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REPORT

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| CLERK AT THE TABLE | P. Mbayi |

THE AUDITOR-GENERAL

ON

**BUNGOMA COUNTY YOUTH AND WOMEN
EMPOWERMENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**



BUNGOMA COUNTY WOMEN AND YOUTH EMPOWERMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

Bungoma County Women and Youth Empowerment Fund
Reports and Financial Statements
For the year ended June 30, 2020

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Bungoma County Women and Youth Empowerment Fund is established by and derive its authority and accountability from THE BUNGOMA COUNTY WOMEN AND YOUTH EMPOWERMENT FUND REGULATIONS, 2015. The Fund is wholly owned by the County Government of Bungoma and is domiciled in Kenya.

1. The fund's objective is to:-

- i. To provide funds to be used for granting low-interest loans to youth with a view to scaling up their lending activities, value addition amongst other activities as may be prescribed;
- ii. To provide funds to support, revive and initiate micro-enterprises owned by women and the youth in sectors that can have an immediate impact to household economy;
- iii. To attract and facilitate investment in economic sectors that have linkages to micro, small and medium enterprises that benefit the youth;
- iv. Facilitating access to business development services by micro and small enterprises;
- v. Facilitating formalization and upgrading of informal micro and small enterprises; and promoting an entrepreneurial culture.

The Fund's principal activity is empower marginalised groups of the society by providing access to affordable loans and capacity building.

b) Principal Activities

The principal activity/mission/ mandate of the Fund are to enhance economic activities and social welfare of the marginalised persons in the society through access to loans.

c) Fund Administration Committee

| Ref | Name | Position |
|-----|-----------------------------------|---|
| 1 | Saphia Awil Ibrahim- Chairperson. | Prior to her appointment she worked as an advocate of the court. Academic qualification: an LLB from university of Nairobi and a diploma from LSK |
| 2 | Moses Chebonya | Academics qualifications: Masters in Gender and advocacy. Bachelor of Arts Education specialising in English literature. Work Experience: Gender director affairs and prior to his appointment, was a deputy principle of a |

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| | | |
|---|---|--|
| 3 | Adrian Sakwa- Member/PWDs representative | high school. Main responsibility, Oversees daily fund operations Prior to his appointment, he worked as the director of disabled network of Bungoma; he is also the coordinator of NCPLD Bungoma branch. Academic qualification; Bachelor of Arts linguistic religion from Kampala University and |
| 4 | Umami Maloba- Member/Women Representative | The member works as the secretary of Maendeleo ya wanawake Bungoma county. Academic qualifications; diploma in gender advocacy and mainstreaming from hamburger institute of Canada. |
| 5 | Rev Johnstone Wanyonyi- Member/CBO representative | The member is the current Bishop of Anglican church of Kenya Bungoma branch. He is also an executive member of chamber of commerce Bungoma. Masters in theology and leadership from Nazarene university. |
| 6 | MetrineTenga- Member/Youth Representative | She is the current NYC executive member in the region. a diploma holder in corporative management from Cooperatives college University. |
| 7 | Joseph Musungu- Member/Finance Representative | He is the accountant in charge of reporting at the county government. A certified public accountant (CPA). A representative of the chief officer finance and economic planning in the fund. |
| 8 | Cynthia Nanyokia- Member/Legal Representative | She is the LLB holder from university of Nairobi, post graduate diploma from the LSK an advocate of the low court. |

d) Key Management

| Ref | Name | Position |
|-----|-------------------|--------------------|
| 3 | Moses Chebonya | Fund Administrator |
| 4 | Washington Makata | Fund Accountant |
| 5 | Joan Simiyu | Fund Clerk |

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e) Registered Offices

P.O. Box 437 - 50200
County Headquarters
Moi Avenue
Bungoma, KENYA

f) Fund Contacts

Telephone: (254) 775 228598
E-mail: genderempowermentfunds@gmail.com
www.bungoma.go.ke

g) Fund Bankers

Cooperative Bank of Kenya
P.O. Box 48231
Bungoma, KENYA

h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

i) Principal Legal Adviser

The County Attorney
P.O. Box 437- 50200
Bungoma, Kenya

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2. MANAGEMENT TEAM

| Name | Details of qualifications and experience |
|-------------------|--|
| Moses Chebonya | Academics qualifications: Masters in Gender and advocacy. Bachelor of Arts Education specialising in English literature. Work Experience: Gender director affairs and prior to his appointment, was a deputy principle of a high school. Main responsibility, Oversees daily fund operations |
| Washington Makata | Academics qualifications: M.B.A Finance, Bachelor of commerce finance and a certified accountant. Work Experience. Worked as an internal auditor teacher Sacco, an administrator at Jomo Kenyatta university of Agriculture and technology then as an accountant up to currently Main responsibility: processing financial transactions of the fund. |

