

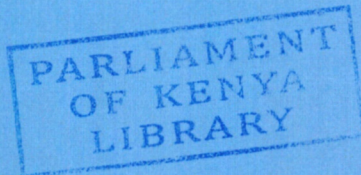
REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**



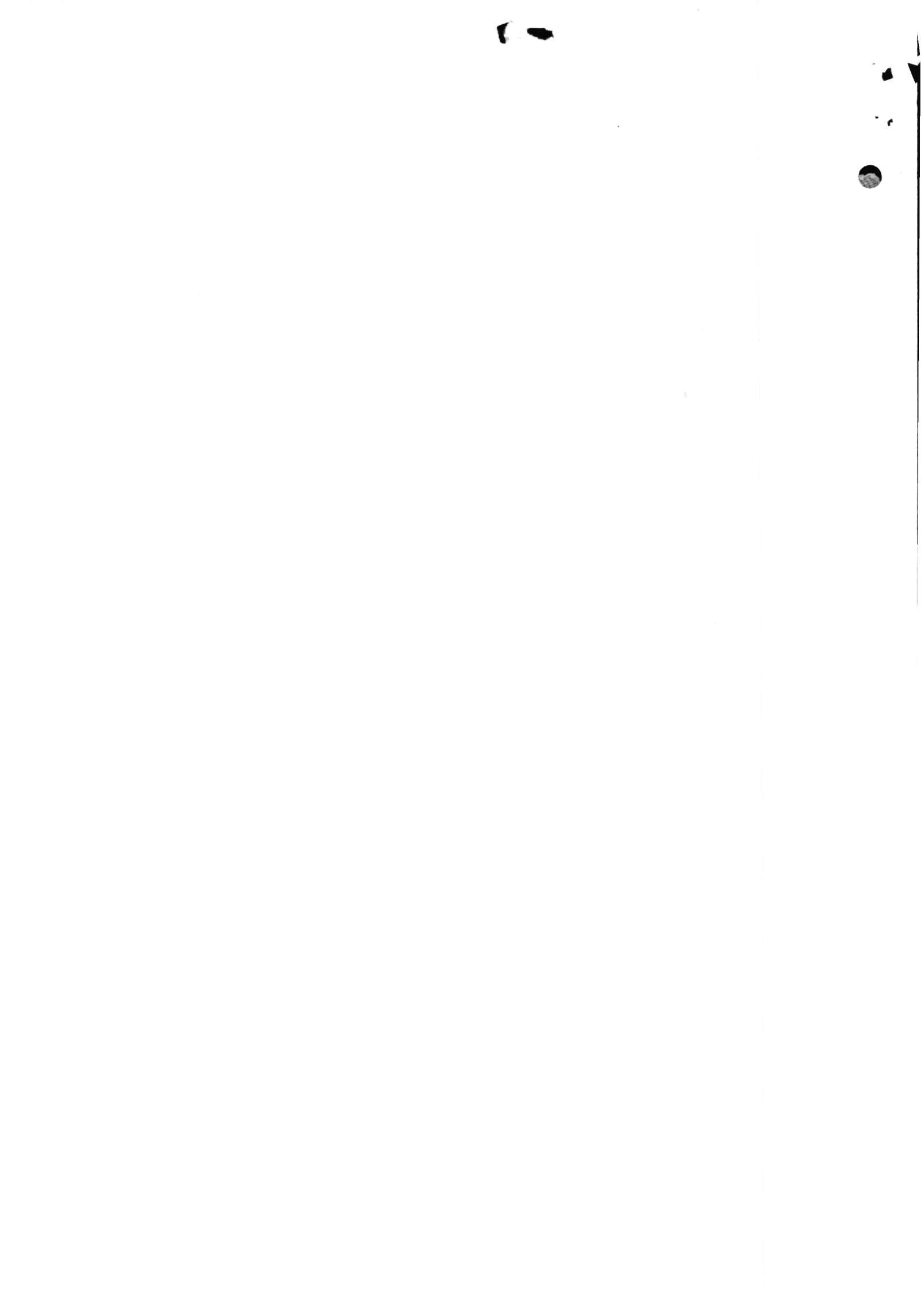
**OF**

**THE AUDITOR-GENERAL**

**ON**

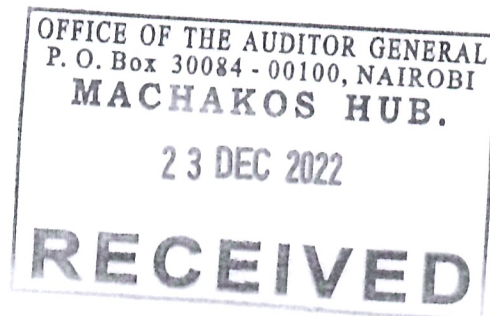
**MAKUENI COUNTY YOUTH, MEN,  
WOMEN, PERSONS WITH DISABILITIES  
AND TABLE BANKING GROUPS  
EMPOWERMENT FUND**

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



REPUBLIC OF KENYA

GOVERNMENT OF MAKUENI COUNTY



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**MAKUENI COUNTY YOUTH, MEN, WOMEN, PERSONS WITH DISABILITIES AND  
TABLE BANKING GROUPS EMPOWERMENT FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

