

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

OF

THE AUDITOR-GENERAL

PARLIAMENT
OF KENYA
LIBRARY

ON

**BUNGOMA COUNTY TRADE
DEVELOPMENT LOANS FUND**

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





BUNGOMA COUNTY TRADE DEVELOPMENT LOAN 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)

Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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1. Key Bungoma county trade loan fund Information and Management

a) Background information

Bungoma county trade development Fund is established by and derives its authority and accountability from the County Trade development Fund Regulation 2014. The Fund is wholly owned by the County Government of Bungoma and is domiciled in Kenya.

The fund's objective is to provide capacity building through training of the traders as well as offer affordable credit facility to the MSMEs

b) Principal Activities

The Fund's principal activity is to offer affordable credit facilities to the Micro Small Medium Enterprise who were largely unable to access affordable credit facilities from the local and foreign mainstream banks as well as capacity build traders through offering the relevant short term trainings

a) Fund Administration Committee

Ref	Position	Name
1	Chairman of the Board	Stephen Makhanu
2	Committee Members	Jacklyne Makokha
3	Committee Members	Chrispin Chepchin
4	Committee Members	Maurice Saenyi
5	Committee Members	Calistus Wanjala
6	Committee Members	Mary Florence Wafula
7	Rep Chief Officer finance	Joseph Musungu
8	Fund Administrator	Sitati Stephen
9	County Attorney	Cyril Weyongo

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b) Key Management

Ref	Name	Position
1	STEPHEN MAKHANU WAMALWA	CHAIRMAN
2	SITATI STEPHEN	FUND ADMINISTRATOR
3	CYRIL WEYONGO	COUNTY ATTORNEY
4	ROSE PEPELA	LOANS OFFICER
5	MICHAEL MASINDE	CREDIT ASSISTANT

c) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Directorate Internal Audit	Makokha Brian
2	Controller of Budget	Denis Nyamweya
3	County Assembly committee	
4	Auditor General	

d) Registered Offices

P.O. Box 437-50200
Building/House/Plaza
Bungoma, KENYA

e) Fund Contacts

Telephone: (254) 055-30343
E-mail: info@bungoma.go.ke
Website: www.bungoma.go.ke

f) Fund Bankers

Equity Bank
P.O. Box 2450 – 50200
Bungoma, Kenya

i) Independent Auditors

Auditor General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
G. P. O 00100

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Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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2. The Board of Trustees

Name	Details of qualifications and experience
1. Stephen Makhanu Wamalwa	Current Chief officer Dept. of Trade with 10years experience in public service .Bachelor of arts Executive Director and Chairperson of the committee
2. Maurice Saenyi	Retired Banker at KCB Bank with a BCOM Finance option
3. Jacqueline Makokha	CPA K Currently an Accountant Dept of Finance county government of Bungoma
4. Joseph Musungu	BCOM Finance option CPA K Accountant Dept of Finance representative for the Chief officer Finance
5. Calistus Wanjala	BCOM Finance Accountant with the Women Enterprise Fund Bungoma
6. Mary Florence Wafula	Retired Teacher and Headmistress
7. County Attorney	County Attorney and Legal advisor to the county government
8. Sitati Stephen	BCOM Finance .Fund Administrator and secretary to the committee with 10 years' Experience in Sacco movement and microfinance.
9. Chrispin Chepchin	Bachelors of Arts Currently a Teacher at Mt Elgon

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3. Management Team

Chairperson	Denson Barasa
Secretary(Fund Administrator)	Sitati Stephen
County Attorney	Cyril Weyongo
Rep Chief Finance	Dinah Makokha
Secretary(Ward Administrator)WARD LEVEL	45 WARD ADMINISTRATORS

The key function of the management team is to oversee the day to day activities of the fund as well as:

- conduct civic education to promote the awareness and understanding of the operations of the Fund amongst stakeholders;
- provide capacity building to beneficiaries to ensure the effective use the funds borrowed under these Regulations
- develop framework that will ensure an open, transparent and efficient use of funds borrowed under these Regulations;
- conduct research and gap analysis to ensure continuous performance improvement of the Fund;
- assist micro, small and medium enterprises , where the unit considers it necessary, to design, identify, select, prioritise, appraise, evaluate and negotiate investment opportunities what will result in maximum benefits;
- maintain a record of all Fund documentation;
- assist the Member of the Executive Committee in formulating guidelines and standard documentation required under these Regulations
- Carry out such other functions as may be conferred on it