3. FUND CHAIRPERSON'S REPORT

This year under review marks the seventh year since the establishment of Bungoma County Women and Youth Empowerment Fund. Cumulatively, since the inception of this revolving Fund, loans amounting to twenty five million shillings have been disbursed of which ten million (40%) have been repaid. A number of Youth Groups that benefitted from the Fund need to be sensitized and capacity build on the operations of the Fund to appreciate and comply with the repayment schedule as well as mandate of the fund

The Fund has recorded a number of success stories despite the various challenges with regard to its administration and sustainability. They have enhanced their economic activities and social status through entrepreneurial activities and hence achieved value for money. This was informed by the monitoring and evaluation exercise that we undertake in all the forty five wards across the county annually. The exercise is aimed at assessing the impact and success of the Fund since its inception as well as finding out the ways to effectively achieve the Fund objectives. Ten groups were given loans per ward. It's apparent that many more groups are yearning for the funds to enhance their economic activities. Majority of the group keep poultry, fish farming, bee keeping, boda boda, cereals and tree nurseries.

Capacity building and creating general public awareness is paramount to the success of the Fund. This includes training on group dynamics, entrepreneurial skills, project management, record keeping as well as tenders reserved for women at both county and national government level. These activities call for more resources, determination, dedication, proper management and funding to achieve the desired goals.

Currently the Fund is governed by the Bungoma County Youth and Women Empowerment Fund regulation. This has been reviewed with an aim of separating Women Fund from Youth Fund. This will help tackle the specific needs of youths at both individual and group levels by catering for their unique needs. The reviewed regulations will also help cut down on costs with regard to Fund administration and general needs of each fund. The reviewed regulations, once put in place, will bring in to existence more products tailored for Women both at individual and group levels. Also a prompt and continuous monitoring and evaluation will be in place to ensure the desired objectives of the Fund as well as value for money are achieved. These will guarantee a revolving and self-sustaining fund in the long-term.

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In conclusion, the fund is generally not doing well. We are not achieving the value for money of our programme. A big number of groups are not paying loans, most groups' projects are not sustainable and generally a larger number are defaulting loans. This has necessitated some drastic action to be taken including stopping to fund new groups but refinance those old groups that have cleared the first loan as well as reviewing the law to tighten the vetting processes.



SAPHIA AWIL IBRAHIM
Chairperson -Bungoma County Youth and Women Empowerment Fund.

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4. REPORT OF THE FUND ADMINISTRATOR

The Fund Administrator for Bungoma County Women and Youth Empowerment 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 period ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement 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 statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The performance of the fund the financial year 2019/2020 was as follows;

Relating to the increasing default rate in group loaning repayments, we had to suspend the group loan product. The fund was approved to offer three products namely; group loaning, the LPO/LSO financing and asset financing products as stated under the Third Schedule, Sub-regulation 22 (1)-(b) of Bungoma County Youth And Women Empowerment Fund Loan Products. This was after the advice from our county legal office to change some clauses in the regulation to do with vetting and approval for the award of the loan. Through the fund committee decisions, we suspended the advancing of the products to pave way to amend the regulations in order to seal the loopholes; it's good to report the amendment is going on well currently at county assembly for approval.

Preparation of the financial statement in accordance with the laws;

The Fund Administrator for Bungoma County Women Empowerment Fund accepts responsibility for the Fund's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards. It's of my opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial period ended June 30, 2020 and of the Fund's financial position as at that date. The Fund Administrator

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for Bungoma County Women Empowerment Fund further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund financial statements as well as the adequacy of the systems of internal financial control.

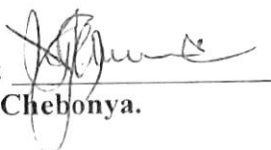
Compliance with the applicable government regulations;

The Fund Administrator for Bungoma County Women and Youth Empowerment Fund confirms that the Fund has complied fully with applicable Government Regulations and the terms of external financing covenants, and that the funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted

High level of the financial performance

Cost Cutting Measures in the Fund; the financial statement of Bungoma County Women and Youth Empowerment Fund indicates drastic reduction in the expenses in the FY 2019/2020 against FY 2018/2019 as follows with illustrations.

| N/So | Financial years | Expenses (Kshs) |
|------|-----------------|-----------------|
| 1 | FY2019/2020 | 1,440 |
| 2 | FY2018/2019 | 598,610 |

Signed: 
Moses Chebonya.

