REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

LAIKIPIA COUNTY BUSINESS STIMULUS FUND

FOR THE YEAR ENDED 30 JUNE, 2022

COUNTY GOVERNMENT OF LAIKIPIA
LAIKIPIA COUNTY BUSINESS STIMULUS FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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

Table of Content

Definition of Acronyms

ESP	Economic Stimulus Programme
MSMES	Micro, Small and Medium Enterprises
SACCOS	Savings and Credit Cooperative Societies
BDOs	Business Development Officers
KCB	Kenya Commercial Bank
CRB	Credit Reference Bureau
CIDP	County Integrated Development Plan

1. Key Entity Information and Management

a) Background information

Laikipia County Business Stimulus Fund is established by and derives its authority and accountability from The Public Finance Management (Laikipia County Business Stimulus Fund) Regulations, 2020 on 4th November 2020, with amended regulations of the same through a gazette notice of 26th July, 2021. The Fund is wholly owned by the County Government of Laikipia and is domiciled in Kenya.

The fund's objectives are;

a) Alleviate the negative effects of a declared pandemic, disaster, or significant economic contraction (recession) on Trade/Commerce within the County;

b) Facilitate access of affordable credit to micro and small Enterprises within the County from commercial facilities by providing solutions which include negotiated financial subsidies.

c) To allow the County Government to negotiate an economic stimulus package scheme or schemes with commercial facilities which include:
   i. A loan guarantee scheme; and
   ii. An interest sharing scheme.

d) Offer enterprises support to cushion against increased cost of production that include -
   i. Rebate to taxes paid to other counties, national government or any other regulatory or agent;
   ii. Rebate and or support to market penetration that includes and not limited to advertisement, distribution costs among others;
   iii. Rebate on other cost of production that are outside the control of the enterprises that include and not limited to cost of energy, cost of standard packaging among others.

The Fund's principal activity is offering interest subsidy for MSMEs and SACCOs loans and/or providing loan guarantee for Micro loans.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to;

i. Offer interest subsidy for Micro Small Medium Enterprises and SACCOs loans where the Fund pays 5% p.a subsidy for business owners and 6.5% p.a subsidy for SACCOs

ii. Provide loan guarantee for Micro loans for loans below Kshs 100,000 for the beneficiaries.

iii. *Offer enterprises support to cushion against increased cost of production through rebates. The fund was intended to cushion against high cost of production in manufacturing on electricity and distribution permits, however this scheme was not actualized due to inadequate legal framework.*

c) Fund Administration Committee

Ref	Name	Position	Exit Date
1	Winnie Mwangi	- Chairman of the Committee - Chief officer for Enterprise development	1st September 2022
2	Paul Njenga	- Fund Administrator -Chief Officer finance and Economic Planning	1st September 2022
3	Prudence Waithera	CEO – Laikipia County Revenue Board	
4	Rachel Thumbi	County Attorney Representative	
5	Mr. Musa Koskei	Business Community Representative	
6	M/S Hellen Mwarania	Business Community Representative	
7	Edward Njuguna	Acting Fund Manager	20th June 2022
8	Raphael Kimotho	Acting Fund Manager	

d) Key Management Team

Ref	Name	Position	Exit/ Entrance Date
1	Winnie Mwangi	Chairperson of the Committee Chief officer Fund Accountant - Financial Reporting for Enterprise development	1st September 2022
2	Daniel Ngumi	Incoming Fund Administrator Chief Officer finance and Economic Planning	1st September 2022
3	Paul Njenga	Outgoing Fund Administrator Chief Officer finance and Economic Planning	1st September 2022
4	Edward Njuguna	Outgoing Acting Fund Manager	20th June 2022
5	Lydiah Mokeira	Fund Accountant - Fund Operations	
6	Caleb Mwangi	Fund Accountant - Fund Financial Reporting	
7	Raphael Kimotho	Incoming Acting Fund Manager	20th June 2022

e) Fiduciary Oversight Arrangements

Ref	Position
1	Directorate Internal Audit
2	County Assembly of Laikipia
3	County Executive Committee
4	Laikipia County Executive Audit Committee
5	Senate Public Accounts Committee
6	Office of the Controller of Budget.
7	Office of the Auditor-General
8	Development Partners Oversight

f) Registered Offices

P.O. Box 1271-10400
Interim County Headquarter Building
County Government of Laikipia
Nanyuki, KENYA

g) Fund Contacts

County Government of Laikipia
P.O. Box 1271-10400, Nanyuki
Tel: 0722 396670

h) Fund Bankers

1. Kenya Commercial Bank
   Interest Subsidy A/C - 1276782896
   Guarantee A/C - 1276782993
2. Cooperative bank of Kenya
   Interest Subsidy A/C - 01141999987300
   Guarantee A/C - 01141999987200
3. Family Bank
   Interest Subsidy A/C - 064000074793
   Guarantee A/C - 064000074794
4. Absa Bank
   Interest Subsidy A/C - 2045817175
5. National Bank
   Retention Depository A/C - 01071236266500
   Economic Stimulus A/C - 01071236266500

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. The Fund Advisory Committee

Name	Details of qualifications and experience
1. Winnie Mwangi – Committee Chairperson 	She is the Accounting Officer Innovation and Enterprise Development. She holds a Bsc in Information Science and Masters in Information Science and Public administration & economics background She holds a Post Graduate Diploma in Project management. She has a vast experience in working around supporting MSMEs having worked as an assistant director of Industries in Laikipia County for 4years. Her greatest achievement was growing the incubation program from 50 enterprises to1633 enterprises. Public administration & economics background
2. Paul Njenga - Fund Administrator 	Holds an MBA (finance option) Certified institute of purchasing and suppliers (CIPSUK), Member of KISM and currently pursuing a PHD in business administration finance option. He is the Accounting Officer Finance and Economic Planning
3. Edward Njuguna- Acting Fund Manager 	Holds Bsc. Agriculture (Agricultural Finance) and Diploma in Agribusiness Management and Marketing. He has undergone a training on Public Finance Management course at the Kenya School of Government. He is the Value Chain Development officer in the ASDSP programme, Laikipia County.

4. Prudence Waithera –Member 	Holds a Master Degree in Project Planning and Management from the University of Nairobi and a Bachelor of Science degree in Information Technology from the Jomo Kenyatta University of Agriculture and Technology. She has also attended various professional development training courses in relation to Information Technology, Leadership and Revenue Administration both within and outside the Country. She has a vast experience in the Public Sector for having worked at Public Service Commission, Transition Authority and County Government of Meru. While at Public Service Commission she was awarded a commendation for exemplary performance by the Head of Civil Service. Key career achievements are; Formulation of E-government Guidelines and Policies, Development of the County ICT Roadmap, Setting up the devolved system of Government structures and systems in Meru County and Increase of OSR Revenue in Meru County by 64% in the FY 2014/2015. Currently CEO County Revenue Board
5. Rachael Thumbi - Member 	Holds laws degree (LLB) from the University of Nairobi and is advocate of High Court. She is currently pursuing a Certified Secretaries course with KASNEB. She is a Senior Legal Officer at the County Government of Laikipia.
6. Mr. Musa Koskei – Member 	Business Community Representative. (Laikipia West) Holds a Certificate in Purchasing and supplies. He has been into business for over 13 years. Elected as the chairman of Nyahururu Golf club and Mt. Kenya KGU Representative. Currently running Shirikisho Supermarket in Nyahururu Town.
7. Ms Hellen Mwarania – Member 	Business Community Representative (Laikipia East). Holds a certificate in O - Level. She has a Vast knowledge on running business from her experience of over 20 years. Currently operating her business in Nanyuki town.