Bungoma County Trade Development Loan Fund
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4. Board/Fund Chairperson's Report

The County trade development loan fund was established by Bungoma County Government upon realization that a majority of the County entrepreneurs could not access affordable credit facility from our local and foreign mainstream banks due to high interest rates, knowledge on loan processes, lack of collateral issues and the bureaucracies involved

The fund is managed by the 3 key units thus the County Board, Ward Committees, and Secretariat. We have however requested for the review on this structure to ensure efficiency in the loan management. This is due to the fact that although the fund is domiciled in trade it is being administered by the ward administrators in the department of public administration who are not directly under the department of trade and neither have the required skills to keep proper books of account at the ward level.

Administration of the fund

The fund is administered both at the county and ward levels. The key mandate of administering the fund is vested on the Fund Administrator who manages the day to day activity of the fund and reports quarterly to the board. The main task of the administrator is to ensure the fund is managed in prudent way and that the main objective of establishing the fund is achieved. He is also tasked to ensure he submits timely reports as required from time to time.

At the ward level the ward administrators are the secretaries to the ward committees tasked with the administration of the fund. Their main function is to issuance of loan forms, vetting of the loan beneficiaries as well as safeguarding the loan documents and keeping up to date records of the loan beneficiaries.

Training & Capacity Building

Capacity building is one of the key objective of the fund. We have therefore engaged the services of the Trainers from the Kenya Institute of Business Training (KIBT, Equity Bank and the other stakeholders in offering elaborate trainings to the traders in the county. We have so far trained more than 8000 beneficiaries from the entire county and intend to do more trainings in the next financial year to capacity build both the traders and loan beneficiaries. During the financial year we were however unable to carry out trainings due to budgetary constraints.

Loan Default

The fund has had high default specifically this year this is mainly due to the political situation in the country which made it hard for us to enforce loan recovery coupled with the harsh economic period. This was also contributed by the closure of several businesses due to covid pandemic as well as closure of the largest sugar mill within the county. We are however working hard to recover these loans through constant follow up of defaulters. We however feel that this is not the only solution to this problem and therefore recommend that a more stakeholders engagement is done to chat the future of the fund such as instituting legal action to be taken on the loan defaulters for loan recovery

Human Resource

The fund has a lean team of 4 staff at the county level, Ward Administrators and credit officers at the ward level however these said officers are from the department of Public administration and Finance respectively with other responsibilities. This has rendered the management of the fund at

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the ward level to be ineffective since the officers are not only involved in administration of the fund therefore not directly accountable to the fund administrator or the trade committee. We have however made requisition from the directorate of human resource for additional staff who will be employees of the fund at the sub county to ensure efficiency

Regulations

The fund operates under the County Trade Development Loan Fund established in 2014. We have however already made the changes as suggested by the Kenya law reform team and controller of budget. We are in the final stages of review to ensure the fund is in compliance with the law. This exercise is due lack of sufficient funds to undertake the review of the regulation through the public participation and stakeholder's engagement we are however in the tail end of the process to ensure its gazetted before the end of the financial year

Signed:  _____ -

Mr Denson Barasa

CHAIRMAN COUNTY TRADE DEVELOPMENT LOAN FUND

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5. Report of The Fund Administrator

The County Trade Development Fund was established as a revolving fund, upon realization that a majority of the County entrepreneurs could not access affordable credit facility from our local and foreign mainstream banks due to high interest rates, cumbersome loan procedures and documentation, lack of collateral to use as security for the loans and lack of information on how to access the loans

The fund was therefore established with the objective of capacity building the MSMEs through offering relevant trainings financial literacy, Entrepreneurship and loan management. The fund also provides affordable credit facilities through to traders through offering loans to them. These was in order to help the MSMEs which were not able to access the loans from Banks Sacco and Microfinance in the villages to access these funds by establishing a revolving fund at each of the 45 wards to enable them access both the knowledge and funds

Administration of the Fund

The fund is administered both at the county and ward levels. The key mandate of administering the fund is vested on the fund administrator as per the PFM act who is to manage the day to day activities of the fund and quarterly or from time to time issue report to the county trade board to ensure the regulations are followed.