5. CORPORATE GOVERNANCE STATEMENT

According to the legal framework of the fund, Bungoma County Women and Youth Empowerment Fund regulations, FIRST SCHEDULE, Sub-Regulation 16 (1) provides as to the conduct of business and affairs of business and of the committee as relates to meetings,

The Committee meets at such place in Bungoma County as the chairperson may determine and the meetings are convened by the chairperson.

The Committee has quarterly meetings in every financial year and not more than three months elapses between one meeting and the next meeting.

Unless three quarters of the members otherwise agree, at least seven days' notice in writing of a meeting is given to every member by the Fund Administrator of the fund,

At the first meeting of the:

- a. County Committee, the chairperson was the Chief Officer(s) thereafter, the committee elected a chairperson of subsequent meetings from members appointed in as per Regulation 7 (1) (d)
- b. Ward Committee, the chairperson is the Ward Administrator, thereafter, the committee elected a chairperson from among the members appointed in Regulation 12 (2) (c), (d), (e)

The chairperson may, at his/her discretion or at the written request made by at least half of the members of the Committee and within seven days of the request, convenes an extraordinary meeting at such a time and place as he/she may appoint.

Meetings are presided over by the chairperson or in his or her absence by the vice- chairperson.

The members of a Committee elected a vice- chairperson from among themselves-

- (a) at the first sitting of the Committee; and
- (b) Whenever it is necessary to fill the vacancy in the office of the vice-chairperson.

Where the chairperson or vice-chairperson is absent, the members appoints from among themselves, a person to chair the meeting of the Committee.

The Committee may invite a resource person(s) to attend any of its meetings and to participate in its deliberations, but such person does not have a vote in any decision of the Committee.

Conflict of interest

If any person has a personal or fiduciary interest in a project, proposed contract or any matter before the Committee, and is present at a meeting of the Committee at which any matter is the

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subject of consideration, that person shall as soon as is practicable after the commencement of the meeting, declare such interest and shall not take part in any consideration or discussion of, or vote on any question touching such matter.

A disclosure of interest made under such cases shall be recorded in the minutes of the meeting at which it is made.

Quorum

The quorum of the meeting should not be less than half of the appointed members of the Committee.

Where the persons present at a meeting of the Committee do not constitute the quorum necessary to hold a meeting under the fund Regulations or where by reason of exclusion of a member from a meeting, the number of members present falls below the quorum necessary to hold a meeting, the Committee postpone the consideration of the matter in question until there is a quorum.

Voting

A question before the Committee is decided by simple majority of the members present and voting and the chairperson should, in the case of an equality of votes, have a casting vote.

Rules of Procedure and minutes

The Committee always—

- (a) determine rules of procedure for the conduct of its business; and
- (b) Keep minutes of its proceedings and decisions.

Terms and conditions of service of the County Committee Members

The members of the Committee are paid such allowances as shall is determined by Salaries and Remuneration Commission.

Such allowance is drawn from the fund administrative allocation which is within 3 percent of the budget.

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6. MANAGEMENT DISCUSSION AND ANALYSIS

The management report on the operational and financial performance of the Fund

Fund allocation versus releases since inception

| Financial yrs. | Allocations | Releases |
|----------------|--------------------|-------------------|
| Fy 2013/14 | 130,000,000 | 25,000,000 |
| Fy 2014/15 | 63,000,000 | 50,414,500 |
| Fy 2015/16 | 55,000,000 | 0 |
| Fy 2016/17 | 50,000,000 | 0 |
| FY 2017/18 | 35,000,000 | 0 |
| FY 2018/19 | 40,000,000 | 0 |
| FY 2019/20 | 0 | 0 |
| Total | 373,000,000 | 75,414,500 |

The total loan portfolio as at now is Kshs **373,000,000** out of which we have only received Kshs **5,414,500** representing a 13.4 percent

Entity's key projects or investments decision implemented or ongoing,

The main purpose of the loan or the scheme is to advance cheap loan facilities to the community with a view of scaling up their micro enterprises activities and borrowing capacity. Through the fund committee there are some measures being considered to initiate investment activities within the county where groups will get more asset financing.