3. Management Team

Name	Details of qualifications and experience
1. Paul Njenga- Fund Administrator 	Holds an MBA (finance option) Certified institute of purchasing and suppliers (CIPSUK), Member of KISM and currently pursuing a PHD in business administration finance option. He is the Accounting Officer Finance and Economic Planning
2. Edward Njuguna- Outgoing Fund Manager 	Holds Bsc. Agriculture (Agricultural Finance) and Diploma in Agribusiness Management and Marketing. He has undergone a training on Public Finance Management course at the Kenya School of Government. He is the Value Chain Development officer in the ASDSP programme, Laikipia County.
3. Raphael Jomo – Incoming Fund Manager 	Holds Bachelor's Degree in Business Management (Accounting) and Diploma in Banking and Finance. Currently Acting Fund Manager for Laikipia Business Stimulus Fund.
4. Lydiah Mokeira –Accountant Fund Operations 	Holds Bachelor's Degree in Commerce. (Banking and Finance) and is a Certified Public Accountant (CPA-K) with a history of accurately supporting accounting activities in a diverse range within the Treasury Management and Risk Management. Currently she is the Accountant -Innovation and Enterprise Development.
4.Caleb Mwangi – Accountant Funds Reporting 	Holds Bachelor's Degree in Commerce (Finance) and Post Graduate Diploma in Project management. He is also a Certified Public Accountant of Kenya (CPA-K). He is currently the Accountant in charge of Funds financial reporting. He has Internal Auditing experience of over 14 years since 2008.

4. Fund Chairperson's Report

It is my pleasure to present, on behalf of the Fund Advisory Committee, the Laikipia County Business Stimulus Fund financial statements for the financial year ended 30th June, 2022. The financial statements present the financial performance of the Fund over the past financial year.
Many businesses were hard hit by the Covid-19 pandemic across the County leading to loss of jobs and source of livelihoods to many people. The Business Stimulus Fund was intended to stimulate businesses through facilitating access to affordable credit to Micro, Small & Medium Enterprises (MSMEs).
By making affordable credit accessible to them through Interest subsidy and Credit guarantee, the County Government seeks to revive and sustain the businesses thus ensuring MSMEs remain in business and jobs are not lost.

Advisory Committee and Management Changes

The regulations governing the fund was amended through a gazette notice dated 26th July 2021 (The Public Finance Management (Laikipia County Business Stimulus Fund) (Amendment) Regulations, 2021), which facilitated movement of the fund from the Department of Trade to the department of Finance and Economic planning. Consequently, the amendment caused change of the chairperson of the Fund Advisory Committee from the Chief officer in charge of Trade to Chief Officer in charge of Innovation and Enterprise development.
The transfer of operations of the fund from the department of Trade to the department of Finance and Economic planning also necessitated change of the Fund Accountant where Ms. Lydiah Mokeira was appointed to that position. Mr. Edward Njuguna who had been the Acting fund manager having been appointed on 27th November, 2020 requested to be relieved of the fund management responsibilities with effect from 20th June, 2022 and was replaced by Mr. Raphael Jomo in the same capacity.

Review of performance

Partnerships

During the period under review, the County Government of Laikipia entered into new partnerships with two banks, namely; Family bank and ABSA Bank through Memorandum of Understanding (MOUs) signed by each party, in addition to the existing partnerships with the other two banks; Kenya Commercial Bank (KCB) and Cooperative Bank of Kenya.

The MOUs introduced the interest subsidy model whereby the banks were lending their own money at the market price interest rate and the county Government of Laikipia was to pay 5% p.a (for business owners) and 6.5% p.a (for cooperative societies) of the interest for each application under the Laikipia Economic Stimulus Programme.

Staffing

The fund had only one Staff (Acting Fund Manager) who was the head of Secretariat and Secretary to the Advisory Committee. However, He was closely supported by the Business Development Officers when called upon to.

The Chief Executive Officer - LCDA and Senior Advisor to the Governor on Enterprise Development also gave support in terms of advice and negotiations with stakeholders.

Future outlook of the Fund

More Financial institutions are to be on-boarded into the program in order to increase the reach to beneficiaries such as SACCOS, since the current partners are mostly based on big towns which led to lower number in some wards where they don't have branches hence making it hard for MSMEs to access the fund interms of transport with uncertainty of qualifying for the funds.

Financial training on the MSMEs since some MSMEs don't operate an account and to some extent trading on cash basis hence making it difficult for them to access the fund as one of the minimum requirements for the interest subsidy scheme is providing an Mpesa and Bank Account statements that aare required to project the applicant's cash flow.

Laikipia Business Stimulus Fund has been able to engage Business Community leaders during Sensitization for a better understanding of the funds hence being our spearheads on the ground when they meet their community members.

Extension of the engagement period with the partnering banks would be of great significance considering that most of MSMEs are still in need of funding to revive their business enterprises, however with a period of 12 months we have managed to fund 373 MSMEs across the county.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the County Government, Stakeholders, management, staff and fellow Committee members for their continued support which made us achieve these results.
5
I look forward to your continued support in the year 2022/2023

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Winnie Mwangi
Chairperson of the Board

5. Report of The Fund Administrator

The Laikipia Business Stimulus Fund was established through The Public Finance Management (Laikipia County Business Stimulus Fund) Regulations, 2020. Gazetted 20th November 2020.Amendment was done through a gazette notice dated 26th July 2021 (The Public Finance Management (Laikipia County Business Stimulus Fund) (Amendment) Regulations, 2021). The Fund is administered by the chief officer of Finance and County planning. Fund also has an Advisory committee comprising of 7 members with the Chief Officer of Enterprise Fund being the chairperson and the Fund Manager being secretary to the board. The Fund Manager offers Secretariat Services to the Fund and is the head of the secretariat.

The objectives of the Fund are;

a) To alleviate the negative effects of a declared pandemic, disaster, or significant economic contraction (recession) on Trade/Commerce within the County;
b) To facilitate access of affordable credit to micro and small Enterprises within the County from commercial facilities by providing solutions which include negotiated financial subsidies.
c) To allow the County Government to negotiate an economic stimulus package scheme or schemes with commercial facilities which include:
   (i) A loan guarantee scheme; and
   (ii) An interest sharing scheme
d) offer enterprises support to cushion against increased cost of production that include-

   i. Rebate to taxes paid to other counties, national government or any other regulatory or agent;

   ii. Rebate and or support to market penetration that include and not limited to advertisement, distribution costs among others;

   iii. Rebate on other cost of production that are outside the control of the enterprises that include and not limited to cost of energy, cost of standard packaging among others.

Initial Capital and other Sources of the Fund

The initial capital of the Fund shall consist of monies appropriated by the County Assembly in the financial year 2020/21 and any additional capital as the County Assembly may appropriate in subsequent financial years.

Other sources of the Fund shall consist of—
(a) sums of money that may in any manner become payable to or vested in the Fund including gifts, grants, bequeaths and donations;
(b) other Funds which may be received from the National Government.
(c) any other funds from a lawful source.

