise Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

**15. 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	2023-2024	2022-2023
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

**c) Key management remuneration**

Description	2023-2024	2022-2023
Board Of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

Description	2023-2024	2022-2023
Due From Parent Ministry	-	-
Due From County Government	-	-
<b>Total</b>	-	-

*Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements for the year ended June 30, 2024*

**Other Disclosures Continued**

**e) Due to related parties**

Description	2023-2024	2022-2023
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
<b>Total</b>	-	-

**16. Contingent assets and contingent liabilities**

Contingent Liabilities	2023-2024	2022-2023
	Kshs	Kshs
Court Case Xxx Against the Fund	-	-
Bank Guarantees	-	-
<b>Total</b>	-	-

(Give details)

*Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements for the year ended June 30, 2024*

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

**17. Financial risk management**

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

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

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

<b>At 30 June 2024</b>				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2023</b>				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

**Vihiga County Trade and Enterprise Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**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 entity has significant concentration of credit risk on amounts due from xxxx

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

**b) Liquidity risk management**

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

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

Description	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
<b>At 30 June 2023-2024</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	1,300,000	1,300,000
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	<b>1,300,000</b>	<b>1,300,000</b>
<b>At 30 June 2022-2023</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	1,300,000	1,300,000
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	<b>1,300,000</b>	<b>1,300,000</b>

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

**c) Market risk**

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

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

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

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

**i. 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			
<b>At 30 June 2023-2024</b>			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
<b>Liabilities</b>			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**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 profit/loss	Effect on equity
<b>2023-2024</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2022-2023</b>			
Euro	10%	-	-
USD	10%	-	-

**ii. Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

*Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements for the year ended June 30, 2024*

**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:

Revaluation reserve	-	-
Revolving fund	53,717,871	54,199,584
Accumulated surplus	18,198	16,154
<b>Total funds</b>	<b>53,736,069</b>	<b>54,215,738</b>
Total borrowings	-	1,300,000
Less: cash and bank balances	(38,624)	(361,419)
Net debt/(excess cash and cash equivalents)	53,714,007	53,854,319
<b>Gearing</b>	<b>0.034%</b>	<b>0.029%</b>

**Revolving fund**

Balance b/f	<b>54,199,584</b>	<b>54,199,584</b>
Additions	-	-
Opening balance for the year	<b>54,199,584</b>	<b>54,199,584</b>
Recoveries	274,670	376,064
Interest income	61,989	82,400
Principle recovered	212,681	293,664
Revolving fund recovered	206,301	284,854
Revolving fund balance	-	-
Other incomes	6,380	8,810
Outstanding revolving fund	45,604,195	45,810,496
Utilized revolving fund	481,713	-
Recovered Revolving fund balance	8,113,676	8,389,088
<b>Total funds</b>	<b>53,717,871</b>	<b>54,199,584</b>

*Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements for the year ended June 30, 2024*

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**18. Events after the reporting period**

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

**19. Ultimate and Holding Entity**

The entity is a County Public Fund established by Vihiga County Trade and Enterprise Fund Act under the Ministry of Commerce, Tourism and Co-operatives. Its ultimate parent is the County Government of Vihiga

**20. Currency**

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

*Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements for the year ended June 30, 2024*

**20. Annexures**

**Annex I: Progress on Follow Up of Prior Year Auditor'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. at the external audit Report	Issue/ Observations from Auditor	Management Comments	Resolved/ Not Resolved	Management (if not resolved, when you expect the issue to be resolved)
1	Misstated other income amount of ksh 1,419,164	The amount was a borrowing of Kshs. 1,300,000 from JLB and Kshs. 119,164 from recoveries account. This was due to lack of funding from the county	Not resolved	Subject to availability of funds
2	Unsupported receivables from exchange transactions	The management was able to obtain schedules to support the amount of Kshs. 52,463,619	Resolved	
3	Unsupported Property ,plant and Equipment balance of Kshs .1,870,700	Due to lack of depreciation policy in place, the assets were reported at cost.The management maintains an asset register	Resolved	
4	Unsupported intangible assets balance Kshs 820,000	The management bought a software and made some amortization charge. However, the management had to report the asset at cost due to lack o depreciation policy.	Resolved	
5.	Unsupported closure of Bank Accounts KCB	The accounts were closed when the fund changed from Empowerment to Enterprise fund	Resolved	
6	Inaccurate Disclosure of the of Accumulated surplus	The management has taken into account the issue and noted	Not resolved	
7	Statement of Changes in Net Assets of Kshs 54,199,584	The management has noted the difference and action will be taken to rectify the inaccuracy	Not resolved	
1	Outstanding	Due to lack of funding	Not resolved	

**Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Status (Resolved/Not Resolved)	Timeframe (For a date when you expect the issue to be resolved)
	loans of Kshs 23,050,688	the management could not produce notices, make calls to defaulters making the recoveries difficult		
2	Non-collection of penalties and fines	The management acknowledges the fact and promises to adjust on their workings	Not resolved	
3	Failure to provide approved annual estimates	The management has taken the matter and in the year 2023/2024 the budget is in place	Resolved	
4	Use of Goods and services of Kshs 1,403,010	The management acknowledges the matter .The fund did not receive any funding from the county making it difficult to pay members who are legally in office and must attend meetings	Not resolved	
1	Lack of strategic plan,Risk management policy and strategy	The management acknowledges the matter.However, the said documents have been drafted and are in various stages of completion	Resolved	

Fund Manager



Date.....