Investment activities will also bring in more revenue as a source of the fund to stop depending on the exchequer which is not forthcoming as well as increasing liquidity risk of the entity.

Here we are considering many applicants to access more on asset financing than in LPO/LSO or group loaning. It's out of poor loan repayment culture amongst the youths.

Fund's compliance with statutory requirements,

Regulations of the fund: The Public Finance Management Act No 18 of 2012. The Executive Committee Member of Finance has made and gazettes the regulations to operationalise the fund "THE BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND REGULATIONS, 2015"

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Appointment of the fund Administrator: under PFM Act 2012, the CECM finance and planning has designated the fund Administrator to oversee the running of the fund on a day to day basis.

Preparation of the financial statements: 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 BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND REGULATIONS, 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

Guiding Principles of operating the Fund: In the exercise of the powers or the performance of functions under the funds Regulations, the Executive Committee Member, the Committee and the fund administrator shall be guided by the following principles:-

(a) Public participation and financial inclusiveness;

(b) Protection of the interests of the marginalized, persons with disability, women and youth; and

(c) Local ownership and sustainability.

Major risks facing the Fund, material arrears in statutory and other financial obligations,

(a) Liquidity risk

(b) Credit risk

(c) Capital risk management

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7. REPORT OF THE TRUSTEES

The Committee Members submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund's affairs.

Principal activities

The principal activities of the Fund are

1. To provide funds to be used for granting low-interest loans, support, revive and initiate micro-enterprises in sectors that can have an immediate impact to household economy;
2. To attract and facilitate investment in economic sectors that have linkages to micro, small and medium enterprises
3. Promoting an entrepreneurial culture.

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 5 -8

Committee Members

The members of the Committee who served during the year are shown on page 1 In accordance with Bungoma county women empowerment fund Regulation, No committee member is due for retire by rotation.

The committee members have been able to effectively discharge their duties through quarterly meetings as well as special meeting during the year under review. Special meetings were necessitated by the change of Chief Officers in charge of the Department of Gender and Culture, that is concerned with the Funds and who is also a committee member, the renewal of substantive Fund Administrator as per PFM Act by CECM in charge of Finance and Economic Planning and the need to review regulations of the Fund. Committee members are more determined than ever to see the growth and success of the Fund.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Fund Committee

Chebonya Moses

Secretary, Bungoma County Women and youth Empowerment Fund

Bungoma

Date: 27.1.2020

8. 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 BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND REGULATIONS, 2015 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, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and THE BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND REGULATIONS, 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2019, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

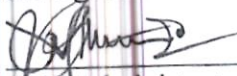
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the

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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 Committee on 30/09 | 2020 and signed on its behalf by:



Fund Administrator

REPUBLIC OF KENYA

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



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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Bungoma County Youth and Women Empowerment Fund set out on pages 19 to 47, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Bungoma County Youth and Women Empowerment Fund as at 30 June, 2020, 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 do not comply with the Bungoma County Youth and Women Empowerment Fund Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Inaccuracies in the Financial Statement

The financial statements for the year ended 30 June, 2020 provided for audit review contained inaccuracies as detailed below:

1.1 Statement of Financial Position

The statement of financial position as at 30 June, 2020 reflects total assets comparative balance of Kshs.24,234,335 which differs with the total net assets and liabilities balance of Kshs.24,235,026 by an unreconciled variances of Kshs.691. In addition, the statement also reflects a revolving fund balance of Kshs.24,280,766 in the year under review which differs with the amount of Kshs.24,833,636 reflected in the statement of changes in net assets resulting to an unreconciled and unexplained variance of Kshs.602,870.

1.2 Statement of Changes in Net Assets

The statement of changes in net assets as at 30 June, 2020 reflects current year and prior year surplus of Kshs.38,080 and Kshs.598,610 respectively which differs with the surplus amounts of Kshs.36,160 and deficit of Kshs.557,010 reflected in the statement of financial performance. The variance of Kshs.1,920 and Kshs.1,155,620 in the financial statements has not been explained or reconciled.