Financial Performance

Interest Subsidy and Loan Guarantee

a) Kenya Commercial Bank

The Interest Subsidy amount deposited to KCB Bank was Ksh. 25,000,000 while the Loan Guarantee amount deposited on the same bank was Ksh. 5,000,000.

The total amount of money used as Interest Subsidy to the 160 MSMEs seeking working capital at KCB is Ksh. 2,538,024.21.In addition, the total amount used under the Loan Guarantee scheme during the reporting period is Ksh. 341,358.82.

b) Cooperative Bank

At Cooperative bank, the amount deposited for the Interest Subsidy was Ksh 7,000,000 while the Loan Guarantee amount deposited on the same bank was Ksh 2,000,000.

The total amount of money used as Interest Subsidy to the 85 MSMEs seeking working capital at Cooperative bank during the reporting period is Ksh. 1,864,436.03.

c) Family Bank

At Family Bank the amount deposited for the Interest Subsidy was Ksh 5,000,000.

The total amount of money used as Interest Subsidy to the Ksh 128 MSMEs seeking working capital during the reporting period is Ksh 1,522,206.60.

d) ABSA Bank

At ABSA Bank the amount deposited for the Interest Subsidy was Ksh 5,000,000.

The total amount of money used as Interest Subsidy is Ksh 0 during reporting period.

NAME OF BANK	STIMULUS SCHEME	AMOUNT DEPOSITED	BENEFICIARIES	AMOUNT USED	INTER-ENTITY TRANSFERS	ACCOUNT BALANCE
KCB	LOAN GUARANTEE	5,000,000	6	341,359	-	4,658,641
	INTEREST SUBSIDY	25,000,000	160	2,540,309	3,000,000	19,459,691
COOPERATIVE BANK	LOAN GUARANTEE	2,000,000	-	-	-	2,000,000
	INTEREST SUBSIDY	7,000,000	85	1,864,436	2,550,000	2,585,564
FAMILY BANK	LOAN GUARANTEE	-	-	-	-	-
	INTEREST SUBSIDY	5,000,000	128	1,522,207	-	3,477,793
ABSA BANK	INTEREST SUBSIDY	5,000,000	-	-	-	5,000,000
TOTALS		**49,000,000**	**379**	**6,268,311**	**5,550,000**	**37,181,689**

The Stimulus Package benefited a total of 379 beneficiaries whereby 373 received loan interest subsidy and 6 defaulters received the Loan Guarantee.
The County deposited with four financial institutions a total amount of Ksh. 49 million towards financing Interest Subsidy and Loan Guarantee schemes and out of which Ksh. 6,268,311 was utilised. In the course of the reporting period there was an inter entity transfer of Ksh. 5,550,000 to the executive, which resulted to an account balance of Ksh. 37,181,689.

In a bid to make the fund sustainable, the management of the Fund committed Kshs.20 Million to a fixed deposit arrangement in the the Financial year 2021/2022 reporting period which has earned an interest income of Ksh. 342,473

Conclusion
FY 2021/2022, some progress was made and the momentum created to enable Laikipia County Business Stimulus Fund continue impacting the Laikipia business people positively through cushioning their businesses against the effects of Covid-19 pandemic.
I take this opportunity to thank the board for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Fund achieves its mission.

COUNTY GOVERNMENT OF LAIKIPIA
CHIEF OFFICER
30 JAN 2023
FINANCE & ECONOMIC PLAN

.....
Daniel Ngumi
Fund Administrator

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

Introduction

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

The key development objectives of the Fund for financial year 2021/2022 are to;

a) Alleviate the negative effects of a declared pandemic (COVID-19), disaster, or significant economic contraction (recession) on businesses within the County;
b) Facilitate access of affordable credit to micro and small Enterprises within the County from commercial facilities by providing solutions which include negotiated financial subsidies.
c) Offer enterprises support to cushion against increased cost of production that includes;
d) Rebate to taxes paid to other counties, national government or any other regulatory or agent;
e) Rebate and or support to market penetration that include and not limited to advertisement, distribution costs among others;
f) Rebate on other cost of production that are outside the control of the enterprises that include and not limited to cost of energy, cost of standard packaging among others.

Progress on attainment of Strategic development objectives

Below we provide the progress on attainting the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Micro and Small Enterprise Support programme	1. Improve business environment and promote enterprise development	1.Support of businesses across the County 2. Affordable loans for SMES	1.Number of beneficiaries of the stimulus package 2.Certifications and Business licences	In FY 2021/22 373 Business were funded and they were assisted in developing good business plans

7. Corporate Governance Statement

a. Fund Advisory Committee meetings

The Fund Advisory Committee were unable to meet in the reporting period. However, the Fund Advisory Chairperson together with Acting Fund Manager and the Business Development Officers (BDOs) continued to compile and share periodic reports, carry out activation in the Wards and undertake trainings to the business community.

b. Roles of Fund Advisory Committee

i. Continually review the policy framework of the Fund for purposes of advising the County Executive Committee Member for Finance on the policy needs of the fund;
ii. Assist the County Executive Committee Member for Finance to evaluate and vet prospective financial institutions in line with the Public Procurement and Disposal Act;
iii. Analysing reports submitted to it by financial institutions to ensure that beneficiaries of the fund are persons or businesses domiciled in Laikipia;
iv. Advice and report to the Executive Committee Member on matters relating to the operation of the Fund;
v. Receive and discuss monthly, quarterly and annual reports and returns of the Fund;
vi. Receive and address complaints and disputes and take any appropriate action;
vii. Oversee the efficient management and operation of the Fund and other matters that may arise in relation to the Fund; and perform such other function as may be necessary for the proper discharge of its mandate

c. Conflict of interest,

Pursuant to Article 15 paragraph (1) of the Laikipia Business Stimulus Fund, 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.
A disclosure of interest made under paragraph (1) shall be recorded in the minutes of the meeting at which it is made.

d. Ethics and Conduct

All officers and employees working for the Fund observed the Public Officers' Code of Ethics.

8. Management Discussion and Analysis

Operational Performance

Micro Small and Medium Entrepreneurs continue to play a major role in the development of the County economy. During the formulation and review of the County Integrated Development, it was noted that one of the issues affecting Micro Small and Medium Entrepreneurs was inadequate working capital. To address this issue, the County Government created the Fund with a prime objective of availing affordable credit to SMES with the purposes that are in tandem with the Laikipia County Integrated Development plan. Key areas where enterprises are expected to play a role include; innovations, value addition to products and services, manufacturing, financial services, Boda-Boda sector, wholesale and retail trade.

The Fund focused on the Governors manifesto of creating 30,000 jobs opportunities in the county. To achieve this, the Fund established partnership and collaborations with financial institution with the capacity to build strong and vibrant framework. These institutions include; Family Bank, Cooperative Bank, Absa Bank and Kenya Commercial Bank operating in the county.

The partnership focused more on the youth and women groups as the most disadvantaged people in the community. KCB was given a 4-day maximum turnaround time for individual applications which was tracked through the submission of weekly reports. Co-operative bank was given a 3-day turnaround time commitment for all the facilities through the bank and it focused on appraisals of all the facilities below 500k at the local branches and that helped to push the numbers. Co-operative bank accommodated CRB listings of up to Ksh. 10,000. Family bank was given a 3-day turnaround time commitment for all the facilities provided by the bank.

