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REPORT

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CLERK AT THE TABLE	Ms. MACHARIA

OF

THE AUDITOR-GENERAL

ON

**BARINGO COUNTY MICRO AND SMALL
ENTERPRISE FUND**

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





BARINGO COUNTY GOVERNMENT

BARINGO COUNTY MICRO AND SMALL ENTERPRISES FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2021

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

MICRO AND SMALL ENTERPRISES FUND
Reports and Financial Statements
For the year ended June 30, 2021

Table of Contents

1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. FUND ADMINISTRATION COMMITTEE	5
3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES	8
4. MANAGEMENT TEAM	11
5. FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT	14
6. REPORT OF THE FUND ADMINISTRATOR	16
7. CORPORATE GOVERNANCE STATEMENT	18
8. MANAGEMENT DISCUSSION AND ANALYSIS	21
9. REPORT OF THE FUND ADMINISTRATION COMMITTEE	22
10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	24
11. REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR MICRO AND SMALL FUND	26
12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021	27
13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021	28
14. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021	30
15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021	31
16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 th JUNE 2021.	32
17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	33
18 .NOTES TO THE FINANCIAL STATEMENTS	52
19. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS	65
20 .APPENDIX I: INTER-ENTITY TRANSFERS	66

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

- I. Baringo County **MICRO AND SMALL ENTERPRISES FUND** is established by and derives its authority and accountability from section 116(1) of the Public Finance Management Act 2012. The Fund is wholly owned by the County Government of Baringo.
- II. The Fund's objective is to allow the County Executive to make lending to Micro, Small and Medium Enterprises in the County.
- III. The Fund's principal activity is to lend money to needy traders in the County

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to manage loans promptly and the objectives are:

- i. Disburse loans to traders
- ii. Recovery of loan money from loanees
- iii. Capacity building of loan beneficiaries and those in need
- iv. They are the custodian of loan securities for the loan beneficiaries

Core objectives of the fund

1. To promote small-scale enterprises through provision of affordable credit.
2. To enable loan recipients gain experience in loan management so that they can graduate to source funds from established financial institutions.
3. Introduce small scale traders into borrowing funds for business
4. Reduce rural –urban migration
5. Create employment, stimulate income earnings and reduce poverty.

c) Fund Administration Committee

Ref	Position	Name
	Chairman of the Fund	Hon Clement Lomaring'oria
1	Chief Officer Trade/ Fund Administrator	Moses Lokidor
2	Chief Officer Finance	John Kisang
3	Other trustees/Committee Members	Elisha Kiplagat
4	Director-Trade/member	LemaleSauroki
5	County Trade Dev. officer/Secretary	Luke Imbusi

d) Key Management

Ref	Position	Name
1	Hon Clement Lomaring'oria	Chairperson CECM for Trade Affairs - Baringo CountyGovernment
2	John Kisang	Chief Officer - Treasury
3	Moses Lokidor	Chief Officer - Trade
4	LemaleSauroki	County Director - Trade
5	Luke Imbusi	County Trade Development Officer
6	CPA George Kiprotich	Accountant

e) Fiduciary Oversight Arrangements

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

Ref	Position	Name
1	Directorate Internal Audit	JAMES ROTICH

f) Registered Offices

P.O. Box 53-30400
Mwalimu Plaza 1ST Floor
Kabarnet, KENYA

g) Fund Contacts

Telephone: 053-22290

E-mail: cectreasurybaringo@gmail.com.

Website: www.baringo.go.ke

h) Fund Bankers

1. Equity Bank

Branch: Kabarnet Branch

Bank Name: Baringo County Small and Medium Enterprises Fund

Account Number: 1 3 9 0 2 6 2 5 7 2 7 5 8

Kabarnet Branch, Kenya

i) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office



Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

2. FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience
 <p data-bbox="97 1167 719 1205">HON CLEMENT LOMAGORIA-CHAIRMAN</p>	<p data-bbox="791 293 979 327">Date of Birth:</p> <p data-bbox="791 344 1366 383">Academic and professional qualifications:</p> <p data-bbox="791 400 1433 600">Work experience: School Principal before appointment as County Executive Committee member for Industry, Commerce, Enterprises and Co-operatives</p> <p data-bbox="791 618 1442 707">Executive Chairman: Baringo County Micro and Small Enterprises Fund</p>
 <p data-bbox="97 1715 528 1805">MR. MOSES LOKIDOR-FUND ADMINISTRATOR</p>	<p data-bbox="791 1227 987 1261">Date of Birth:</p> <p data-bbox="791 1279 1374 1317">Academic and professional qualifications:</p> <p data-bbox="791 1335 1385 1424">Work experience: Chief officer for Industry, Commerce, Enterprises and Co-operatives</p> <p data-bbox="791 1442 1437 1532">Fund administrator: Baringo County Micro and Small Enterprises Fund</p>