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



# Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund

## Annual Report and Financial Statements

For the year ended June 30, 2022

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### TABLE OF CONTENT

1. KEY ENTITY INFORMATION AND MANAGEMENT .....	iii
2. THE FUND COMMITTEE .....	vi
3. MANAGEMENT TEAM.....	viii
4. BOARD/FUND CHAIRPERSON’S REPORT .....	x
5. REPORT OF THE FUND ADMINISTRATOR.....	xi
6. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY’S PREDETERMINED OBJECTIVES .....	xiv
7. CORPORATE GOVERNANCE STATEMENT .....	xv
8. MANAGEMENT DISCUSSION AND ANALYSIS .....	xxii
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING .....	xxiv
10. REPORT OF THE FUND COMMITTEE.....	xxiv
11. STATEMENT OF MANAGEMENT’S RESPONSIBILITIES.....	xxvi
12. REPORT OF THE INDEPENDENT AUDITOR .....	xxviii
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 <sup>th</sup> JUNE 2022.....	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 .....	2
15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022 .....	3
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 .....	5
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 <sup>th</sup> JUNE 2022.....	7
18. NOTES TO THE FINANCIAL STATEMENTS .....	8
19. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS .....	39

# Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund

## Annual Report and Financial Statements

For the year ended June 30, 2022

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### 1. KEY ENTITY INFORMATION AND MANAGEMENT

#### a) Background information

Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund is established by and derives its authority and accountability from the Public Finance Management (Makueni County Youth, Men, Women, Persons With Disabilities And Table-Banking Groups Empowerment Fund) Regulations, 2014 passed by the Makueni County Assembly on 3<sup>rd</sup> December 2015. The Fund is wholly owned by the County Government of Makueni and is domiciled in Kenya.

The fund's objective is to provide a fund that is accessible to residents in order to achieve equitable social and economic development in the County.

The Fund's principal activity is to provide funding that is easily accessible to the people of Makueni County.

#### b) Principal Activities

The principal activities/objectives of the fund are to;

- a) Provide access to capital and financing facilities to micro and small enterprises owned by youth, men, women and persons with disabilities resident in the County;
- b) Attract and facilitate investment in micro and small enterprises;
- c) Advance loans to table-banking groups within the county
- d) Support youth, men, women and persons with disabilities oriented micro and small enterprises to develop linkages with large enterprises;
- e) Facilitate marketing of products and services of micro and small enterprises owned by youth, men, women and persons with disabilities resident in the County in both domestic and international markets;
- f) Facilitate training, mentorship and the provision of business development services to youth, men, women and persons with disabilities and table-banking groups in the County; and
- g) Facilitate employment of youth, men, women and persons with disabilities resident in the County in the international labour market.

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**

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

The Fund Committee comprises of nine (9) members, five (5) are community members representing the various groups and four (4) are official members of staff as stipulated in the Fund regulations. The Following members formed the Committee in the financial year ended 30<sup>th</sup> June 2022

Ref	Name	Position
1	Kennedy Muthama	Representing Chief Officer – Financial Services
2	Diana Muli	Chief Officer Gender, Culture, Children & Social Services
3	Harrison Kiandiko	Representing Chief Officer Trade & Cooperatives
4	Magdalene Kisini	Fund Administrator

**d) Key Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2022 and who had direct fiduciary responsibility were:

Ref	Name	Designation
1	Mary Kimanzi	CEC – Finance
2	Justus Suka	Chief Officer – Finance
3	Diana Muli	Chief Officer – Trade
4	Magdalene Kisini	Fund Administrator

**e) Registered Offices**

County Headquarters Building  
Off Wote-Makindu Highway  
P.O. Box 78-90300  
Makueni, Kenya

**f) Fund Contacts**

Telephone: (254) 20 203 4944/2068236

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**

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E-mail: [contact@makueni.go.ke](mailto:contact@makueni.go.ke)

Website: [www.makueni.go.ke](http://www.makueni.go.ke)

**g) Fund Bankers**

Kenya Commercial Bank

Wote branch

**h) Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

**i) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200



Nairobi, Kenya

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**



**2. THE FUND COMMITTEE**

	<b>Details of qualifications and experience</b>
 <b>Diana Muli</b>	<p>Chief Officer- Gender, Children Culture and Social Services BSc –Tourism Management-First Class Honors Advanced Diploma (Travel Operations) IATA/UFTAA Diploma Certified Computer Technician Kcse- B minus Over Twenty years of experience both in private and public sectors.</p>
 <b>Harrison Kiandiko</b>	<p>Representing Chief Officer Trade &amp; Cooperative</p> <p><b><u>Academic Qualifications</u></b> MBA (University of Nairobi), Post grad. Dip in HRM (Cambridge U.K), Barts in Economics and Mathematics (University of Nairobi)</p> <p><b><u>Work Experience</u></b> 26 years in Trade Development,</p> <p><b><u>Date of Birth</u></b> 1968</p>