The Fund held BDO sensitization sessions in Nyahururu and Nanyuki with an emphasis on Stimulus fund as a key deliverable for BDOS. The LEAD BDOs were sensitized on their role in reporting of performance of the stimulus package. The fund manager has been to central FM which is the local station with a wide range of 50,000 listeners hence creating demand for the facility. These efforts of creating more awareness will continue and a beneficiary is on schedule to visit the station.

The following are some of the risks that the Fund encountered in its operations;

- Inadequate minimum requirement by the applicant.

Most of the MSMEs didn't meet the minimum requirements hence their applications being declined from the fund this is because they lack Mpesa and bank statements. Having been funded Kshs 49Million, we only managed to disburse Kshs 5,926,951 against 373 MSMEs hence being a major risk encountered.

- Defaulting of loans.

  The fund has reported 6 MSMEs worth Ksh. 341,358.82 defaulting hence being a major risk on the credit guarantee especially if the default rate increases.

Financial Performance

a) Loan Disbursement status

BANK	NO OF DISBURSEMENTS	INTEREST SUBSIDY AMOUNT	LOAN AMOUNT DISBURSED
KCB	160	2,540,309	**79,316,918.00**
COOPERATIVE	85	1,864,436	**55,210,000**
FAMILY	128	1,522,207	**42,400,000**
ABSA	0	0	0
TOTAL	**373**	**5,926,952**	**176,926,918.00**

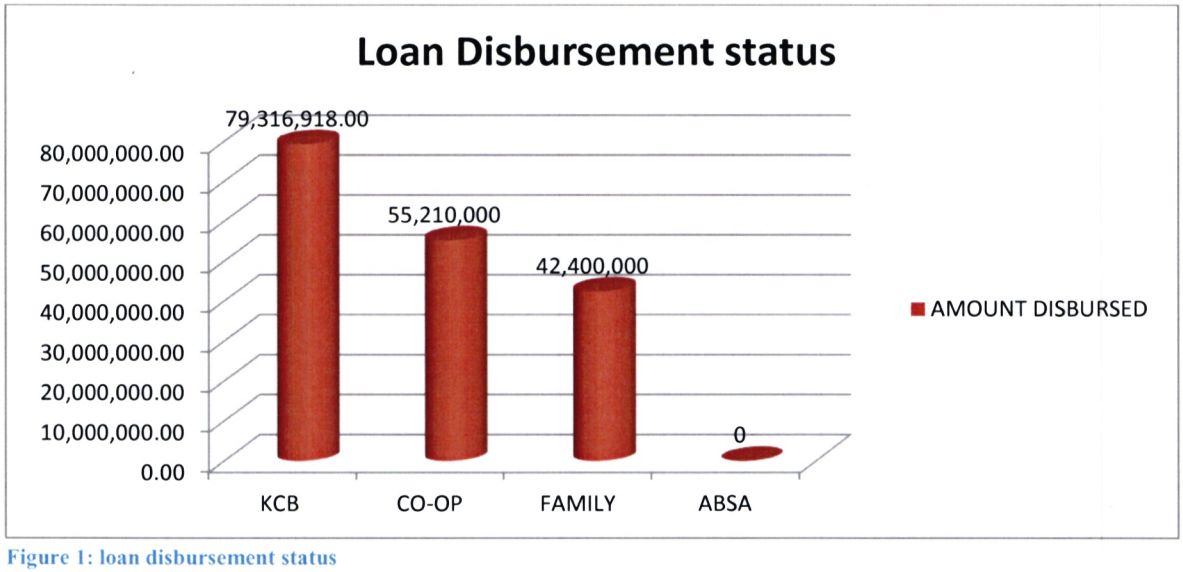


Figure 1: loan disbursement status

This represents the amount of loans portfolios per bank disbursed as a result of the County Government's Loan subsidy scheme. This has spurred the financial credit market, the highest beneficiary being KCB with Kshs 79 Million, followed by Cooperative Bank with Kshs 55 Million and Thirdly, Family Bank with Kshs 42 Million. It's important to note that the Family bank is the latest entrant to the scheme in August 2021 and as a result has managed a loan portfolio of Kshs. 42 million. This may infer less stringent loan procedures.

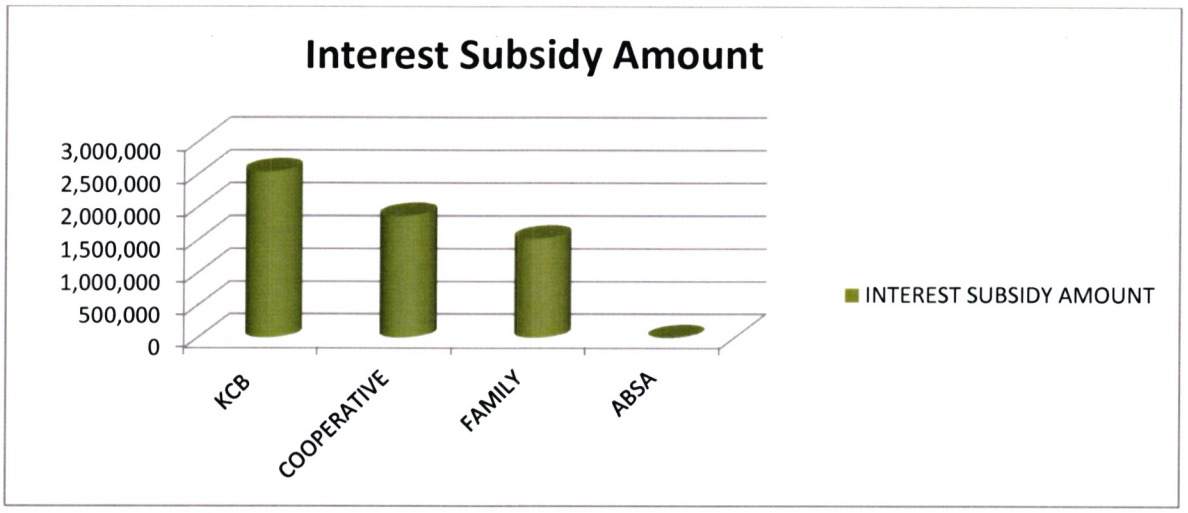


Figure 2: Interest subsidy Amount

The graph depicts the interest subsidy amounts per bank that 373 business enterprises benefited from.