The administration of the fund has however had challenges both at the county level and the ward due to the lean staff both at the department of trade and the fund since the secretariat only has 4 staff. At the ward level we have had challenges since although the fund is domiciled in trade the implementers are in public administration and finance. This has proven to be an ineffective system since the said officers are fully engaged in other core activities of their departments and therefore not fully dedicated to the fund this had then made it hard for them to effectively manage the fund at the ward level.

These has therefore led to increased loan defaulters, since the lean staff at the secretariat cannot be able to fully follow up the defaulters. We therefore request the department to engage the relevant authorities to second more officers to the fund to help us effectively manage the fund

Training & Capacity Building

During this financial year we were not able to carry out the trainings as earlier planned. This was mainly due to financial constrains since most of our trainings are carried out at the ward level. These trainings were informed by the realization of the need to do more elaborate trainings on loan management to both the committee members vetting loans as well as the loan beneficiaries. This would then enable them to be equipped with knowledge on loan management & Record keeping, entrepreneurship, credit management, marketing, costing and general financial literacy to ensure they are more informed.

The fund has partnered with the Kenya Institute of Business Training (KIBT) and our bankers Equity in collaboration with the department of trade to do an elaborate training.

This was informed by the need to do a more elaborate and continuous training for business people in the various wards irrespective of whether they applied for a loan or not

Bungoma County Trade Development Loan Fund Annual Report and Financial Statements for the year ended June 30, 2022

Automation of the loan management

The fund has made good progress in addressing the challenges in loan management through procuring a Traders and Loan Management System. This was informed by an urgent need to generate reports as well as ensure we have secured all our records.

We therefore identified a system consultant to help us develop loan management module tailored to fit our needs; we then embarked on the collection of the data from all wards to enable us update our data before validation and migration of the same to the system. This process has however taken long given the magnitude and sensitivity of work involved coupled with the lean team at the secretariat.

The automation exercise has since been completed with all the modules in place from Traders management, Loan Management where we have loan application, appraisal, approval, disbursement, repayment and generation of financial and delinquency reports. We have also already integrated the system with the Bank and Mpesa platform to help clients repay their loans conveniently and also help us safe guard our data in order to generate timely reports.

The system has however not yet been rolled out to all the wards as earlier intended although the personnel were trained due to lack of the infrastructural support at the various ward offices.

During this financial year we started the exercise of data validation to ensure the integrity of the data we have however not been able to fully complete the exercise in all the 45 wards due to constraint in finances, lean staff and the political environment as we couldn't follow up on the loan beneficiaries but we do hope at the end of the exercise to have well reconciled figure as that support the loan portfolio for the fund

Loan Default: The fund has had high default specifically for loans issued in 2014. This was contributed by the poor loan vetting processes and appraisal of loan beneficiaries, lack of proper training for both the vetting committee and the loan beneficiaries. Poor record keeping making the identification of the loan defaulters very hard, constant political interference thus leading to influence the committee to issue loans to non-deserving beneficiaries and also hampering the efforts for us to enforce the recovery of the loans

This was also worsened by the closure of several businesses due to covid pandemic as well as closure of the largest sugar mill within the county. We are however working hard to recover these loans through constant follow up of defaulters. We however feel that this is not the only solution to this problem and therefore recommend that a more stakeholders engagement is done to chat the future of the fund such as instituting legal action to be taken on the loan defaulters for loan recovery

Recommendations and opportunity for improvement

- The management should review the general operation of the fund to ensure an effective system is put in place with officers who will be fully committed to the fund and report directly to the administrator
- The management should adopt an appropriate recourse to ensure that the funds in default are recovered through more stringent measures
- The management should sanction the individuals that are deliberately in default or take legal action against them
- Need for us to enhanced scrutiny while vetting loan of loan applicants to ensure only genuine beneficiaries are given loans