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**




 <p><b>Kennedy Muthama</b></p>	<p><b>Representing Chief Officer – Financial Services</b> <b><u>Academic Qualification</u></b> Holder of BA Economics, CPA K, MBA Finance ongoing <b><u>Work Experience</u></b> Over ten years of experience in finance both in private and public sectors. <b><u>Date of Birth</u></b> 20.01.1985</p>
 <p><b>Magdalene Kisini</b></p>	<p><b>Fund Administrator</b> <b><u>Academic Qualifications</u></b> -Holder of a Bachelors of Commerce – Finance option -A CPA(K) <b><u>Work Experience</u></b> Over ten years of experience in finance both in private and public sectors. <b><u>Date of Birth</u></b> 27.03.1980</p>

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**

**3. MANAGEMENT TEAM**

	<b>Details of qualifications and experience</b>
 <p data-bbox="199 880 379 909"><b>Mary Kimanzi</b></p>	<p data-bbox="651 562 1422 770">CPA Mary Kimanzi joined the county Government in April 2014 as the Chief Officer for Finance and Socio-economic planning. She was appointed as the County Executive Committee Member (ECM) Finance and Socio-Economic Planning in June 2015 and reappointed the same position in October 2017.</p> <p data-bbox="651 797 1422 1043">She is a Certified Public Accountant CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She holds a Master of Business Administration in Finance from University of Nairobi and currently pursuing a Master in Public Policy and Management at Strathmore Business School. She is also currently serving as a member of the Public Sector Accounting Standards Board.</p> <p data-bbox="651 1070 1007 1099">Date of Birth: 10<sup>th</sup> June 1971</p>
 <p data-bbox="188 1440 336 1469"><b>Justus Suka</b></p>	<p data-bbox="643 1171 1018 1294"><b>MBA</b> Bachelor's Degree in Finance Member of ICPAK</p> <p data-bbox="643 1312 1377 1379">Over ten years of experience in finance both in private and public sectors.</p> <p data-bbox="643 1395 962 1424">Date of Birth: 01.01.1982</p>
 <p data-bbox="188 1832 331 1861"><b>Diana Muli</b></p>	<p data-bbox="643 1496 1401 1760"><b>Chief Officer- Gender, Children Culture and Social Services</b> BSc –Tourism Management-First Class Honors Advanced Diploma (Travel Operations) IATA/UFTAA Diploma Certified Computer Technician Kcse- B minus</p> <p data-bbox="643 1776 1385 1843">Over Twenty years of experience both in private and public sectors.</p> <p data-bbox="643 1859 986 1888">Date of birth 20<sup>th</sup> June 1975</p>

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**

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**Magdalene Kisini**

**Fund Administrator**

**Bachelors of Commerce – Finance**

**A CPA(K)**

**Over ten years of experience in finance both in private and public sectors.**

**Date of birth: 27<sup>th</sup> march 1980**

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**

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**4. BOARD/FUND CHAIRPERSON'S REPORT**

Regulation 20 of the Public Finance Management (Makueni County Youth, Men, Women, Persons With Disabilities And Table-Banking Groups Empowerment Fund) Regulations, 2017 requires the Committee to cause keeping of such books of accounts and other books in relation thereto of all its undertakings, Funds, activities and property as the County Executive Committee Member may from time to time approve and shall, within a period of three months after the end of the financial year, cause to be prepared, signed and forwarded to the Auditor-General;

- (a) a financial statement of the Fund; and
- (b) such other statements of accounts as the County Executive Committee Member for Finance may approve

During the period, the Loan repayments during the year amounted to Kshs. 7,168,547. Kshs 218,739 was recovered from the fund account by KCB bank due to loan default during the year. Kshs 10,409,700 of previously written off loans by the bank was recovered from the borrower during the period.

Changes in the fund board during the year

During the year under review, the sitting committee terms expired and the Fund did not have a sitting committee.

In order to ensure improved transparency, accountability and fiscal responsibility in the fund, the Fund Committee is committed to prudent management of finances guided by sound financial policies and guidelines that ensure efficient utilization of resources. This will help bolster the key objective of fund, which is to provide a fund that is accessible to residents in order to achieve equitable social and economic development in the County.

The main challenge faced during the period was the effects of Covid- 19 pandemic which resulted to low investment returns hence poor loan repayment. Also the committee operations and training activities were largely affected by the pandemic.

As I conclude, I would like to thank the County government of Makueni and National Treasury for the support they gave during the financial year.

Signed:



*fw* PETER NYAMAI

ECM TRADE, INDUSTRY, MARKETING AND COOPERATIVE DEVELOPMENT

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**

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**5. REPORT OF THE FUND ADMINISTRATOR**

**BACKGROUND**

The Makueni county government established a Fund – Makueni County Youth, Men, Women, Persons with Disability and Table banking Groups Empowerment Fund which aims at providing a fund that is accessible to all in the community.

The fund is based on the premise that micro, small and medium enterprise development initiatives are likely to have the biggest impact on job creation, create livelihood opportunities, and spur economic growth in the County. The fund is open to Youth, Men, Women and Persons with Disabilities, Individuals and Table Banking Groups in the County. Groups are required to be duly registered.

**Changes in the fund board during the year**

Changes in the fund board during the year

During the year under review, the sitting committee terms expired and the Fund did not have a sitting committee.

**TETHEKA STATUS REPORT**

During the period, the Loan repayments during the year amounted to Kshs. 7,168,547. Kshs 218,739 was recovered from the fund account by KCB bank due to loan default during the year. Kshs 10,409,699.94 of previously written off loans by the bank was recovered from the borrower during the period.