MR.JOHN KISANG-CHIEF OFFICER -FINANCE

Date of Birth:1972

Academic and professional qualifications:

Work experience: Chief Officer for Mining before appointment as Chief Officer for Finance

Committee member: Baringo County Micro and Small Enterprises Fund



MR.LEMALE SAUROKI- DIRECTOR TRADE

Date of Birth:24/8/1974

Academic and professional qualifications:

Work experience: County Director for Trade in Department of Industry, Commerce, Enterprises and Co-operatives

Committee member: Baringo County Micro and Small Enterprises Fund



MR.LUKE IMBUSI-TRADE DEV
OFFICER-TREASURER

Date of Birth:07-05-1969

Academic and professional qualifications:

Bachelor of Art, Economics

Work experience: County Trade Development Officer in department of Industry, Commerce, Enterprises and Co-operatives

Secretary/Treasurer: Baringo County Micro and Small Enterprises Fund

3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the Baringo County Micro and small Enterprises Fund are to:

- a) To promote small-scale enterprises through provision of affordable credit.
- b) To enable loan recipients gain experience in loan management so that they can graduate to source funds from established financial institutions.
- c) Introduce small scale traders into borrowing funds for business
- d) Reduce rural –urban migration
- e) Create employment, stimulate income earnings and reduce poverty.

Challenges include

1. Un equitable distribution of the Fund at inception

There was no uniform sharing of the Fund amongst the six sub counties

2. Under Staffing

There are only Two officers manning the Fund, one at Kabarnet and the other at Eldama Ravine with no support staff at Kabarnet office.

3. Mobility of administering the Fund

There are no vehicles specifically meant for the Fund since this exercise require close supervision by visiting traders at their premises

Below we provide the progress on attaining the stated objectives:



**MICRO AND SMALL ENTERPRISES FUND
Reports and Financial Statements
For the year ended June 30, 2021.**

Program	Objective	Outcome	Indicator	Performance
Micro and Small Enterprises Fund loan advance	To promote small-scale enterprises through provision of affordable credit	Increased number of traders getting affordable credit	Number of traders accessing loans and amount of loans disbursed	In FY 20/21 a total of kshs. 7,730,000.00 was disbursed to 114 traders across the County
Micro and Small Enterprises Fund Loan recoveries	To make appropriate recoveries as it is a revolving fund for others to benefit	Increased amounts to benefit other borrowers	Amount recovered during the period	For FY 20/21 a total of kshs. 2,469,790.84 was recovered from loanees
Micro and Small Enterprises Fund recipients training	To enable loan recipients gain experience in loan management so that they can graduate to source funds from established financial institutions.	Increased number of beneficiaries getting trained and experience in loan management	Number of loan beneficiaries trained, gained experience in loan management and graduation	In FY 20/21 we Trained 114 traders/loan recipients Loan recoveries were made amounting to kshs. 2,469,790.84
Micro and Small Enterprises Fund	Introduce small scale	Public awareness of the existence of	Number of traders	There were various sensitization

MICRO AND SMALL ENTERPRISES FUND
Reports and Financial Statements
For the year ended June 30, 2021.

Program	Objective	Outcome	Indicator	Performance
public sensitization	traders into borrowing funds for business	the Fund	sensitized	sessions both in office and field on the existence and benefits of the loans.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
 <p data-bbox="86 1059 710 1093">HON CLEMENT LOMAGORIA-CHAIRMAN</p>	<p data-bbox="778 255 965 288">Date of Birth:</p> <p data-bbox="778 309 1353 342">Academic and professional qualifications:</p> <p data-bbox="778 362 1485 510">Work experience: School Principal before appointment as County Executive Committee member for Industry, Commerce, Enterprises and Co-operatives</p> <p data-bbox="778 530 1428 613">Executive Chairman: Baringo County Micro and Small Enterprises Fund</p>
 <p data-bbox="86 1615 523 1697">MR. MOSES LOKIDOR-FUND ADMINISTRATOR</p>	<p data-bbox="778 1115 981 1149">Date of Birth:</p> <p data-bbox="778 1169 1364 1202">Academic and professional qualifications:</p> <p data-bbox="778 1223 1374 1305">Work experience: Chief officer for Industry, Commerce, Enterprises and Co-operatives</p> <p data-bbox="778 1326 1428 1408">Fund administrator: Baringo County Micro and Small Enterprises Fund</p>



MR. JOHN KISANG-CHIEF OFFICER -FINANCE

Date of Birth:1972

Academic and professional qualifications:

Work experience: Chief Officer for Mining before appointment as Chief Officer for Finance

Committee member: Baringo County Micro and Small Enterprises Fund



MR.LEMALE SAUROKI- DIRECTOR TRADE

Date of Birth:

Academic and professional qualifications:

Work experience: County Director for Trade in Department of Industry, Commerce, Enterprises and Co-operatives