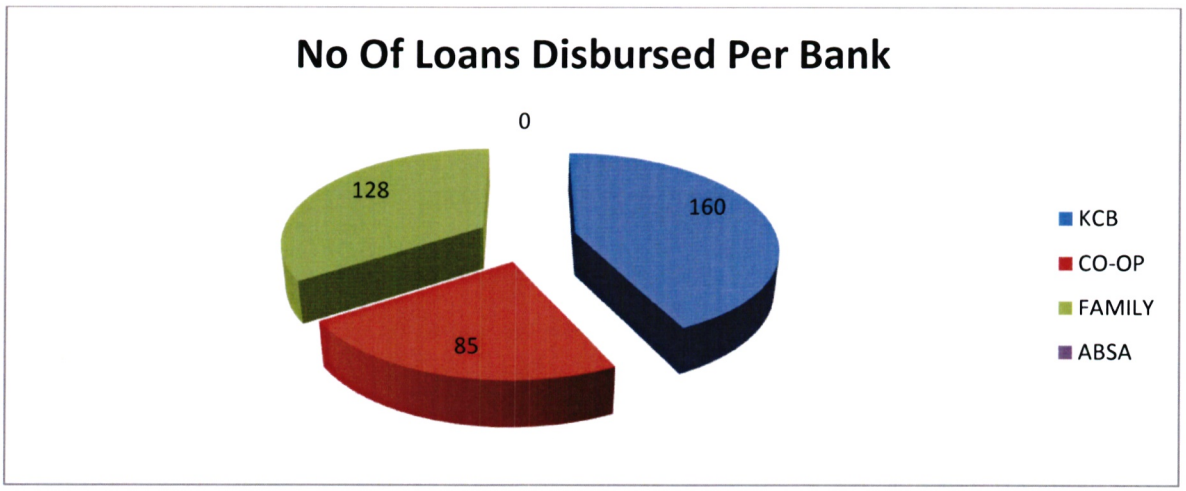


Figure 3: No. of loans Disbursed by Bank

The economic stimulus package schemes have enabled commercial banks increase their loan portfolios hence facilitating huge business support within the County Government of Laikipia.

b) Disbursement by numbers

DISBURSEMENT BY RANGE	NO.OF LOANS DISBURSED	PERCENTAGE	LOAN AMOUNT	PERCENTAGE
1-100,000	145	39%	11,815,000	7%
101,000-200,000	74	20%	11,890,000	7%
201,000-300,000	51	14%	14,615,000	8%
301,000-400,000	9	2%	3,323,000	2%
401,000-500,000	37	10%	18,257,930	10%
501,000-1,000,000	24	6%	21,693,000	12%

1,000,001-2,000,000	19	5%	30,033,171.55	17%
2,000,001-3,000,000	10	3%	27,559,000	16%
3,000,000-9,000,000	2	0.5%	7,740,817	4%
OVER 9,000,000	2	0.5%	30,000,000	17%
TOTAL	**373**		**176,926,918**	

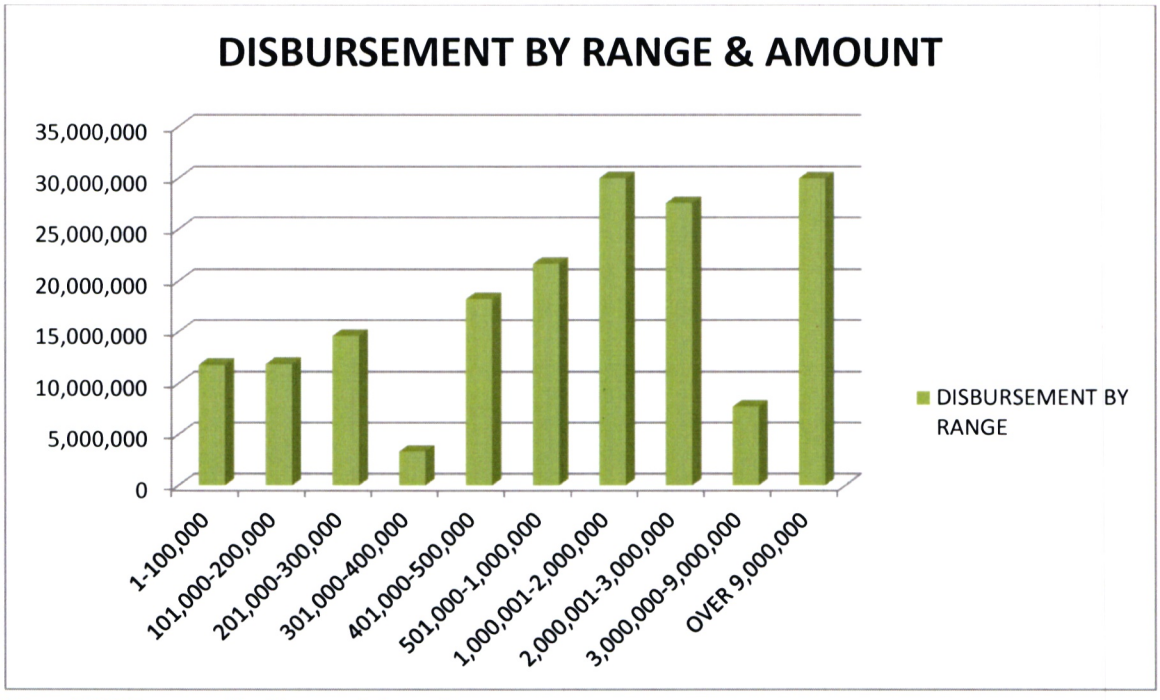


Figure 4: Disbursement by Range and Amount

The above graph depicts that the largest loans disbursed lie within the Kshs 1,000,001 – 2,000,000 range, and over Kshs 9,000,000 range. However, in the range of Over Kshs 9,000,000 the two loans were issued to Siranji SACCOs on different dates.

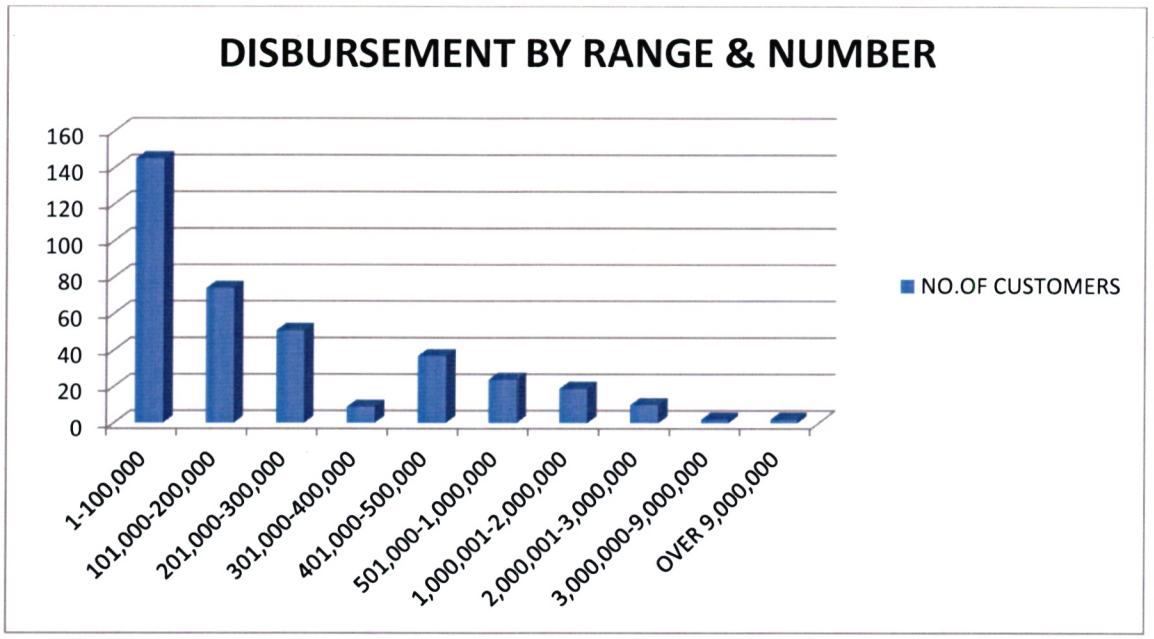


Figure 5: Disbursement by Range & Number

Most beneficiaries of the Economic Stimulus package schemes lie in the disbursement range of Ksh 1-100,000. The fund has majorly assisted MSMEs owners to access affordable credit for business capital.