The statement also reflects comparative balances which differ with the respective recomputed amounts obtained using figures reflected in the financial statements of Bungoma County Women Empowerment Fund and Bungoma County Youth Empowerment Fund for the year ended 30 June, 2018 and Bungoma County Youth and Women Empowerment Fund for 2018/2019 as below:

| | Amount as per financial statement Kshs. | Recomputed amount Kshs. | Variance Kshs. |
|---|--|----------------------------|-------------------|
| Revolving fund balance as at 1/7/2018 | 24,833,636 | 34,171,436 | (9,337,800) |
| Accumulated Surplus/deficit as at 1/7/2018 | (26,430,238) | (9,996,090) | (16,434,148) |
| Total net assets as at 1/7/2018 | (1,596,602) | 24,175,346 | (25,771,948) |
| Deficit for 2018/2019-Revolving Fund | (598,610) | - | (598,610) |
| Deficit for 2018/2019 -Total | - | (598,610) | 598,610 |
| Revolving fund balance as at 30/6/2019 | 24,235,026 | 34,171,436 | (9,936,410) |
| Accumulated Surplus/deficit as at 30/6/2019 | (27,028,848) | (10,594,700) | (16,434,148) |
| Total net assets as at 1/7/2019 | (2,793,822) | 23,576,736 | (26,370,558) |

In addition, the statement reflects a debit balance of Kshs.2,869,982 as at 30 June, 2020 which differs with total net assets and liabilities credit balance of Kshs.24,242,356 reflected in the statement of financial position as at the same date, resulting to a variance of Kshs.27,112,338 which has not been explained or reconciled.

1.3 Statement of Cash Flows

The statement of cash flows for the year under review reflects cash and cash equivalents balance of Kshs.663,530 as at 30 June, 2020 while the statement of financial position reflects a cash and cash equivalent balance of Kshs.692,162 resulting to an unreconciled and unexplained variance of Kshs.28,632.

In the circumstances, the accuracy of the financial statements for the year ended 30 June, 2020 could not be ascertained.

2.0 Failure to Provide the Trial Balance and Ledger

The financial statements for the year under review provided for audit were not supported with the relevant trial balance or ledger.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be ascertained.

3.0 Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.692,162 as at 30 June, 2020. However, the bank reconciliation statements and cash books in support of the balance were not provided for audit review. In addition, a review of the certificates of bank balances provided for audit revealed that the Fund had a total bank balance of Kshs.692,504 as at 30 June, 2020 held in four bank accounts. This balance was not reconciled to the cash and cash equivalents balance. Further, the statement of financial position reflects cash and cash equivalents brought forward balance of Kshs.132,941 while Notes 2, 4 and 5 to the financial statement reflects a total balance of Kshs.198,473 resulting to a variance of Kshs.65,532 which was not explained.

In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs.692,162 for the year ended 30 June, 2020 could not be confirmed.

4.0 Current Portion of Receivables from Exchange Transactions

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.23,550,194 as at 30 June, 2020 while Note 6 to the financial statements reflects a balance of Kshs.19,536,376 comprising of exchange transactions from Youth amount of Kshs.10,270,660 and Women of Kshs.9,265,716 resulting to a variance of Kshs.4,013,818 which was not explained or reconciled. In addition, Note 6 to the financial statements reflects total receivables from exchange transactions Youth balance of Kshs.10,270,660 while the recomputed figure amounted to Kshs.9,747,660 resulting to a variance of Kshs.523,000 which was not explained or reconciled and no supporting loan repayment schedules were provided for audit review in support of the receivables.

Further, the current portion of long-term receivables from exchange transactions balance of Kshs.23,550,194 as at 30 June, 2020 has been outstanding for over two years and no effort has been made to recover the money from the borrowers contrary to the provisions of Regulation 24(1) and (2) of the Bungoma County Youth and Women Empowerment Fund Regulations, 2015 which states that if in the opinion of the Bungoma County Youth and Women Empowerment Fund Unit there has been of likely to be any breach of or failure to comply with any condition or term of repayment with respect to a loan, the unit may recover the loan from the beneficiary as a civil debt.

Consequently, the accuracy and validity of the current portion of the long-term receivables from exchange transactions balance of Kshs.23,550,194 as at 30 June, 2020 could not be confirmed.

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.432,000 and Kshs.37,600 respectively resulting to under-funding of Kshs.394,400 or 91% of the budget. Similarly, the Fund expended Kshs.1,440 against an approved budget of Kshs.12,960 resulting to under-expenditure of Kshs.11,520 or 89% of the budget. The Fund Management ought to relook at the budget preparation process with a view to making it as effective and realistic as possible in order to achieve the objective for which the Fund was established.