Committee member: Baringo County Micro and Small Enterprises Fund



MR.LUKE IMBUSI-TRADE DEV
OFFICER-TREASURER

Date of Birth:07-05-1069

Academic and professional qualifications: Bachelor of Art, Economics

Work experience: County Trade Development Officer in department of Industry, Commerce, Enterprises and Co-operatives

Secretary/Treasurer: Baringo County Micro and Small Enterprises Fund

5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

During the year under review, the Fund did witness only **one change** in the composition of its board and management team. The Fund regulation provides for the County Executive Committee member for Trade to be the Chairperson of the Fund Committee. With the transfer of CECM, Hon. Dr. David Serگون to the department of Education it meant he ceased to be the Chair of the Fund. His successor, the current CECM, Hon Clement Lomaring'oria is now Chairperson.

Despite financial constraints, the fund was able to utilize the available resources at its disposal to meet some of its objectives. Total Revenue was ksh. **10, 548,984.54** and total expenses were ksh. **7,871,798.00** For a fruitful impact, the fund should be allocated more funds.

This is a fund established in 2014 by the County Government of Baringo realization that a majority of the entrepreneurs cannot access credit from mainstream banks due to lack of credit worthiness.

The loans are administered and advanced by the Department in-charge of Trade through Trade's office (the county office). Currently there are 2 offices situated in Kabarnet and Eldama Ravine respectively. The day to day running of the Fund is vested with the County Trade Development Officer under delegated powers by the respective Chief Officer.

The businesses which benefit from the loan scheme include:

- Light industries
- Services
- Wholesale and Retail Establishments

Purposes for which the loans may be advanced

- Purchase of trading stocks
 - Purchase of raw materials/simple equipment for small scale industry/artisan.
 - Purchase of seasonal agricultural produce or livestock in areas where this is an important commercial activity.
 - Any other specific purpose which is a **trade** or an **industrial** venture.

How to qualify for the loan

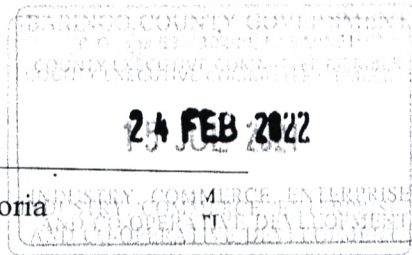
- You must be a an indigenous Kenyan

- You must have been in business for at 6 months
- You must satisfy the loan authority that you keep simple books of accounts
- You must have a lockable premises
- You must be the owner-manager of the business
- You must be carrying out a legal business recognized by the relevant government organs.
- You must secure the loan through one of the following: title deed, share certificate and life insurance policy.

In conclusion, the Fund has had challenges of default in some parts of the county and are in process of engaging a debt collector to assist with such cases. Since the demand for loan is higher than the available fund we need to enhance the kitty so as to make impact to the traders.

Signed: Tomasa *ge*

Hon. Clement Lomaring'oria



6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

In FY 2020/2021, we had anticipated to advance kshs. 7,000,000.00 to traders but did actual disbursement of ksh. 7,730,000/=. This was as result of County government boasting the fund with ksh, 1,655,448.00 in March, 2020. The other cumulative sums on disbursements are as in next paragraph.

Amounts received from Baringo County Government through appropriation by Baringo County Assembly and total cumulative disbursements are as follows;

FINANCIAL YEAR	AMOUNT RECEIVED BY THE FUND FROM COUNTY GOVERNMENT (Ksh.)		AMOUNT DISBURSED (Ksh.)	
	DATE	KSHS	DATE	KSHS
2014/2015	23/1/2015	7,500,000	20/2/2015	13,450,000
	20/2/2015	7,500,000	22/4/2015	1,360,000
2015/2016	10/12/2015	2,413,000	14/12/2015	6,810,000
2016/2017	1/11/2016	3,000,000	13/12/2016	8,040,000
2018/2019			28/9/2018	8,980,000
2019/2020	11/3/2020	1,665,448		
2019/2020			01/07/2020	7,730,000
TOTAL		22,078,448		46,370,000

The most recent meeting for disbursement was on **01/07/2020** when the Fund Committee disbursed **Ksh. 7,730,000.00** to **114 beneficiaries**.

Loan repayments are on-going and beneficiaries have made profits and actually added stock hence actually expanded their businesses

The implementation challenges are diverse and include but not limited to the following;

CURRENT DEPARTMENTAL OBSERVATIONS

1. Un equitable distribution of the Fund at inception

There was no uniform sharing of the Fund amongst the six sub counties

2. Under Staffing

There are only Two officers manning the Fund, one at Kabarnet and the other at Eldama Ravine with no support staff at Kabarnet office.