Bungoma County Trade Development Loan Fund
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- Proper records management at the wards level to ensure the credible data is in place
- The Fund should develop a risk register and put in place effective strategies for managing the embedded risks
- The Fund should carry out ageing analysis of debts so as to effectively manage the debts differentially
- Need to diversify the loan product to ensure it covers a wide sector with tailored products to meet all the market demands. Eg Asset/commodity financing, Agri business
- There is need to diversify the funds sources of income and not only rely on exchequer releases
- The Fund should enhance education of loan applicants to enhance voluntary repayments and clear loan understanding of consequences of loan default to both the fund and them as individuals
- The Regulations should be revised so as to provide for more recourses in case of default all those defaulters in order to help us recover this funds

Signed: _____
SITATI STEPHEN
FUND ADMINISTRATOR

Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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 Fund Administrator when preparing financial statements of each County Government Entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of Bungoma County Government Trade Development Loan Fund

- a) **Provide Access to the affordable credit facilities**-The fund has a loan portfolio of Ksh 118,737,863 disbursed to more than 4,000 beneficiaries, and revolved Ksh 89,094,316. During the year we did not budget for loan disbursement as we had a treasury circular in place for us to concentrate on follow up of loan defaulters.

We however linked the beneficiaries to other government lending institutions such as women fund uwezo and youth enterprise fund as well as other commercial lending institutions offering various subsidized credit facilities

- b) **Capacity Building** - is one of the key objective of the fund. We have thus partnered engaged the services of the Trainers from the Kenya Institute of Business Training (KIBT, Equity Bank and the other stakeholders in offering elaborate trainings to the traders in the county. We have so far trained more than 1000 beneficiaries from the entire county and intend to do more trainings in the next financial year to capacity build both the traders and loan beneficiaries.

During the year we did not have physical trainings due to lack of budgetary allocation and poor loan repayments. we however did virtual trainings in collaboration with the other stakeholders like equity bank and chamber of commerce to offer continuous training activities to the traders on book keeping, costing, marketing and financial literacy

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Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Capacity Building	To offer financial literacy and other relevant training for MSMEs on entrepreneurship & Loan Management	Increased number of entrepreneurs accessing knowledge and skills on financial literacy in the County	% of entrepreneurs undertaking the trainings and seminars	In FY 21/22 we increased no of entrepreneurs attending trainings and seminars this was mainly online due to Covid pandemic
Program 2 Loan Disbursement	Objective To of Offer Access to affordable credit facilities to traders within the county	Outcome Increased no of businesses Improved living standards of the traders as well Growth of MSMEs doing businesses	Indicator % of entrepreneurs accessing affordable credit services	Performance In the FY 21/22 we did not disburse any finances we however linked several businesses to financial institutions offering covid funds.

Bungoma County Trade Development Loan Fund
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7. Corporate Governance Statement

The Bungoma County Trade Development Loans Fund was established as a revolving fund to be domiciled in the department of Trade Energy and industrialization

Objectives of the Fund-The object and the purpose of the Fund shall be to:

- (a) To facilitate access to affordable credit to micro, small and medium scale entrepreneurs;
- (b) Capacity build through training of Micro, Small & Medium Entrepreneurs and nurture the culture of borrowing and prompt loan

The management structure of the fund

The fund is administered at 3 distinct levels as per the regulation the 3 three Levels are

- The County Trade Development Loan Fund Board
- The Fund unit or secretariat at the county head quarters
- The ward committees(Ward Administrators, Credit officers & representatives from business community

Establishment of the Bungoma County Trade Development Loans Fund Board

(1) There is established a Committee to be known as the Bungoma County Trade Development Loans Fund Committee which shall consist of:-

- The County Chief Officer in the County department for the time being responsible for matters relating to trade who shall be the Chairperson;
- The County Chief Officer in the County department for the time being responsible for finance or a representative appointed in writing;
- The Head of legal services in the county or a representative appointed in writing;
- Five persons, not being public officers, who shall be appointed by the Member of the Executive Committee through a competitive and transparent recruitment process; and
- The Fund Administrator appointed under Regulation 14, who shall be the secretary to the Board

Functions of the County Trade loans Board

The functions of the board are to:-

- formulate policies relating to the Fund including credit policy;
- advise Bungoma County Government on the structure and operations of the Fund;
- establish uniform standards for the operations of the fund;
- administer the property and funds of the Fund in such a manner and for such purpose as shall promote the functions of the Fund;
- mobilize resources for the enhancement of the Fund's mandate;
- partner with other governments for purposes of creating cooperation and partnership in the management of the Fund;
- keep disaggregated data by sex, age, region and other relevant regulations;
- undertake periodic review of the legal framework;
- formulate training, development and capacity building programmes for its employees;
- ensure compliance within the Fund operations, sound financial management regulation;

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- provide where necessary management support services to eligible persons;
- protect the long term viability of the Fund;
- collaborate with relevant institutions so as to promote access to credit and other financial services;
- monitor and evaluate the performance of the Fund; and
- Perform any other functions assigned to it under this Regulations or any other written law.