In addition, the statement reflects approved revenue budget and expenditure of Kshs.432,000 and Kshs.12,960 respectively resulting to a variance of Kshs.419,040. No reason was provided for the unbalanced budget contrary to Section 31(c) of the Public Finance Management (County Government) Regulations, 2015 which states that budget revenue and expenditure appropriations shall be balanced.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Presentation of the Financial Statements

The financial statements for the year ended 30 June, 2020 provided for audit review contained the following anomalies:

- i. The financial statements submitted for audit indicate the name of the Fund as "Bungoma County Women and Youth Empowerment Fund", contrary to

the Legal Notice No.1, of 2015, Section 3 (1) which provides that “There is established a Fund to be known as the “Bungoma County Youth and Women Empowerment Fund”.

- ii. Passport-size photos of members of the Fund Administration Committee and Management Team were not inserted in the tables at pages 3 and 4 as required by the Template.
- iii. The statement of performance against the Fund's predetermined objectives was not included in the annual report and financial statements, contrary to Part 3 of the reporting template.
- iv. There were inconsistencies between the numbering of the notes in the financial statements and the Notes to the financial statements.
- v. The statement of financial performance reflects general expenses balance of Kshs.1,440 for the year ended 30 June, 2020 and a comparative figure of Kshs.598,610. However, the classification of the comparative balances differs with corresponding balances reflected in the previous year financial statements as tabulated below:

| | Amount as per 2019/2020 FS Kshs. | Amount as per 2018/2019 FS Kshs. | Variance Kshs. |
|-------------------------|---|---|-------------------|
| Consumables | 365,000 | 320,000 | 45,000 |
| Printing and stationary | 40,000 | 86,430 | (46,430) |
| Telecommunication | 1,430 | - | 1,430 |
| Hospitality | 192,180 | 192,180 | - |
| Total | 598,610 | 598,610 | - |

No reason was provided for the variances and mismatch of the explanatory notes to the financial statements.

Consequently, the correctness of the presentation of the financial statements could not be ascertained and the financial statements did not comply with the International Public Sector Accounting Standard No.1 as prescribed by the Public Sector Accounting Standards Board.

2.0 Failure to Achieve Fund Objectives

A review of the financial statements revealed that the Fund has been dormant for the last three years, contrary to Section 4 of the Bungoma County Youth and Women Empowerment Fund Regulations, 2015 which mandates the Fund to achieve the following objectives:

- a) To provide funds to be used for granting low-interest loans to women and youth with a view to scaling up their lending activities, value addition among other activities as may be prescribed;

- b) To provide funds to support, revive and initiate micro-enterprises owned by women and the youth in sectors that can have an immediate impact to household economy;
- c) To attract and facilitate investment in economic sectors that have linkages to micro, small and medium enterprises that benefit the youth;
- d) Facilitating access to business development services by micro and small enterprises;
- e) Facilitating formalization and upgrading of informal micro and small enterprises; and;
- f) Promoting an entrepreneurial culture.

Consequently, the management is in breach of the law and the objectives of the Fund have not been achieved.

3.0 Non-Compliance with Revolving Fund Principle

As at 30 June, 2020, the Fund had, since its inception in the year 2013/2014, received grants totaling Kshs.75,414,500 from the County Executive of Bungoma. The revolving fund principles dictates that the fund balance should be equal to the initial funds disbursed or it should increase in value which was not the case as at 30 June, 2020 as analyzed below:

| Details | Amount Kshs. |
|---|-------------------|
| Amount Disbursed since Inception of the Fund | 75,414,500 |
| Bank Balances as at 30 June, 2020 | 692,162 |
| Outstanding Loans | 23,550,194 |
| Total | 24,242,356 |
| Deficit in the Fund Account Utilized as Expenditures not Recoverable | 51,172,144 |

In view of the above, the purpose of the Fund may not be achieved as desired and will lead to difficulty in sustainability of the service.

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 SYSTEMS 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the 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 financial reporting process, reviewing the effectiveness of how the Fund 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 overall 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 overall 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 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 continue 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 continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 January, 2022

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10. FINANCIAL STATEMENTS

10.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

| | Note | FY2019/2020 | FY2018/2019 |
|---|------|---------------|------------------|
| | | Kshs | Kshs |
| Revenue from exchange transactions | | | |
| Interest income | 1 | 37600 | 41,600 |
| Total revenue | | 37600 | 41,600 |
| Expenses | | | |
| General expenses | 2 | 1,440 | 598,610 |
| Total expenses | | 1,440 | 598,610 |
| Surplus/Deficit for the Year | | 36,160 | (557,010) |