Loan Repayment	Write off	write Back
7,168,547	218,739	10,409,700

**PRODUCTS VS AMOUNT DISBURSED AS AT 30<sup>th</sup> June 2022**

PRODUCT NAME	DISBURSED AMOUNT
POULTRY	1,870,000.00
DAIRY	9,350,000.00
DAMLINERS	15,960,000.00

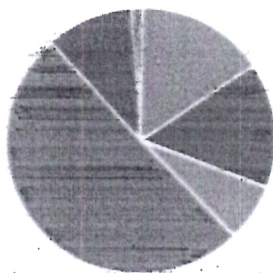
**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**

BUSINESS EMPOWERMENT	16,161,000.00
MKOPO MATUNDA	31,615,000.00
GROUPS/M VIKUNDI	196,324,000.00
ENE	7,700,000.00
	<b>278,980,000.00</b>

**PRODUCTS VS AMOUNT DISBURSED**



■ BUSINESS EMPOWERMENT ■ DAIRY ■ DAMLINERS ■ GROUPS ■ MKOPO MATUNDA ■ POULTRY

**NOTES**

The pie chart graphically illustrates how the funds disbursed were shared by product

Groups where disbursements were the largest representing over 50%

Poultry Product received the least funding of about 10% of the total share

During the period, the fund's operational costs amounted to Kshs. 242,100. The Fund focused on recovery of defaulted loan amounts.

The main changes during the period was

1. The lapse of the existing MOU with KCB bank on 28<sup>th</sup> October 2021, the Fund is yet to procure another financial intermediary.
2. The lapse of the existing committee term.

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**

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3. The Fund domicile was changed from the department of Gender, Children, Culture and Social Services to the department of Trade, Industry, Marketing, Tourism and Cooperative Development on date 24<sup>th</sup> October 2021 by executive order.

4. The Fund reviewed the governing Regulations 2017 and the Makueni County Empowerment Fund Regulations' 2022 were passed by the assembly in May 2022 and is in the process of gazettelement.

The main challenge faced during the period the effects of Covid- 19 pandemic which resulted to low investment returns hence poor loan repayment.

Signed:



Magdalene Kisini

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**

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**9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Fund did not engage in any Corporate Social Responsibility activity.

**10. REPORT OF THE FUND COMMITTEE**

The Fund submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund's affairs.

**Principal activities**

The principal activity of the Fund is to provide capital that is affordable and easily accessible to the people of Makueni County.

**Results**

The results of the Fund for the year ended June 30, 2022 are set out on pages 1 to 8.

**Fund Committee**

The members of the Fund Committee who served during the year are shown on pages v to vi.

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Fund for the year/period ended June 30, 2022.

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**

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By Order of the Board



.....  
Fund Secretary

Date 22/12/2022

# **Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund**

## **Annual Report and Financial Statements**

**For the year ended June 30, 2022**

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### **11. 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 Makueni County Youth, Men, Women, Persons With Disabilities And Table-Banking Groups Empowerment Fund Regulations, 2017 passed by the Makueni County Assembly in 2017 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Makueni County Youth, Men, Women, Persons With Disabilities And Table-Banking Groups Empowerment Fund Regulations, 2014 passed by the Makueni County Assembly on 3<sup>rd</sup> December 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, 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.

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements**

**For the year ended June 30, 2022**

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**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 21 November 2022 and signed on its behalf by:

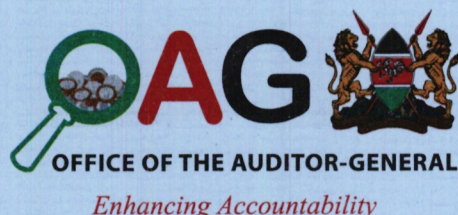


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Administrator of the County Public Fund

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON MAKUENI COUNTY YOUTH, MEN, WOMEN, PERSONS WITH DISABILITIES AND TABLE BANKING GROUPS EMPOWERMENT FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Makueni County Youth, Men, Women, Persons with Disabilities and Table Banking Groups Empowerment Fund set out

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*Report of the Auditor-General on Makueni County Youth, Men, Women, Persons with Disabilities and Table Banking Groups Empowerment Fund for the year ended 30 June, 2022*

on pages 1 to 40, which comprise the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Makueni County Youth, Men, Women, Persons with Disabilities and Table Banking Groups Empowerment Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management (Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund) Regulations, 2018 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unsupported Trade and Other Payables from Exchange Transactions**

Note 8 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.(1,740,003) comprising of loan repayments and accrued expenses balances of Kshs.(7,168,547) and Kshs.5,428,544 respectively. However, the balances were not supported by way of relevant ledgers.

In the circumstances, the accuracy and fair statement of the reported trade and other payables from exchange transactions balance of Kshs.(1,740,003) as at 30 June, 2022 could not be confirmed.

#### **2. Unconfirmed Interest Income-Fixed Deposit Account**

Note 5 to the financial statements reflects cash and cash equivalents of Kshs118,798,551 which includes fixed deposit balance of Kshs.73,882,885. However, review of operational and administrative documents indicates that the account was opened in 2020 but without a maturity date nor interest rate. Further, the fund account remained dormant during the financial year 2021/2022 contrary to the purposes for which it was established.