Most of the applicants interested in amounts below Ksh. 100,000 majorly wanted to boost their businesses after the negative impacts on the economy from the COVID-19 pandemic and high cost of living.

c) Disbursement by Ward

DISBURSEMENT BY WARDS	NO.OF LOANS DISBURSED	AMOUNT
NANYUKI	235	143,771,918
IGWAMITI	82	22,075,000
THINGITHU	14	1,860,000
NGOBIT	7	900,000
TIGITHI	7	975,000
RUMURUTI	6	490,000
MARMANET	4	280,000
GITHIGA	2	1,210,000
UMANDE	8	1,635,000
MKOGODO EAST	0	0
SALAMA	3	280,000
OLMORAN	4	1,450,000
SOSIAN	0	0
SEGERA	0	0
MUKOGODO WEST	1	2,000,000
TOTAL	**373**	**176,926,918**

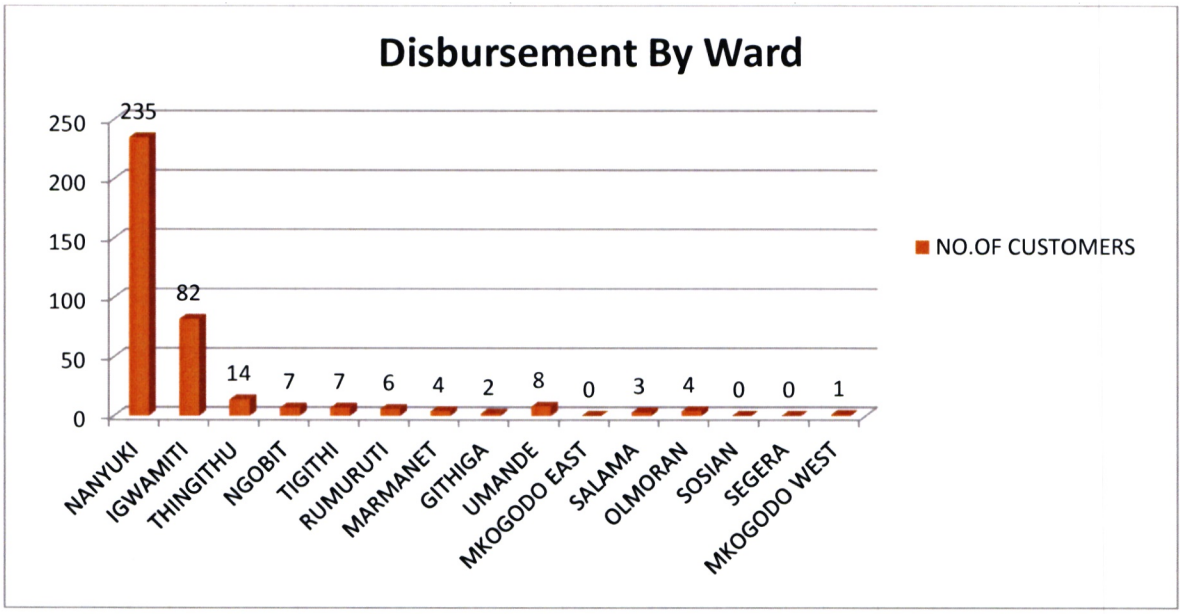


Figure 6: Disbursed by Ward

The Nanyuki ward has had the biggest number of beneficiaries from the Stimulus scheme, having the 235 borrowers with a loan portfolio of KShs 143,771,918. This is attributed to the easier accessibility to financial institutions services that are in partnership with ESP.

The other wards received less disbursements compared to Nanyuki ward that received the most. This is because most of the MSMEs didn't meet the minimum requirements, for instance most residents that are in the rural areas lacked Mpesa and Bank statements. To solve this issue, more Financial institutions should be on-boarded into the programme in order to increase the reach to beneficiaries such as SACCOS, since the current partners are mostly based on big towns which led to lower number in some wards where they don't have branches hence making it hard for MSMEs to access the fund in terms of transport with uncertainty of qualifying for the funds.

9. Environmental and Sustainability Reporting

During the COVID-19 pandemic period many businesses were hardly hit by the negative economic effects of the pandemic. Through the Interest Subsidy scheme provided by the stimulus fund, most businesses were able to spring back. In addition, the businesses embraced good businesses management skills for instance proper record keeping through trainings and sensitizations that were conducted within the communities.
Unlike getting a loan directly from the bank which charges 12.5%, this fund allowed applicants to get loans at an interest rate of 7.5% only as the County Government pays the rest 5%.

The fund has been involved in public engagements to create awareness of the fund as well as gather information on emerging entrepreneurial needs. The Fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its budgetary allocations and resource mobilization through lobbying to increase its financing capabilities with an objective of ensuring that the Fund's going concern is secured.

Individuals and other organizations doing business in Laikipia County continue applying for the Economic Stimulus Fund due to its ability to offer cheap business loans. Entrepreneurs working within the county borders are encouraged to take advantage of this opportunity and apply for the loans as the government has set aside Ksh. 3 billion in partnership with other local banks.
In case of winding up, the regulations governing the fund gives the guiding procedures.

10. Report of The Trustees

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

Principal activities

The principal activities of the Fund are as follows;

i. Offer interest subsidy for MSMEs and SACCOs loans
ii. Provide loan guarantee for Micro loans.
iii. Offer enterprises support to cushion against increased cost of production through rebates.

Results

The results of the Fund for the year ended June 30, 2022 are set out on pages 1 - 5.

Trustees

The members of the Fund Advisory Committee who served during the financial year are shown on page vi as well as changes in the Committee

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.

Auditor General to appoint an auditor to audit on his behalf.

By Order of the Funds Advisory Committee

.....

Winnie Mwangi
Chair of the Fund Advisory Committee

11. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *The Public Finance Management (Laikipia County Business Stimulus 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, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *The Public Finance Management (Laikipia County Business Stimulus 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, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

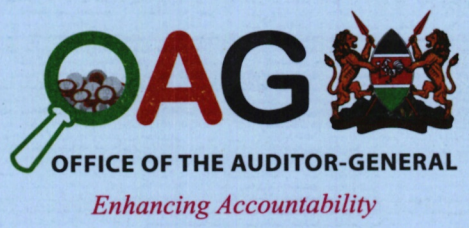
The Fund's financial statements were approved by the Board on 13/09/2022 and signed on its behalf by:

.....

Daniel Ngumi
Administrator of Laikipia County Business Stimulus 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 LAIKIPIA COUNTY BUSINESS STIMULUS FUND FOR THE YEAR ENDED 30 JUNE, 2022

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 Laikipia County Business Stimulus Fund set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2022, and the statement 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Laikipia County Business Stimulus Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (Laikipia County Business Stimulus Fund) Regulations, 2020.