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

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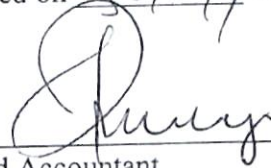
10.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

| | Note | FY2019/2020 | FY2018/2019 |
|---|------|-------------------|-------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 692,162 | 132,941 |
| Current portion of long term receivables from exchange transactions | | 23,550,194 | 24,101,394 |
| Total assets | | 24,242,356 | 24,234,335 |
| Net assets | | | |
| Revolving Fund | | 24,280,766 | 24,833,636 |
| Accumulated surplus | | (38,410) | (598,610) |
| Total net assets and liabilities | | 24,242,356 | 24,235,026 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/2020 and signed by:



 Administrator of the Fund
Moses Chebonya



 Fund Accountant
 Washington Makata
 ICPAK Member Number:

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10.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

| | Revolving Fund | Revaluation Reserve | Accumulated surplus | Total |
|-----------------------------------|-------------------|---------------------|---------------------|-------------------|
| | Kshs | Kshs | Kshs | Kshs |
| Balance as at 1 July 2018 | 24,833,636 | - | 26,430,238 | -1,596,602 |
| Surplus/(deficit) for the period | 598,610 | - | 598,610 | - |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2019 | 24,235,026 | - | 27,028,848 | -2,793,822 |
| Balance as at 1 July 2019 | 24,235,026 | - | 27,028,848 | -2,793,822 |
| Surplus/(deficit) for the period | 38,080 | - | 38,080 | - |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2020 | 24,196,946 | - | 27,066,928 | -2,869,982 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

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10.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

| | Note | FY2019/2020 | FY2018/2019 |
|--|------|----------------|------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Interest received | | 37,600 | 41,600 |
| Total Receipts | | 37,600 | 41,600 |
| Payments | | | |
| General expenses | | 1440 | 598610 |
| Total Payments | | 1440 | 598610 |
| Adjusted for: | | | |
| (Decrease)/increase in accounts receivable | | 0 | 9,530 |
| Net cash flows from operating activities | | 36,160 | (547,480) |
| Cash flows from investing activities | | | |
| Increase in long term receivables | | 0 | 200,000 |
| Net cash flows used in investing activities | | 0 | 200,000 |
| Net increase in cash and cash equivalents | | 530,588 | (242,162) |
| Cash and cash equivalents at 1 JULY | | 132,942 | 375,104 |
| Cash and cash equivalents at 30 JUNE | | 663,530 | 132,941 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

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10.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % utilization |
|-------------------------------|-----------------|-------------|----------------|----------------------------|------------------------|---------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| Revenue | | | | | | |
| Transfers from County Govt. | 0 | - | 0 | - | 0 | 0% |
| Interest income | 432,000 | - | 432,000 | 37,600 | 394,400 | 8.7% |
| Total income | 432,000 | - | 432,000 | 37,600 | 394,400 | 8.7% |
| | | | | | | |
| Expenses | | | | | | |
| Staff costs | | - | - | - | | |
| General expenses | 12,960 | - | 12,960 | 1,440 | 11,520 | 11.1% |
| Total expenditure | 12,960 | - | 12,960 | 1,440 | 11,520 | 11.1% |
| Surplus for the period | 419,040 | - | 419,040 | 36,160 | 382,880 | 8.6% |

Notes:

1. Zero percent Transfers from County Government; the fund didn't receive the exchequer releases in the financial year under review.
2. 8.7 percent on Interest income; the only income we targeted was the outstanding interest income expected from our outstanding LPO/LSO financing product of Kshs 5,400,000 which is 8% of as interest income.
3. 11.1 percent on general expenses: is the provision of 3% administration on the expected income in the fund. Realizing only Kshs 1,440 as bank charges.
4. 8.6 percent on surplus for the period is the objective of in the fund to reduce on operational cost and improve on revolving fund balance.

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10.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

- a) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

| Standard | Effective date and impact: |
|---|---|
| IPSAS 40: Public Sector Combinations | Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations. |

b) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. 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.

3. Budget information

The original budget for FY 2019/2019 was approved by the County Assembly and 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 a deduction appropriation of Kshs 10M on the 2017-2018 budget following the governing body's approval.

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

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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.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under section 12 (e) of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. 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 asset 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.

5. 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.

6. Financial instruments

Financial assets

Initial recognition and measurement

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

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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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Inventories

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

8. 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.

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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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

9. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. In this case the entity did not main any reserve

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.

10. 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

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increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

11. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. 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.