Composition of the unit

The unit shall consist of:-

- a Fund Administrator and
- Such staff as the Committee may consider necessary for the performance of the functions of the unit under these Regulations.

(2) In the performance of its functions the unit shall:-

- conduct civic education to promote the awareness and understanding of the operations of the Fund amongst stakeholders;
- provide capacity building to beneficiaries to ensure the effective use the funds borrowed under these Regulations
- develop framework that will ensure an open, transparent and efficient use of funds borrowed under these Regulations;
- conduct research and gap analysis to ensure continuous performance improvement of the Fund;
- assist micro, small and medium enterprises , where the unit considers it necessary, to design, identify, select, prioritise, appraise, evaluate and negotiate investment opportunities what will result in maximum benefits;
- maintain a record of all Fund documentation;
- assist the Member of the Executive Committee in formulating guidelines and standard documentation required under these Regulations
- Carry out such other functions as may be conferred on it by the Member of the Executive Committee and these Regulations.

(3) The unit shall prepare financial accounts and an inventory of any monies allocated to it, any financial support received by it and any success fees received by it from a private party or project company as the case may be, under these Regulations.

Establishment of Ward Committees

There is established for each ward a Ward Committee which shall consist of;

- Ward Administrator who shall be the secretary to the committee ;
- Credit officers.

The key functions of the ward committees is

- Issue loan to the applicants
- Appraisal of the loan applicants
- Vetting of the loan applications
- Record keeping of the applicants
- Receipting of the loan repayments
- Follow up of the loan defaulters

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8. Management Discussion and Analysis

Portfolio of the Fund

The loan portfolio of the fund is therefore Kshs 118, 737, 863 from the exchequer releases. We were however unable to get any funding from the FY 2017/2018 to date

Amount disbursed

The fund disbursed an initial seed capital of **Kshs 96,293,677** as 1st and 2nd Disbursements to all the Wards to **4,115** beneficiaries in the month of July 2014 and April 2015 for first and second disbursement respectively as tabulate

DISBURSEMENT	NO OF WARDS	NO OF BENEFICIARIES	AMOUNT DISBURSED
1	45	1989	48,578,000.00
2	45	2126	47,715,677.00
TOTAL		4115	96,293,677.00

Amount Revolved

We have so far revolved **Ksh89, 094,316** from July 2015 to June 2019 to 3,486 beneficiaries. The tabulation of the amount revolved is as below:

REVOLVING	NO OF WARDS	NO OF BENEFICIARIES	AMOUNT REVOLVED
FIRST	17	519	11,167,456.00
SECOND	10	237	5,425,000.00
THIRD	12	433	10,274,700.00
FOURTH	16	492	11,077,000.00
FIFTH	11	279	5,655,000.00
SIXTH	15	338	8,143,160.00
SEVENTH	2	313	8,555,000.00
EIGHTH	7	45	2,145,000.00
NINETH	10	97	4,620,000.00
TENTH	8	36	1,575,000.00
ELEVENTH	5	41	1,540,000.00
TWELFTH	12	163	4,755,000.00
THIRTEENTH	5	59	2,175,000.00
FORTEENTH	7	95	2,240,000.00
FIFTHEENTH	11	53	1,640,000.00
SIXTEENTH	5	5	240,000.00
SEVENTEENTH	8	109	2,297,000.00
EIGHTEENTH	5	41	1,390,000.00
NINETEENTH	12	30	1,000,000.00
TWENTIETH	5	32	830,000.00
TWENTY FIRST	14	69	2,350,000.00
		3486	89,094,316.00

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Loan Default: The fund has had high default specifically for loans issued in 2014. This was contributed by the poor loan vetting processes and appraisal of loan beneficiaries, lack of proper training for both the vetting committee and the loan beneficiaries. Poor record keeping making the identification of the loan defaulters very hard, constant political interference thus leading to influence the committee to issue loans to non-deserving beneficiaries

During the year there was a steady drop in loan repayment due to the covid pandemic which led to the closure of various business enterprises

We are however working hard to recover these loans through constant follow up of defaulters. We however feel that this is not the only solution to this problem and therefore recommend legal action on. We have however made tremendous impact as evidenced by the amount recovered and revolved in loan recovery since inception

Signed: _____



SITATI M.STEPHEN
FUND ADMINISTRATOR

Bungoma County Trade Development Loan Fund
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9. 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.