In the circumstances, the accuracy and fair statement of the fixed deposit account balance of Kshs.73,882,885 as at 30 June, 2022 could not be confirmed.

#### **3. Unreconciled and Long Outstanding Receivables from Exchange Transactions**

Note 6 to the financial statements reflects current portion of Long-term receivables from exchange transactions balance of Kshs.91,577,705. However, analysis of trade debtor's reconciliation summary indicates write offs amounting to Kshs.218,740, write backs of Kshs.(10,409,700) and a reconciling amount of Kshs.(7,168,547) referred to as current

loan repayment due. The Fund management did not, as required by accounting standards, maintain ledger accounts.

Further analysis of the loan portfolio revealed that loan balances of Kshs.63,062,021 had remained outstanding for over 360 days. Demand notices for the outstanding loans were however not provided for audit review while Management has not demonstrated efforts made to recover the long outstanding loans from the borrowers. There was also no aging analysis for the long outstanding loans.

In the circumstances, the accuracy and fair statement of current portion of Long-term receivables from exchange transactions balance of Kshs.91,577,705 as at 30 June, 2022 could not be confirmed.

#### **4. Going Concern of Fund**

The Fund was established in 2018 to support and advance loans to various successful individuals and groups. Also established was the committee of oversight for proper performance of funds. However, review of documents and records revealed issues which casts doubts on the going concern of the Fund:

- On expiry of the committee's terms which was for an initial period of 3 years, renewal or appointment of a fresh team was not catered for.
- The committee as per the regulations was to hold four meetings per year, yet only one meeting has been held since the inception of the Fund.
- The revolving funds lies idle in the fixed deposit account and does not earn any interest while the certificate of fixed deposit does not bear a maturity date.
- Management did not demonstrate efforts to recover the outstanding loans in default casting doubt on future lending.
- The bank administering the Fund recovered its loan processing fees upfront at the time of advancing the loan leaving out the burden of loans to the Fund. This is despite the borrowers being required to make payments individually into the bank account. The Fund however, does not have first charge on any funds in a customer's account and has to seek concurrence of the borrower for the transfer funds to the Fund account for loan repayment. The arrangement complicates the loan recovery efforts.
- There was irregular inter borrowing of funds by the County Government departments contrary to objectives of the funds.
- There was failure to maintain books of accounts by the fund management and individual loans ledgers that clearly show the amount disbursed and repayment amounts.
- No loans were advanced for the period under review which is countermanding on the fund objectives.

In the circumstances, the going concern and continuity of the Fund was in doubt.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Makueni County Youth, Men, Women, Persons with Disabilities and Table Banking Groups Empowerment Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit report of the previous period, several issues were raised under the Reports on the Financial Statements and Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board reporting template.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Irregular Memorandum of Understanding between the Fund and the Fund Administrator**

Review of the Memorandum of Understanding (MOU) between the County Government and the bank administering the Fund revealed the following anomalies:

- The MOU did not have the start date.

- The MOU contained a clause stating that loans advanced would attract interest rate at 0% contrary to amended regulations of the Fund which subjects interest rate at 3% of loan advanced.

The Management indicated that MOU expired on 28 October, 2021 and the same had not been renewed as at the time of audit in the month of November, 2022.

In the circumstances, the legality and validity of MOU between the entity and the bank could not be confirmed.

## **2. Non-Provision of Information on Securities Held by Bank**

Individual loanees were required by the borrowing guidelines to provide security to the bank before the loan was approved and disbursed. However, the request to the bank to provide a certified list of all securities held on account of the outstanding loans for audit purposes was not met.

In the circumstances, the validity and the regularity of the securities held by the bank against outstanding loans could not be confirmed.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis of Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the appropriate basis of accounting unless the County Government is aware of the intention to terminate the Fund or to cease operations.

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that Public Resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

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

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

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

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

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

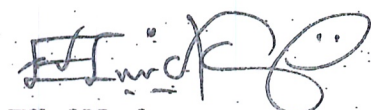
Nairobi

07 March, 2023

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup>  
JUNE 2022**

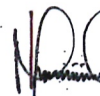
	Note	2021/2022	2020/2021
		KShs	KShs
<b>Revenue from exchange transactions</b>			
Transfer from County Government			
Interest Income			
Other Income	1		480.00
<b>Total revenue</b>			<b>480.00</b>
<b>Expenses</b>			
General Expenses			1,308,130.00
Staff costs		-	-
Use of goods and services	3	242,100.00	
Depreciation and Amortization Expenses	4	44,265.00	
<b>Total expenses</b>		<b>286,265.00</b>	<b>1,308,130.00</b>
<b>Other gains/losses</b>			
<b>Surplus/(deficit) for the period</b>		<b>(286,264.88)</b>	<b>(1,307,650.00)</b>

The notes set out on pages 38 to 44 form an integral part of these Financial Statements