Basis for Qualified Opinion

Unsupported Finance Costs

The statement of financial performance reflects finance costs of Kshs.6,266,026 and as disclosed in Note 9 to the financial statements. The finance costs relate to loans interest subsidy and loan guarantee. However, minutes of the Funds Advisory Committee detailing the criteria used in the selection of beneficiaries were not provided for audit review, contrary to the requirement of Section 8(1)(c) of the Public Finance Management (Laikipia County Business Stimulus Fund) Regulations, 2020 which sets out one of the functions of the Committee as analyzing reports submitted to it by financial institutions to ensure that beneficiaries of the Fund are persons or businesses domiciled in Laikipia.

In the circumstances, the accuracy and completeness of the finance costs amount of Kshs.6,266,026 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Laikipia County Business Stimulus 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.

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

Receivables from Non-Exchange Transactions - Unlawful Inter-Entity Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.5,550,000 as disclosed in Note 13 to the financial statements. The receivables relate to money which was transferred from the Fund account to the Laikipia County Executive departments, contrary to the requirement of Section 116(4) of the Public Finance Management Act, 2012 which states that 'the Administrator of a County Public Fund shall ensure that money held in the Fund, including any earnings or accruals is spent only for the purposes for which the fund is established'.

In the circumstances, 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 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 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 its 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of 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 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

31 March, 2023

13. Statement of Financial Performance For The Year Ended 30th June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From the County Government	2	10,000,000	39,000,000
Revenue From Exchange Transactions			
Interest Income-Interest on fixed deposit	4	342,473	153,414
Total Revenue		**10,342,473**	**39,153,414**
Expenses			
Use of goods and services	7	18,586	1,253,803
Finance Costs	9	6,266,026	2,420
Total Expenses		6,284,612	**1,256,223**
Other Gains/Losses		-	-
Surplus/(Deficit) For The Period		**4,057,861**	**37,897,192**

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 30/01/2023 and signed by:

COUNTY GOVERNMENT OF LAIKIPIA
CHIEF OFFICER
30 JAN 2023
FINANCE & ECONOMIC PLANNING

.....
Daniel Ngumi
Administrator of the Fund

.....
Caleb Mwangi
Fund Accountant
ICPAK Member Number: 10187

14. Statement of Financial Position As At 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	36,405,053	37,897,192
Receivables from Non-Exchange transactions	13	5,550,000	-
Total Current Assets		**41,955,053**	**37,897,192**
Total Assets		**41,955,053**	**37,897,192**
Total Liabilities		**-**	**-**
Net Assets		**41,955,053**	**37,897,192**
Revolving Fund		37,897,192	-
Accumulated Surplus		4,057,861	-
Total Net Assets and Liabilities		**41,955,053**	**37,897,192**

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 30/01/2023 and signed by:

COUNTY GOVERNMENT OF LAIKIPIA
CHIEF OFFICER
30 JAN 2023
FINANCE & ECONOMIC PLANNING

Daniel Ngumi
Administrator of the Fund

Caleb Mwangi
Fund Accountant
ICPAK Member Number: 10187

15. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	-	-	-	-
Surplus/(Deficit) For the Period	-	-	37,897,192	37,897,192
Balance As At 30 June 2021	**-**	**-**	**37,897,192**	**37,897,192**
Balance As At 1 July 2021	**-**	**-**	**37,897,192**	**37,897,192**
Surplus/(Deficit) For the Period		-	4,057,861	**4,057,861**
Balance As At 30 June 2022	**-**	**-**	**41,955,053**	**41,955,053**

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 30/01/2023 and signed by:

COUNTY GOVERNMENT OF LAIKIPIA
CHIEF OFFICER
30 JAN 2023
FINANCE & ECONOMIC PLANNING

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Daniel Ngumi
Administrator of the Fund

.....

Caleb Mwangi
Fund Accountant
ICPAK Member Number: 10187

16. Statement Of Cash Flows For The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the county government	2	10,000,000	39,000,000
Interest Income On Fixed Deposits	4	342,473	153,415
Total receipts		**10,342,473**	**39,153,415**
Payments			
Use of Goods and Services	7	18,586	1,253,803
Finance cost	9	6,266,026	2,420
Total payments		**6,284,612**	**1,256,223**
Net cash flows from operating activities	22	**4,057,862**	**37,897,192**
Cash flows from financing activities			
Transfers to County Executive		(5,550,000)	-
Net cash flows used in financing activities		**(5,550,000)**	**-**
Net increase/(decrease) in cash & cash Equivalents		**(1,492,138)**	**-**
Cash and cash equivalents at 1 July	11	37,897,192	-
Cash and cash equivalents at 30 June	11	**36,405,053**	**37,897,192**

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 30/01/2023 and signed by:

COUNTY GOVERNMENT OF LAIKIPIA
CHIEF OFFICER
30 JAN 2023
FINANCE & ECONOMIC PLANNING

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Daniel Ngumi
Administrator of the Fund

.....
Caleb Mwangi
Fund Accountant
ICPAK Member Number: 10187

17. Statement Of Comparison Of Budget And Actual Amounts For The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	**2022**	**2022**	**2022**	**2022**	**2022**
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	
Transfers From County Govt.	30,000,000	(10,000,000)	20,000,000	10,000,000	(10,000,000)	50%
Interest Income	-	-	-	342,473	342,473	-
Opening Bank balance	37,897,192	-	37,897,192	37,897,192	-	100%
Total Income	**67,897,192**	**(10,000,000)**	**57,897,192**	**48,239,665**	**(9,657,527)**	
Expenses						
Use of Goods and Services	19,000	-	19,000	18,586	(414)	98%
Finance Cost	6,500,000	-	6,500,000	6,266,026	(233,974)	96%
Total Expenditure	**6,519,000**	**-**	**6,519,000**	**6,284,612**	**(234,388)**	
Surplus For The Period	**61,378,192**	**(10,000,000)**	**51,378,192**	**41,955,053**	**(9,423,139)**	

Budget notes

1. *Under the Transfers from County Government, the difference is attributed to low absorption rate of the Fund's budget allocation due to lengthy loan approval procedures that hindered the borrowers' ability to qualify for loans.*

Reconciliation between Statement of Financial Performance and Statement of Comparison Budget and Actual Amounts

DESCRIPTION	STATEMENT OF FINANCIAL PERFORMANCE/ POSITION	STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNTS	VARIANCE	REMARKS
REVENUE				
Transfers from County Executive	10,000,000	10,000,000	-	*Accrued receivables*
Other Income - Fixed deposit interest	342,473	342,473	-	
	10,342,473	**10,342,473**	**-**	
PAYMENTS				
Use of goods & services	18,586	18,586	-	*Accrued expenses*
	18,586	**18,586**	**-**	
SURPLUS/ (DEFICIT)	**10,361,059**	**10,361,059**		

COUNTY GOVERNMENT OF LAIKIPIA
CHIEF OFFICER
30 JAN 2023
FINANCE & ECONOMIC PLANNING

.....

Daniel Ngumi
Administrator of the Fund

.....