9.1 Principal activities

The principal activities of the Fund are

- Capacity builds traders through training and mentoring them
- Provision of affordable credit to the MSMEs

9.2 Performance

The performance of the Fund for the year ended June 30, 2022, are set out on page 22-38

9.3 Trustees

The members of the Trade Loan Committee who served during the year are shown on page 2. There were no changes in the Board during the financial year are as shown below:

9.4 Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *County Trade development Loan Fund* for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board

Sign: 

Name: BENSON W. BARASA

Chair of the Board/ Fund Administration Committee

Date: 2/21/2023

Bungoma County Trade Development Loan Fund
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10. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by County Trade Development Loan Fund Regulations, 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 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 County Trade Development Fund 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, 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.

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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

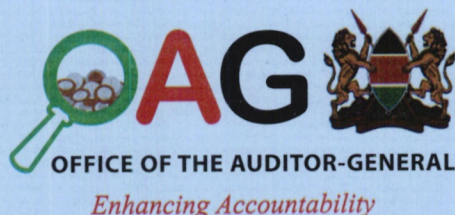
The Bungoma County Trade Development Loan Fund financial statements were approved by the Board on _____ 2022 and signed on its behalf by:


.....

Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON BUNGOMA COUNTY TRADE DEVELOPMENT LOANS 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 Bungoma County Trade Development Loans Fund set out on pages 1 to 24, which comprise of the statement of

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bungoma County Trade Development Loans 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), the Public Finance Management Act, 2012 and comply with the Bungoma County Trade Development Loans Fund Regulations, 2014.

Basis for Qualified Opinion

1. Undisclosed Material Uncertainty Relating to Sustainability of Services

The statement of financial position reflects a balance of Kshs.115,679,790 in respect to current portion of long-term receivables from exchange transactions arising from loan disbursements to beneficiaries since 2014 when the Fund was established. However, review of the documents provided for audit revealed that the last time loans were issued was in 2019. At that time, there were outstanding loans amounting to Kshs.104,189,595, which were expected to have been repaid by the end of 2020. This indicates that the Fund is not in a position to disburse new loans and that there are challenges in effecting recoveries. This has not been disclosed in the financial statements.

In the circumstances, continued sustainability of the Fund is doubtful.

2. Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.3,425,622 in respect of cash and cash equivalents which, as disclosed in Note 4 to the financial statements, includes a balance of Kshs.340,717 held in an M-pesa account. However, an M-pesa statement as at 30 June, 2022 was not provided to support the balance.

Further, as disclosed in Note 4, the operations account reflects a balance of Kshs.3,081,182 which, however, is at variance with the reconciled balance of Kshs.4,203 shown in the bank reconciliation statement for the month of June, 2022. The variance of Kshs.3,076,979 has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.3,425,622 as at 30 June, 2022 could not be confirmed.

3. Current Portion of Long - Term Receivables from Exchange Transactions

3.1 Unsupported Receivables Balance

The statement of financial position reflects a balance of Kshs.115,679,790 in respect of current portion of long-term receivables from exchange transactions which, as disclosed

in Note 5 to the financial statements, comprises of Kshs.13,877,454 and Kshs.101,802,336 relating to interest receivable and current loan repayments due respectively. However, loan repayment schedules were not provided to support the balance.

In addition, and as reported in the previous year's report, analysis of the list of defaulters revealed that one hundred eighty-eight (188) defaulters are staff of the County Executive of Bungoma who, collectively, were in arrears amounting to Kshs.4,728,004. No explanation was provided for the failure to recover these loans from the staff of the County Executive.

In the circumstances, the fair valuation and recoverability of the current portion of long-term receivables balance of Kshs.115,679,790 could not be confirmed.