Eliud Ngela

A.g Chief officer Financial Services



Magdalene Kisini

Fund Administrator

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

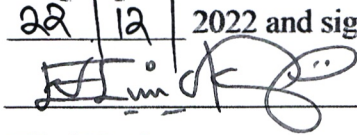
	Note	2021/2022	2020/2021
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	118,798,551.00	138,011,257.00
Current Portion of Long-Term Receivables From Exchange Transactions	6	91,577,705.00	79,775,546.00
		<b>210,376,256.00</b>	<b>217,786,803.00</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	132,795.00	177,059.00
		<b>132,795.00</b>	<b>177,059.00</b>
<b>Total assets</b>		<b>210,509,051.00</b>	<b>217,963,863.00</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	8	-1,740,003.00	5,428,544.00
<b>Non-current liabilities</b>			
<b>Total liabilities</b>		<b>1,740,003.00</b>	<b>5,428,544.00</b>
<b>Net assets</b>			
Revolving Fund		212,283,715.00	212,283,715.00
Accumulated surplus		(34,661.00)	251,604.00
<b>Total net assets and liabilities</b>		<b>210,509,051.00</b>	

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

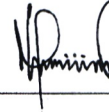
			217,963,863.00
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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29/12/2022 and signed by:



Eliud Ngela

A.g Chief officer Financial Services



Magdalene Kisini

Fund Administrator

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

**15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30  
JUNE 2022**

	Revolving Fund	Revalua tion Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2020</b>	<b>212,283,715.00</b>		<b>1,559,254.00</b>	<b>213,842,969.00</b>
Surplus/(deficit) for the period	-	-	<b>(1,307,650.00)</b>	(1,307,650.00)
Funds received during the year		-		
Revaluation gain	-			
<b>Balance as at 30 June 2021</b>	<b>212,283,715.00</b>	-	<b>251,604.00</b>	<b>212,535,319.00</b>
<b>Balance as at 1 July 2021</b>	<b>212,283,715.00</b>	-	<b>251,604.00</b>	<b>212,535,319.00</b>
Surplus/(deficit) for the period		-	(286,265.00)	(286,265.00)
Funds received during the year				
Revaluation gain				
<b>Balance as at 30 June 2022</b>	<b>212,283,715.00</b>		<b>(34,661.00)</b>	<b>212,249,054.00</b>

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

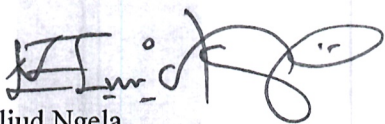
**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**


	Not e	2021/2022	2020/2021
			KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations			
Transfers from the County Government			
Other Income			480.00
Receipts from other operating activities (Write backs)		10,409,700.00	7,263,420.00
<b>Total Receipts</b>		<b>10,409,700.00</b>	<b>7,263,900.00</b>
<b>Payments</b>			
Fund administration expenses			
Staff costs			
General expenses		242,100.00	1,263,865.00
Adjusted for Depreciation			
Finance cost (Write offs)		218,740.00	24,008,943.00
<b>Total Payments</b>		<b>460,740.00</b>	<b>25,272,808.00</b>
Additional borrowings by departments		(29,161,666.00)	
<b>Net cash flows from operating activities</b>		<b>(19,212,706.00)</b>	<b>(18,008,907.00)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets			
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments			
Loan disbursements paid out			
<b>Net cash flows used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts			

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

Repayment of borrowings			
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9</b>	<b>(19,212,706.00)</b>	<b>(18,008,907.00)</b>
Cash and cash equivalents at 1 JULY	5	138,011,257.00	156,020,165.00
<b>Cash and cash equivalents at 30 JUNE</b>	<b>5</b>	<b>118,798,551.00</b>	<b>138,011,257.00</b>

  
Eliud Ngela  
A.g Chief officer Financial Services

  
Magdalene Kisini  
Fund Administrator

**Maqueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022	2022	2022	2022	2022	2022
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Public contributions and donations	0	0	0	0	0	0
Transfers from County Govt	0	0	0	0	0	0
Interest Income	0	0	0	0	0	0
Other Income	300,000.00	0	0	242,100.00	57,900.00	0
<b>Total income</b>	<b>300,000.00</b>	<b>0</b>	<b>0</b>	<b>242,100.00</b>	<b>57,900.00</b>	<b>0</b>
<b>Expenses</b>						
Fund administration expenses						
General expenses	300,000.00	-		242,100.00	57,900.00	
<b>Total expenditure</b>	<b>300,000.00</b>	<b>-</b>		<b>242,100.00</b>	<b>57,900.00</b>	
<b>Surplus for the period</b>	<b>0</b>	<b>-</b>		<b>0</b>	<b>0</b>	

# Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund

Annual Report and Financial Statements for the year ended June 30, 2022

## 18. NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

Makueni County Youth, Men, Women, Persons With Disabilities And Table-Banking Groups Empowerment Fund entity is established by and derives its authority and accountability from Makueni County Youth, Men, Women, Persons With Disabilities And Table-Banking Groups Empowerment Fund) Regulations, 2017. The entity is wholly owned by the Makueni County Government and is domiciled in Kenya. The entity's principal activity is to provide funding that is easily accessible to the people of Makueni 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) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

#### (ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2023:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>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 financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<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</p>

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were 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> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<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</p>

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> 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.</li> </ul> <p><i>State the impact of the standard to the Entity if relevant</i></p>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></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 cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><b><i>State the impact of the standard to the Entity if relevant</i></b></p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<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> <p><i>State the impact of the standard to the Entity if relevant</i></p>

**(iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

**1. 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.

**b) Budget information**

The original budget for FY 2021-2022 was approved by the County Committee. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded no additional appropriations on the FY 2021-2022 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.