3. Mobility of administering the Fund

There are no vehicles specifically meant for the Fund since this exercise require close supervision by visiting traders at their premises

RECOMMENDATIONS

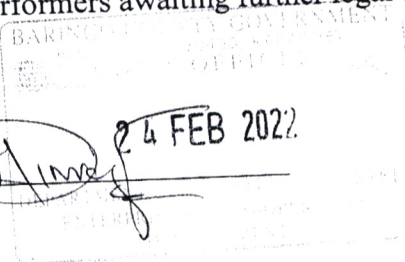
1. The department recommends equitable allocations amongst the six Sub-counties to have fare distribution across the whole County
2. We recommend improvement on staffing for better service delivery
3. We recommend for provision of a vehicle for the Fund to ease of mobility of the officers.
4. There is need for improved sensitization of traders on availability and use of the Fund. This will include up scaled capacity building for the traders on small business management courses across the whole County.

The performance of the fund was low due to limited resources hence could not meet the Fund's objectives as stipulated in the law. Total revenue was ksh10,548,984.54 out of which kshs.125,858 was administrative expenses.

Traders advanced loans provided securities. Loan default is actually high and demand notices have been issued to none performers awaiting further legal action as per fund regulation, revised 2020.

Signed: _____

Mr. Moses Lokidor



7. CORPORATE GOVERNANCE STATEMENT

The committee members are appointed and gazetted for a term period of three years and eligible for re-appointment for one more term. The current committee members were gazetted on 28/2/2020.

Currently we have a Micro and Small Enterprises Fund brochure that we display and distribute during events such as Trade shows and other exhibitions. The main features are;

- i) Year of establishment of the Fund
- ii) How the loans are given
- iii) Objectives of the Fund
- iv) The businesses which benefit from the loan scheme include
- v) Purposes for which the loans may be advanced
- vi) How to qualify for the loan
- vii) Procedure for accessing the loan
- viii) Loan Levels
- ix) Terms and conditions of the loan
- x) Repayment of the loan
- xi) Monthly repayment statements
- xii) Repeat loans
- xiii) Other Services and advantages of this Loan Scheme

Loans Management Fund Committee (The Fund regulations provides the following)

6. (1) There is established a committee to be known as the Fund Management Committee, which shall consist of-
- (a) County Executive Committee Member responsible for Industry and Commerce who shall be the Chairperson of the Committee.
 - (b) The Chief Officer responsible for Trade who shall be the Fund Administrator
 - (c) one person from department of Finance appointed by the Executive Committee Member responsible for Finance and Economic Planning;
 - (d) The Chairperson Kenya National Chamber of Commerce and Industry, Baringo Branch and two other members representing the local business community nominated by the same business community and appointed by the County Executive Member responsible for Industry and Commerce, at least one from

either gender and has a minimum qualification of post secondary education and experience in enterprises development

- (e) one person representing people living with disabilities and should have a minimum of KCSE certificate or its equivalent and currently engaged in business;
 - (f) two officers representing Department of Commerce and Co-operatives;
- (2) The appointed members shall hold office for a period of three years and are eligible for reappointment for one more term and shall be gazetted on appointment.

The functions of the Committee shall be to -

- (a) review appraisals and approve Fund applications consistent with the policy and regulations;
- (b) ensure timely and efficient disbursement of Funds to the successful applicants;
- (c) ensure efficient management of the Fund;
- (d) receive and discuss quarterly and annual reports and returns from the Fund;
- (e) receive and address complaints and disputes and take any appropriate action in consultation with Chief Officer Trade;
- (f) oversee the efficient management and operation of the Fund and other matters that may arise in relation to the Fund;
- (g) formulate and continually review the policy framework of the Fund; and
- (h) perform such other function as may be necessary for the proper discharge of its mandate.

The induction and training of committee members was done after their gazettment in May, 2020.

Currently there have been no cases of conflict of interest. The regulations provides as follows;

Members Disclosure of Interest

13. (1) A member who has an interest in any matter present at a meeting, shall as soon as reasonably practicable after the commencement of the meeting, disclose the fact thereof and shall not take part in the consideration or discussion of, or vote on, any questions with respect to the matter, or be counted in the quorum of the meeting during consideration of the matter.

(2) A disclosure of interest made under paragraph 15 (1) shall be recorded in the minutes of the meeting at which it is made.

The committee is remunerated as per regulation which limit administrative expenditure at 3% of budget available for sitting allowance.

8. MANAGEMENT DISCUSSION AND ANALYSIS

As stated elsewhere the recoveries were low during the period under review where total collection was ksh.2,469,790.84. Operational expenditure were majorly for meetings and bank charges total-ling ksh 141,798

,As perthe public finance management (Baringo county microand small enterprises fund) regulations, 2020

To ensure conformity with Fund requirements, consistency and regional fairness in loaning and a prudent assessment of the credit risks, all prospective borrowers shall follow the professional and standard process in loan processing consisting of the steps under these regulations

All loans issued by the Committee shall be repaid in accordance with the terms and conditions contained in the loan agreement, using mobile phone money transfer, banker's cheques, postal orders, standing orders or direct deposits to the bank account of the Fund.