Caleb Mwangi
Fund Accountant
ICPAK Member Number: 10187

18. Notes to the Financial Statements

1. General Information

Laikipia County Business Stimulus Fund is established by and derives its authority and accountability from The Public Finance Management Act,2012 (Laikipia County Business Stimulus Fund) Regulations, 2020 on 4th November, 2020 and amended regulations, The Public Finance Management (Laikipia County Business Stimulus Fund) (Amendment) Regulations, 2021 through a gazette notice of 26th July, 2021 Act. The entity is wholly owned by the County Government of Laikipia and is domiciled in Kenya. The entity's principal activity is

i. Offer interest subsidy for MSMEs and SACCOs loans
ii. Provide loan guarantee for Micro loans.
iii. Offer enterprises support to cushion against increased cost of production through rebates.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

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

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** 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.

Standard	Effective date and impact:
	IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** 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: (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.
Other improvements	***Applicable 1st January 2023***

Standard	Effective date and impact:
to IPSAS	• *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement** Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

(iii)Early adoption of standards

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

1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly. 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 on the FY 2021-2022 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13-17 of these financial statements.

Summary of Significant Accounting Policies (Continued)

c) Property, plant and equipment

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

d) Intangible Assets

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

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

a) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Summary of Significant Accounting Policies (Continued)

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

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

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

Financial liabilities

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

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

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

b) Inventories

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

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

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

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

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

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

c) Provisions

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

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

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

Contingent liabilities

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.

d) Nature and purpose of reserves

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

e) Changes in accounting policies and estimates

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

f) Employee benefits – Retirement benefit plans

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

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

g) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting 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)

h) Borrowing costs

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

i) Related parties

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

j) Cash and cash equivalents

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

k) Comparative figures

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

l) Events after the reporting period

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

m) Ultimate and Holding Entity

The entity is a County Public Fund established by The Public Finance Management Act,2012 (Laikipia County Business Stimulus Fund) Regulations, 2020 on 4th November, 2020 and amended regulations, The Public Finance Management (Laikipia County Business Stimulus Fund) (Amendment) Regulations, 2021 through a gazette notice of 26th July, 2021 Act under the Ministry of Finance. Its ultimate parent is the County Government of Laikipia

n) Currency

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

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.

6. Notes To The Financial Statements

1. Public contributions and donations

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

2. Transfers from County Government

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. – Operations	10,000,000	39,000,000
Payments By County On Behalf Of The Entity	-	-
Total	**10,000,000**	**39,000,000**

3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Investments	-	-
Interest Income On Bank Deposits	342,473	153,415
Total Interest Income	**342,473**	**153,415**

(This particular interest income was earned on placing money Kshs. 20million on a fixed Bank deposits in KCB Subsidy Account)

Notes to the Financial Statements Continued

5. Other income

Description	**2021-2022**	**2020-2021**
	Kshs	**Kshs**
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	
Total Other Income	-	-

6. Employee Costs

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

7. Use of Goods and Services

Description	**2021/22**	**2020/21**
	Kshs.	**Kshs.**
Bank Charges	18,586	2,120
Postage And Courier	-	-
Printing And Stationery	-	-
Security Costs	-	-
Total	**18,586**	**2,120**

8. Depreciation and Amortization Expense

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	

9. Finance costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Loan Interest Subsidy	5,924,667	1,253,803
Loan Guarantee	341,359	-
Total	**6,266,026**	**1,253,803**

10. Gain/(loss) on disposal of assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant And Equipment	-	-
Intangible Assets	-	-
Total	-	-

Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	**2021-2022**	**2020-2021**
	Kshs	**Kshs**
Fixed Deposits Account	15,001,210	20,000,000
On – Call Deposits	-	-
Current Account	21,403,843	17,897,192
Others	-	
Total Cash And Cash Equivalents	**36,405,053**	**37,897,192**

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

		2021-2022	**2020-2021**
Financial Institution	**Account number**	**Kshs**	**Kshs**
a) **Fixed Deposits Account**			
Kenya Commercial Bank	1276782896	15,001,210	20,000,000
Equity Bank, Etc.		-	-
Sub- Total		**15,001,210**	**20,000,000**
b) Current Account			
Kenya Commercial Bank	1276782896	3,655,643	8,901,285
Kenya Commercial Bank	1276782893	4,695,453	-
Cooperative Bank	1141999987300	2,578,614	8,995,907
Cooperative Bank	1141999987200	1,996,400	-
Family Bank	64000074793	3,477,793	-
Family Bank	64000074794	-	-
ABSA Bank	2045817175	4,999,940	
Sub- Total		**21,403,843**	**17,897,192**
Grand Total		**36,405,053**	**37,897,192**

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable	-	-
Current Loan Repayments Due	-	-
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
Total Current Receivables	-	-
	-	-
Non-Current Receivables	-	-
Long Term Loan Repayments Due	-	-
Total Non- Current Receivables	-	-
Total Receivables From Exchange Transactions	-	-

Additional disclosure on interest receivable

Description	2021-2022	2020-2021
	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	-	-

13. Receivables from Non-Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables	-	-
Transfers to County Executive	5,550,000	-
Transfers from County Executive	-	-
Transfers from County Executive-received	-	-
Total	**5,550,000**	**-**

14. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
Total	-	-

15. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
Total Inventories At The Lower Of Cost And Net Realizable Value	-	-

Notes To The Financial Statements (Continued)

16. 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 2020	-	-	-	-	-
Additions	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021	-	-	-	-	-
Additions	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Depreciation And Impairment	-	-	-	-	-
At 1st July 2020	-	-	-	-	-
Depreciation	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 30th June 2022	-	-	-	-	-

Notes To The Financial Statements (Continued)

17. Intangible assets

Description	2021-2022	2020-2021
	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	-	-

18. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	-	-
Other Payables	-	-
Total Trade And Other Payables	-	-

19. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End Of The Year (30.06.2022)	-	-	-	-

20. Borrowings

Description	2021-2022	2020-2021
	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 Domestics Borrowings During the Period	-	-
Balance At End of The Period	-	-

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

	2021-2022	2020-2021
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organisation'	-	-
Sterling Pound Denominated Loan From 'Y Organisation'	-	-
Euro Denominated Loan from Z Organisation'	-	-
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	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

Notes To The Financial Statements (Continued)

21. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

22. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	4,057,861	37,897,192
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	**4,057,861**	**37,897,192**

23. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

Other Disclosures Continued

e) Due to related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

24. Contingent assets and contingent liabilities

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Case Against The Fund	-	-
Bank Guarantees	-	-
Total	-	-

Other Disclosures Continued

25. Financial risk management

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

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

a) Credit risk

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

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

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	**Fully performing Kshs**	**Past due Kshs**	**Impaired Kshs**
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021	-	-	-	-
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 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 none.

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

b) Liquidity risk management

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

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

	Less than 1 month	**Between 1-3 months**	**Over 5 months**	**Total**
	Kshs	**Kshs**	**Kshs**	**Kshs**
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2021	-	-	-	-
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.

i. Foreign currency risk

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

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

		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**
2022			
Euro	10%	-	-
USD	10%	-	-
2021		-	-
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2022: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2021 – KShs 0)

d) Capital risk management

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

	2021-2022	**2020-2021**
	Kshs	**Kshs**
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

19. Progress on Follow up of Prior Year Auditor's Recommendations

The fund has not been audited before.

COUNTY GOVERNMENT OF LAIKIPIA
CHIEF OFFICER
30 JAN 2023
FINANCE & ECONOMIC PLANNING

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Daniel Ngumi
Administrator of Laikipia County Business Stimulus Fund