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.

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**-Annual Report and Financial Statements for the year ended June 30, 2022**

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 17 of these financial statements.

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**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.

**a) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Loans and receivables***

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

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

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

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**b) 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.

**c) Provisions**

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

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

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

***Contingent liabilities***

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

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.

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022 -**

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

***Contingent assets***

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

**d) 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.*

**e) 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.

**f) 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.

**g) 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

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

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.

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**h) 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.

**i) 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.

**j) 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.

**k) Comparative figures**

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

**l) Events after the reporting period**

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

**m) Ultimate and Holding Entity**

The entity is a County Public Fund established by Makueni County Youth, Men, Women, Persons With Disabilities And Table-Banking Groups Empowerment Fund Regulations, 2017 under the Ministry of Finance. Its ultimate parent is the County Government of Makueni.

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

- - **Annual Report and Financial Statements for the year ended June 30, 2022**

**n) Currency**

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

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June-30, 2022**

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

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

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

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

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

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

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

**6. Notes To The Financial Statements**

**1. Transfers from County Government**

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. -Operations	-	480.00
Payments By County On Behalf Of The Entity	-	0
<b>Total</b>	-	<b>480.00</b>

**2. Employee Costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other (Specify)	-	-
<b>Total</b>	-	-

**3. Use of Goods and Services**

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	-	47,800.00
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

Committee Allowances	-	-
Bank Charges	-	-
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-
<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	70,000.00	121,000.00
Bank Charges	-	1,545.00
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other ( <i>Specify</i> )	172,100.00	1,093,520.00
<b>Total</b>	<b>242,100.00</b>	<b>1,263,865.00</b>

**4. Depreciation and Amortization Expense**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Property Plant and Equipment	44,265.00	44,265.00
Intangible Assets	0	0
<b>Total</b>	<b>44,265.00</b>	<b>44,265.00</b>

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes to the Financial Statements Continued**

**5. Cash and cash equivalents**

Description	2021-2022	2020-2021
	Kshs	Kshs
Fixed Deposits Account		73,882,885.00
On – Call Deposits		
Current Account	44,915,666.00	64,128,372.00
Deposits in lieu of loans	73,882,885.00	
<b>Total Cash And Cash Equivalents</b>	<b>118,798,551.00</b>	<b>138,011,257.00</b>

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
<b>a) Fixed Deposits</b>			
Kenya Commercial Bank	1183068646		47,863,605.00
Kenya Commercial Bank	1205463038		26,019,280.00
<b>Sub- Total</b>			<b>73,882,885.00</b>
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank			
Kenya Commercial Bank			
<b>Sub- Total</b>			
<b>c) Current Account</b>			
Kenya Commercial Bank	1183068646	44,915,786.00	64,128,492.00
Kenya Commercial Bank	1205463038	-120.00	-120.00
<b>Sub- Total</b>		<b>44,915,666.00</b>	<b>64,128,372.00</b>
<b>d) Deposits in lieu of loans</b>			
Kenya Commercial Bank	1183068646	47,863,605.00	
Kenya Commercial Bank	1205463038	26,019,280.00	

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

<b>Sub- Total</b>		<b>73,882,885.00</b>	
<b>Grand Total</b>		<b>118,798,551.00</b>	<b>138,011,257.00</b>

**6. Receivables from exchange transactions**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable	0	0
Current Loan Repayments Due	-7,168,547.00	-29,657,948.00
Write Off	218,740.00	24,008,943.00
Write Backs	-10,409,700.00	-7,263,420.00
Receivable Brought Forward	79,775,546.00	92,687,972.00
Other Exchange debtors	29,161,666.00	
<b>Total Current Receivables</b>	<b>91,577,705.00</b>	<b>79,775,546.00</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due		
<b>Total Non- Current Receivables</b>		
<b>Total Receivables From Exchange Transactions</b>	<b>91,577,705.00</b>	<b>79,775,546.00</b>

**Additional disclosure on interest receivable**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years		
Accrued interest receivable from of long-term loans of previous years		
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		
Accrued principal from long-terms loans from previous periods		
Current portion of long-term loans issued in the current year		

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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

**7. Property, plant and equipment**

	<b>Land and Buildings</b>	<b>Motor vehicles</b>	<b>Furniture and fittings</b>	<b>Computers and office equipment</b>	<b>Total</b>
<b>Cost</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 1<sup>st</sup> July 2020</b>			<b>354,119.00</b>	<b>219,000.00</b>	<b>573,119.00</b>
Additions					
Disposals					
Transfers/Adjustments					
<b>At 30<sup>th</sup> June 2021</b>			<b>354,119.00</b>	<b>219,000.00</b>	<b>573,119.00</b>
<b>At 1<sup>st</sup> July 2021</b>					
Additions					
Disposals					
Transfer/Adjustments					
<b>At 30<sup>th</sup> June 2022</b>			<b>354,119.00</b>	<b>219,000.00</b>	<b>573,119.00</b>
<b>Depreciation And Impairment</b>					
<b>At 1<sup>st</sup> July 2020</b>			<b>177,060.00</b>	<b>219,000.00</b>	<b>323,060.00</b>