The annual financial statements of the Fund shall be subject to audit by the Auditor-General

The adequate management of credit risk in micro and small enterprise fund is critical for the survival and growth of financial institutions. In the case of micro and small enterprise fund, the issue of credit risk is of greater concern because of the higher levels of perceived risk resulting from some of the characteristics of clients and business conditions that they find themselves in credit risk management is a structured approach to managing uncertainties through risk assessment, development of strategies to manage it and mitigation of risk using managerial resources.

The strategies include transferring, issue of demand notice , avoiding the risk by following due process, reducing the negative effects of the risk, and accepting some or all of the consequences of a particular risk and taking legal action.

9. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

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

10.1 Principal activities

The principal activities of the Fund are

- Disburse loans to traders
- Recovery of loan money from loanees
- Capacity building of loan beneficiaries and those in need
- They are the custodian of loan securities for the loan beneficiaries

10.3 Trustees

The members of the Board of Trustee / *Administration Committee* who served during the year are shown on page 5,6 and 7 . The changes in the Board during the financial year are as shown below:

k) Key Management

1	Hon Clement Lomaring'oria	Chairperson CECM for Trade Affairs - Baringo County Government
2	John Kisang	Chief Officer - Treasury
3	Moses Lokidor	Chief Officer - Trade
4	Lemale Sauroki	County Director - Trade
5	Luke Imbusi	County Trade Development Officer
6	CPA George Kiprotich	Accountant

10.4 Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

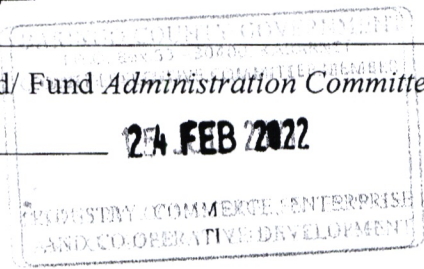
By Order of the Board

Sign: Thomas *re*
HESO

Name: _____

Chair of the Board/ Fund Administration Committee

Date: _____ **21 FEB 2022**



10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by **the public finance management (Baringo county micro and small enterprises fund) regulations, 2020** 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, 2021. 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
- V. 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 judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Baringo County Small and medium Enterprises Fund is established by **the public finance management (Baringo county micro and small enterprises fund) regulations, 2020** The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date.

**MICRO AND SMALL ENTERPRISES FUND
Reports and Financial Statements
For the year ended June 30, 2021.**

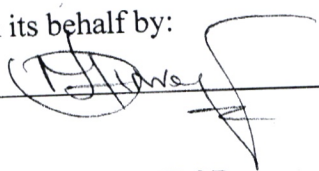
The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

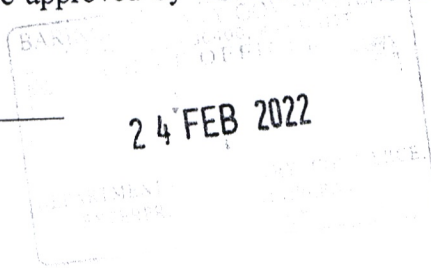
Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 24/2/2022 2021 and signed on its behalf by:



Name: MOSES LOKIDOR



Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY MICRO AND SMALL ENTERPRISE FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Baringo County Micro and Small Enterprise Fund set out on pages 27 to 67, which comprise of the statement of financial position as at 30 June, 2021, 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 Baringo County Micro and Small Enterprise Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Baringo County Micro and Small Enterprise Fund Regulations, 2020.

Basis for Qualified Opinion

1.0 Presentation and Inaccuracies of Financial Statements

Review of the financial statements provided revealed the following anomalies:

- i) The key entity information and Management includes lists of Fund Administration Committee Members and Key Management which are composed of same members thus contravening principle of segregation of duties, and the Fund Management Committee is not properly constituted.
- ii) The report of the Trustees/Fund Administration Committee include trustees which is not provided for in the enabling regulations.
- iii) The statement of financial position reflects a revolving fund balance of Kshs.7,903,610 which varies with the total transfers from the County Government of Kshs.22,078,448 as indicated in the report of the Fund Administrator resulting to a variance of Kshs.14,174,838. Further, the statement of financial position reflects a revolving fund balance of Kshs.7,903,610 which differs with the balance of Kshs.10,580,796 reflected in the statement of changes in net assets resulting to an unexplained variance of Kshs.2,677,186.
- iv) The statement of changes in net assets indicates that the revolving fund and accumulated surplus have been combined contrary to the Public Sector Accounting Standards Board reporting template.
- v) The statement of financial position reflects accumulated surplus balance of Kshs.2,803,045 which varies with the computed balance of Kshs.2,677,187 resulting to an unexplained difference of Kshs.125,858.
- vi) The statement of financial performance reflects a nil comparative balance in respect to fund administrative expenses whereas Note 6 to the financial statements reflects a balance of Kshs.222,240. Similarly, the comparative balance for general expenses in the statement of financial performance is reflected as Kshs.222,240 whereas Note 7 to the financial statements reflects the same as Kshs.12,096 resulting to an unexplained difference of Kshs.210,144.