13. Related parties

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

14. Cash and cash equivalents

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

15. Comparative figures

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

16. Events after the reporting period

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

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17. Ultimate and Holding Entity

The entity is a County Public Fund established by THE BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND REGULATIONS, 2015 under the Ministry of Gender, Culture, Youth Affairs and Sports. Its ultimate parent is the County Government of Bungoma.

18. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19. 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.

Judgements, estimates and assumptions made:

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

Useful lives and residual values

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

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

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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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. Financial risk management

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

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

a) Credit risk

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

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

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:

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| | Total amount Kshs | Fully performing Kshs | Past due Kshs | Impair ed Kshs |
|--|----------------------------------|--------------------------------------|--------------------------|-------------------------------|
| At 30 June 2020 | | | | |
| Receivables from exchange transactions | 57,100,000 | 37,563,624 | 19,536,376 | 0 |
| Total | 57,100,000 | 37,563,624 | 19,536,376 | 0 |
| | | | | |
| At 30 June 2019 | | | | |
| Receivables from exchange transactions | 57,100,000 | 37,012,423.7 | 20,087,576.3 | 0 |
| Total | 57,100,000 | 37,012,423.7 | 20,087,576.3 | 0 |

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

b) Liquidity risk management

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

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

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.

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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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

d) Capital risk management

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

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10.7. NOTES TO THE FINANCIAL STATEMENTS

1. General expenses

| Description | FY2019/2020 | FY2018/2019 |
|-------------------------|--------------|----------------|
| | KShs | KShs |
| Consumables | 0 | 365,000 |
| Printing and stationery | 0 | 40,000 |
| Bank charge | 1,440 | 1,430 |
| Hospitality | | 192,180 |
| Total | 1,440 | 598,610 |

2. Cash and cash equivalents

| Description | FY2019/2020 | FY2018/2019 |
|---------------------------------|-------------|-------------|
| | Kshs | Kshs |
| Total cash and cash equivalents | 28,631.00 | 28,631.00 |
| Current account | 28,631.00 | 28,631.00 |

3. Interest income

| Description | FY2019/2020 | FY2018/2019 |
|------------------------------|--------------|---------------|
| | Kshs | Kshs |
| Interest income from loans | 37600 | 41,600 |
| Total interest income | 37600 | 41,600 |

4. Cash and cash equivalents for women fund.

| Description | FY2019/2020 | FY2018/2019 |
|--|------------------|----------------|
| | Kshs | Kshs |
| Current account | 663,530.4 | 104,310 |
| Total cash and cash equivalents | 663,530.4 | 104,310 |

Detailed analysis of cash and cash equivalents

| Financial institution | Account number | FY2019/2020 | FY2018/2019 |
|---------------------------|----------------|------------------|----------------|
| | | Kshs | Kshs |
| Current account | | | |
| Kenya Commercial bank | 01141536727201 | 148,618.75 | 61,399 |
| Cooperative Bank of Kenya | 01141536727200 | 514,911.65 | 42,911 |
| Total | | 663,530.4 | 104,310 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Cash and cash equivalents for Youth fund.

| | | FY2019/2020 | FY2018/2019 |
|---------------------------|----------------|------------------|------------------|
| Financial institution | Account number | KShs | KShs |
| a) Current account | | | |
| Cooperative Bank of Kenya | | 28,631.00 | 65,532.00 |
| Sub- total | | 28,631.00 | 65,532.00 |
| Grand total | | 28,631.00 | 65,532.00 |

6. Receivables from exchange transactions.

i. Exchange transactions Youth

| Description | FY2019/2020 | FY2018/2019 |
|---|----------------------|----------------------|
| | Kshs | Kshs |
| Current Receivables | | |
| Current loan repayments due | 9,347,660.00 | 9,347,660.00 |
| Other exchange debtors | 400,000 | 400,000 |
| Total Current receivables | 10,270,660.00 | 10,270,660.00 |
| Total receivables from exchange transactions | 10,270,660.00 | 10,270,660.00 |

ii. Exchange transactions

| Description | FY2019/2020 | FY2018//2019 |
|---|------------------|------------------|
| | Kshs | Kshs |
| Current Receivables | | |
| Current loan repayments due | 9,065,716 | 9,616,916 |
| Other exchange debtors | 200,000 | 200,000 |
| Total Current receivables | 9,265,716 | 9,816,916 |
| Total receivables from exchange transactions | 9,265,716 | 9,816,916 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Related party balances

a) Nature of related party relationships

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

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

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11. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|--|----------------------------|---|--|---|
| | | | | | |

We are yet to receive audit recommendations for FY 2019/2020 under review.