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation					
Impairment					
<b>At 30<sup>th</sup> June 2021</b>			177,060.00	219,000.00	<b>323,060.00</b>
<b>At 1<sup>st</sup> July 2021</b>			177,060.00		<b>177,060.00</b>
Depreciation			44,265.00		<b>44,265.00</b>
Disposals					
Impairment					
Transfer/Adjustment					
<b>At 30<sup>th</sup> June 2022</b>			<b>221,324.00</b>		<b>221,324.00</b>
<b>Net Book Values</b>					
<b>At 30<sup>th</sup> June 2021</b>			<b>177,059.00</b>		<b>177,059.00</b>
<b>At 30<sup>th</sup> June 2022</b>			<b>132,795.00</b>		<b>132,795.00</b>

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

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

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables		
Loan Repayments	-7,168,547.00	-29,657,948.00
Accrued Expenses	5,428,544.00	35,086,492.00
Other Payables		
<b>Total Trade And Other Payables</b>	<b>-1,740,003.00</b>	<b>5,428,544.00</b>

**9. Cash generated from operations**

	2021-2022	2020-2021
	Ksh	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	<b>-286,264.00</b>	<b>-1,307,650.00</b>
<b>Adjusted For:</b>		
Depreciation	44,265.00	44,265.00
Amortisation		
Gains/ Losses On Disposal Of Assets		
Interest Income		
Finance Cost		
<b>Working Capital Adjustments</b>		
Increase In Inventory		
Increase In Receivables	-7,168,547.00	12,912,426.00
Increase In Payables	-11,802,159.00	-29,657,948.00
<b>Net Cash Flow From Operating Activities</b>	<b>-19,212,706.00</b>	<b>-18,008,907.00</b>

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

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures Continued**

**10. 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:

	Total amount Kshs	Fully perfo rmin g Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions	91,577,705	-	91,577,705	
Receivables From Non-Exchange Transactions				
Bank Balances	118,798,551		118,798,551	
<b>Total</b>	<b>(27,220,846)</b>		<b>(27,220,846)</b>	
<b>At 30 June 2021</b>				
Receivables From Exchange	79,775,546	-	79,775,546	

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

Transactions			
Receivables From Non Exchange Transactions			
Bank Balances	138,011,257		138,011,257
<b>Total</b>	<b>(58,235,711)</b>	<b>-</b>	<b>(58,235,711)</b>

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

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 91,577,705.00

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

**b) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>				
Trade Payables			(1,740,003.00)	(1,740,003.00)
Current Portion Of Borrowings				

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

Provisions				
Employee Benefit Obligation				
<b>Total</b>				
<b>At 30 June 2021</b>				
Trade Payables			<b>5,428,544.00</b>	<b>5,428,544.00</b>
Current Portion Of Borrowings				
Provisions				
Employee Benefit Obligation				
<b>Total</b>			<b>5,428,544.00</b>	<b>5,428,544.00</b>

**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:

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

		Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>			
<b>Financial Assets</b>			
Investments			
Cash			
Debtors/ Receivables			
<b>Liabilities</b>			
Trade And Other Payables			
Borrowings			
Net Foreign Currency Asset/(Liability)			

*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.*

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
<b>2022</b>			
Euro	10%		
USD	10%		
<b>2021</b>			
Euro	10%		

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

USD	10%		
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**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2022: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2021 – KShs xxx)

**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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve		
Revolving fund	213,842,969.00	213,842,969.00

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

Accumulated surplus	(286,265.00)	(1,307,650.00)
<b>Total funds</b>	<b>213, 556,704.00</b>	<b>212,535,319.00</b>
Total borrowings	0	0
Less: cash and bank balances	118,798,551.00	138,011,257.00
Net debt/(excess cash and cash equivalents)	94,758,153.00	74,524,062.00
<b>Gearing</b>	<b>44%</b>	<b>35%</b>

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

**19. 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1	Inaccuracies in the Financial Statement	Prior Year adjustments have since been made	Resolved	Done
2	Unsupported Cash and Cash Equivalent Balance	Bank Statements, Certificates of Balances and Bank reconciliations for both the Fund accounts had been availed.	Resolved	Done
3	Unconfirmed Trade and other Payables Balance	The analysis schedule of trade and other debtors has been provided for audit purposes	Resolved	Done
4	Unconfirmed Statement of Cash Flows Balances	The statement of cash flows has been adjusted to reflect the general expenses	Resolved	Done
1	Omitted Non-Financial Information	The Funds Financial Statements have been amended accordingly to reflect the correct information	Resolved	Done

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	Misrepresentation of Financial Statement Balances	The Funds Financial Statements have been amended accordingly to reflect the correct information	Resolved	Done
3	Failure to recover loans	Management wrote back Kshs 10,409,700.00 of already written off loans.	Not Resolved	Continuous
4	Skewed Memorandum of Understanding (MoU)	The MOU with KCB Lapsed and the Fund is in the process of procuring a Financial Intermediary.	Not Resolved	FY 2022/2023

*N.P. Njirima*

**Makueni County Youth, Men, Women, Persons With Disabilities and Table Banking  
Groups Empowerment Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**