- vii) The statement of cash flows reflects receipts from other operating activities of Kshs.4,784,900 which appears in the statement of financial performance as other income of Kshs.2,315,110, resulting to an unexplained difference of Ksh.2,469,790. Further, the statement reflects interest income of Kshs.300,646 which differs from the statement of financial performance balance of Kshs.330,264 resulting to a variance of Kshs.29,618.
- viii) The statement of comparison of budget and actual amounts is incomplete and reflects nil balances for all the items.
- ix) Note 7 to the financial statements reflects bank charges expense of Kshs.15,940 which differs with the supporting documents balance of Kshs.8,920 resulting to a variance of Kshs.7,020 which was not reconciled or explained.
- x) Note 11 to the financial statements reflects total receivables from exchange transactions balance of Kshs.5,290,412 which varies with the supporting documents balance of Kshs.8,278,765 resulting to a variance of Kshs.2,988,353 which was not reconciled or explained.

In the circumstances, the accuracy and presentation of the financial statements for the year under review could not be confirmed.

2.0 Variance in Other Income

The statement of financial performance reflects other income amounting to Kshs.2,315,109 which relates to loan repayments. However, the supporting schedules reflects a total of Kshs.2,469,790 resulting to an unexplained and an unreconciled variance of Kshs.154,681. Further, the loan recoveries were wrongly charged to income instead of receivables from exchange transactions.

In the circumstances, the accuracy and completeness of the other income of Kshs.2,315,109 for the year ended 30 June, 2021 could not be confirmed.

3.0 Unsupported Transfers from the County Government

The statement of financial performance reflects transfers from the County Government amount of Kshs.7,903,610. However, receipt vouchers and bank statements to confirm receipt of the money was not provided for audit verification. Further, the transfers were not recorded in the cash book and were wrongly charged to receipts instead of revolving fund.

In the circumstances, the transfer from County Government balance of Kshs.7,903,610 for the year ended 30 June, 2021 could not be confirmed.

4.0 Unsupported Prepayments

The statements of financial position reflects a prepayments balance of Kshs.273,515 as disclosed in Note 13 to the financial statements. However, the list of prepaid debtors was not provided for audit verification.

In the circumstances, the accuracy, completeness and existence of the prepayments balance of Kshs.273,515 as at 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Baringo County Micro and Small Enterprise 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 year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given explanations for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates. In addition, the unresolved prior year issues were not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

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 matter 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

Budgetary Control and Performance

The statement of financial performance for the year ended 30 June, 2021 reflects total receipts and payments of Kshs.10,548,985 and Kshs.7,871,789 respectively. However, the approved budget estimates in support of the revenue and expenditure was not provided for audit. This contravenes Regulation 31(a) of the Public Finance Management (County Governments) Regulations, 2015 which requires that all revenue and expenditure shall be entered into the county government budget estimates.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease 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 entity 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 policies and procedures may deteriorate.

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

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

25 July, 2022

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

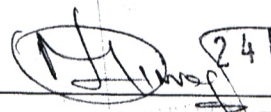
	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	7,903,610	1,665,448
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	330,264.56	331,538.45
Other income	5	2,315,109.98	2,293,549.50
Total revenue		10,548,984.54	4,290,536.00
Expenses			
Fund administration expenses	6	125,858	0
General expenses	7	7,745,940.00	222,240
Finance costs	8	-	12,096
Totalexpenditures		7,871,798.00	234,336
Other gains/losses			
Gain/loss on disposal of assets	9		
Surplus/(deficit) for the period		2,677,186.54	4,056,200.00

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

Assets			
Current assets			
Cash and cash equivalents	10	5,117,358.98	7,903,610
Current portion of long- term receivables from exchange transactions	11	1,698,927.36	-
Receivables from Non- exchange transactions	12	-	-
Prepayments	13	273,515.00	-
Inventories	14	-	-
		7,089,801.34	-
Non-current assets			
Long term receivables from exchange transactions	11	3,591,484.68	-
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
		3,591,484.68	-
Total assets		10,681,286.02	7,903,610
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
		-	-
Non-current liabilities			
Long term portion of borrowings	19	-	-
Non-current employee benefit obligation	20	-	-
Total liabilities		-	-
Net assets			
		10,681,286.02	3,847,200
Revolving Fund		7,903,610.00	-
Reserves		-	-
Accumulated surplus/Deficit		2,803,044.54	4,056,200
Total net assets and liabilities		10,706,654.54	7,903,610

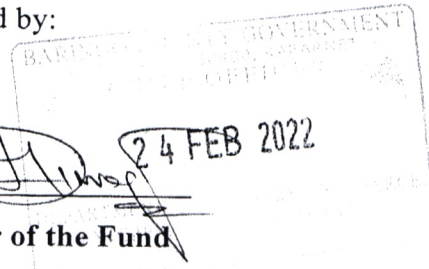
Reports and Financial Statements
For the year ended June 30, 2021.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2021 and signed by:



Administrator of the Fund

Name: MOSES LOKIDOR


24 FEB 2022



Fund Accountant

Name: GEORGE KIPROTICH

ICPAK Member Number: 18980

MICRO AND SMALL ENTERPRISES FUND
Reports and Financial Statements
For the year ended June 30, 2021

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

	Revolving Fund	Revaluatio n Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	3,847,410.00	-	-	3,847,410.00
Surplus/(deficit) for the period	4,056,200.00	-	-	4,056,200.00
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	7,903,610.00	-	-	7,903,610.00
Balance as at 1 July 2020	7,903,610.00	-	-	7,903,610.00
Surplus/(deficit) for the period	2,677,186	-	-	2,677,186
Funds received during the year		-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	10,580,796.00	-	-	10,580,796.00

MICRO AND SMALL ENTERPRISES FUND
Reports and Financial Statements
For the year ended June 30, 2021

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

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		7,903,610	1,665,448
Interest received		300,646.16	0
Receipts from other operating activities		4,784,900.82	2,625,088
Total Receipts		12,989,156.98	4,290,536
Payments			
Fund administration expenses		125,858.00	-
General expenses		7,745,940.00	222,240
Finance cost		-	12,096
Total Payments		7,871,798.00	234,336
Net cash flows from operating activities		5,117,358.98	4,056,200
Cash flows from investing activities			
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		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		5,117,358.98	901,389.00
Cash and cash equivalents at 1 JULY 2020	10	-	-
Cash and cash equivalents at 30 JUNE 2021	10	5,117,358.98	7,903,610.00

MICRO AND SMALL ENTERPRISES FUND
Reports and Financial Statements
For the year ended June 30, 2021

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

	Originalbudget	Adjustments	Finalbudget	Actualon comparable basis	% utilisation
	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	
Revenue					
Public contributions and donations	-	-	-	-	
Transfers from County Govt.					
Interest income	-	-	-	-	
Other income	-	-	-	-	
Totalincome	-	-	-	-	
Expenses					
Fund administration expenses	-	-	-	-	
General expenses	-	-	-	-	
Finance cost	-	-	-	-	
Totalexpenditure	-	-	-	-	
Surplusfortheperiod	-	-	-	-	

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments : Applicable: 1 st January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p>

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

Standard	Effective date and impact:
	<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>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</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>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 30th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of nil on the FY 2020/2021 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

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

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.

5. Property, plant and equipment

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

2. 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.

MICRO AND SMALL ENTERPRISE FUND

Reports and Financial Statements

For the year ended June 30, 2021.

3. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized 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

MICRO AND SMALL ENTERPRISE FUND

Reports and Financial Statements

For the year ended June 30, 2021.

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)

b) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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.

4. 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.

MICRO AND SMALL ENTERPRISE FUND

Reports and Financial Statements

For the year ended June 30, 2021.

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.

5. 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

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.

MICRO AND SMALL ENTERPRISE FUND

Reports and Financial Statements

For the year ended June 30, 2021.

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.

6. Nature and purpose of reserves

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

7. 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.

8. 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.

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

9. Foreign currency transactions

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

10. 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.

11. 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/Trustee, the Fund Managers and Fund Accountant.

12. 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 are held at 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

MICRO AND SMALL ENTERPRISE FUND

Reports and Financial Statements

For the year ended June 30, 2021.

13. Comparative figures

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

14. Events after the reporting period

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

15. Ultimate and Holding Entity

Baringo County Small and medium Enterprises Fund established by and derives its authority and accountability from section 116(1) of the Public Finance Management Act 2012 under the Department of Trade and Industrialization . Its ultimate parent is the County Government of Baringo.

16. Currency

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

17. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

MICRO AND SMALL ENTERPRISE FUND

Reports and Financial Statements

For the year ended June 30, 2021.

c) Provisions

Provisions were raised and management determined an estimate based on the information available. 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.

18. 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 counter party 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.

MICRO AND SMALL ENTERPRISE FUND**Reports and Financial Statements****For the year ended June 30, 2021.**

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

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

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

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2021				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2020	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

d) Foreign currency risk

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

MICRO AND SMALL ENTERPRISE FUND**Reports and Financial Statements****For the year ended June 30, 2021.****SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2021			
Euro	10%	-	-
USD	10%	-	-
2020			
Euro	10%	-	-
USD	10%	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

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

Management of interest rate risk

To manage the interest rate risk, management has endeavored 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.

f) Capital risk management

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

MICRO AND SMALL ENTERPRISE FUND**Reports and Financial Statements****For the year ended June 30, 2021.****18. NOTES TO THE FINANCIAL STATEMENTS****1. Public contributions and donations**

Description	2020/2021	2019/2020
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	7,903,610.00	1,665,448
Payments by County on behalf of the entity	-	-
Total	7,903,610.00	1,665,448

3. Fines, penalties and other levies

Description	2020/2021	2019/2020
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Levies	-	-
Licenses	-	-
Total	-	-

(Provide brief explanation for this revenue)

4. Interest income

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from Micro and Small enterprise fund	330,264.56	331,538.45
Interest income on bank deposits	-	-
Total interest income	330,264.56	331,538.45

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

Description	2020/2021	2019/2020
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income (Loan payment from yrs disbursement)	2,315,109.98	2,293,549.5
Total other income	2,315,109.98	2,293,549.50

6. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 6a)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	125,858.00	222,240
Total	125,858.00	222,240

6A. Staff costs

Description	2020/2021	2019/2020
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	15,940.00	12,096
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses(disbursed loan)	7,730,000.00	0
Total	7,745,940.00	12,096

8. Finance costs

Description	2020/2021	2019/2020
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

9. Gain/(loss) on disposal of assets

Description	2020/2021	2019/2020
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Baringo county Micro and Small enterprise fund	5,117,358.98	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others	-	-
Total cash and cash equivalents	5,117,358.98	-

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

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits		-	-
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account		-	-
Equity bank	1390262572758	5117358.98	-
Bank B		-	-
Sub- total		-	-
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		-	-
Grand total		-	-

MICRO AND SMALL ENTERPRISE FUND**Reports and Financial Statements****For the year ended June 30, 2021.****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****11. Receivables from exchange transactions**

Description	2020/2021	2019/2020
	KShs	KShs
Current Receivables		
Interest receivable(accrued interest)	29,618.40	0
Current loan repayments due	1,669,308.96	0
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables	1,698,927.36	0
Non-Current receivables		
Long term loan repayments due	3,591,484.68	0
Total Non- current receivables	3,591,484.68	0
Totalreceivables from exchange transactions	5,290,412.04	0

Additional disclosure on interest receivable

Description	2020/2021	2019/2020
	KShs	KShs
Interest receivable		
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	-	-
Current loan repayments due	-	-
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	-	-

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from Non-Exchange transaction

Description	2020/2021	2019/2020
	KShs	KShs
Transfer from County Executive	-	-
Transfer from Fund	-	-
Totalreceivables from non-exchange transactions	-	-

13. Prepayments

Description	2020/2021	2019/2020
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	273,515.00	0
Total	273,515.00	0

14. Inventories

Description	2020/2021	2019/2020
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Totalinventoriesatthelowerofcostandnetrealizablevalue	-	-

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2019	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
At 1st July 2020					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
Depreciation and impairment					
At 1 st July 2019	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
At 1st July 2020					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-

MICRO AND SMALL ENTERPRISE FUND

Reports and Financial Statements

For the year ended June 30, 2021.

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 30th June 2021	-	-	-	-	-
Net book values					
At 30th June 2020	-	-	-	-	-
At 30th June 2021	-	-	-	-	-

MICRO AND SMALL ENTERPRISE FUND

Reports and Financial Statements

For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2020/2021	2019/2020
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year (1.07.2020)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non-current provisions	-	-	-	-
Balance at the end of the year (30.06.2021)	-	-	-	-

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2020/2021	2019/2020
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
Balance at end of the period	-	-

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

	2020/2021	2019/2020
	KShs	KShs
External Borrowings		
Dollar denominated loan from Fund	-	-
Sterling Pound denominated loan from Fund	-	-
Euro denominated loan from Fund	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	2020/2021	2019/2020
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Totalemployee benefits obligation	-	-	-	-

21. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	-	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Related party balances

a) Nature of related party relationships

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	2020/2021	2019/2020
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

MICRO AND SMALL ENTERPRISE FUND**Reports and Financial Statements****For the year ended June 30, 2021.**

d) Due from related parties

	2020/2021	2019/2020
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
Total	-	-

e) Due to related parties

	2020/2021	2019/2020
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

23. Contingent assets and contingent liabilities

Contingent liabilities	2020/2021	2019/2020
	KShs	KShs
Court case against the Fund	-	-
Bank guarantees	-	-
Total	-	-

MICRO AND SMALL ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>

MICRO AND SMALL ENTERPRISE FUND

Reports and Financial Statements

For the year ended June 30, 2021.

15. APPENDIX I: INTER-ENTITY TRANSFERS

FY 2020/2021				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager

Micro and small enterprise Fund

Sign

Head of County Treasury at

Baringo County

Sign