3.2 Loan Recoveries

In addition, the statement reflects a balance of Kshs.115,679,790 in respect of current portion of long-term receivables from exchange transactions and a comparative balance of Kshs.115,775,298. The difference of Kshs.95,508 represents loan recoveries during the year under review. However, the statement of cash flows reflects loan recoveries of Kshs.202,864. The variance of Kshs.107,356 has not been explained or reconciled.

In the circumstances, the accuracy of the loan recoveries amount during the year under review could not be confirmed.

4. Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects, under transfers from County Government, final budget and actual on comparable basis amounts of Kshs.1,200,000 and nil respectively, with a nil difference instead of Kshs.1,200,000. Similarly, the statement reflects, under total income, final budget and actual on comparable basis amounts of Kshs.1,317,500 and Kshs.10,143 respectively, with a difference of Kshs.107,357 instead of Kshs.1,307,357.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

5. Assets

5.1 Property, Plant and Equipment

The statement of financial position reflects a nil balance in respect of property, plant and equipment which, as disclosed in Note 6A to the financial statements, relates to ICT equipment and which have fully been depreciated. However, no explanation was provided on why the assets have not been revalued to give them new values since they are still being used by the Fund. In addition, ownership documents for the assets were not provided for audit review.

Further, although Management explained that the assets were acquired by the County Executive of Bungoma through the Department of Trade in 2018/2019 and have remained

with the Department to date, it was not explained why the assets are being reflected in the financial statements of the Fund instead of financial statements of the County Executive.

In addition, the balance was not supported by a fixed assets register showing details relating to the nature or type of asset, date of acquisition, cost, supplier, unique identification number, current value, current location, user, accumulated depreciation and net book values.

In the circumstances, the accuracy, ownership, fair valuation and completeness of the nil balance on property, plant and equipment could not be confirmed.

5.2 Intangible Assets

The statement of financial position, and as disclosed in Note 6B to the financial statements, reflects an intangible assets balance of Kshs.8,484,228. However, although Management has indicated that the assets were acquired in 2018/2019 by the County Executive through the Department of Trade, it was not explained why the assets are reflected in the financial statements of the Fund instead of financial statements of the County Executive.

Further, the statement indicates that intangible assets are under Note 6B while in the Notes to the financial statements, intangible assets are shown under Note 6A.

In the circumstances, the accuracy and ownership status of the intangible assets valued at Kshs.8,484,228 could not be confirmed.

6. Unsupported Balances - Statement of Financial Performance

6.1 Interest Income

The statement of financial performance reflects an amount of Kshs.117,500 in respect of interest income which, as disclosed in Note 1 to the financial statements, relates to interest income from loans. However, supporting schedules were not provided for audit review.

In the circumstances, the accuracy and completeness of the amount of Kshs.117,500 in respect of interest income could not be confirmed.

6.2 Board and Committee Expenses

The statement of financial performance reflects an amount of Kshs.718,900 in respect of general expenses which, as disclosed in Note 2 to the financial statements, includes an amount of Kshs.678,300 relating to board and committee expenses. However, board minutes, attendance registers and detailed schedules were not provided to support the amount.

Further, the statement indicates that Note 2 is on general expenses while in the notes to the financial statements, Note 2 is on use of goods and services.

In the circumstances, the accuracy of the amount of Kshs.678,300 on board and committee expenses could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bungoma County Trade Development Loans 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 refer in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.1,317,500 and Kshs.10,143 respectively, resulting to under-funding of Kshs.1,307,357 or 99% of the budget. Similarly, the statement reflects actual expenditure of Kshs.718,900 against approved budget of Kshs.1,317,500 resulting to under-performance of budget by Kshs.598,600 or 45% of the budget.

The under-funding and under-performance of the budget affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, a number of issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues nor disclosed all the prior year matters as provided by the Public Sector Accounting Standards Board template. The issues reported in the progress on follow up of prior year auditor's recommendations do not relate to 2020/2021, but relate to 2019/2020 financial year.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-compliance with the Public Sector Accounting Standards Board Template

The financial statements submitted for audit did not reflect the following information contrary to the requirements of the Public Sector Accounting Standards Board reporting template: the financial statements reflect incorrect numbering of the key Fund information and Management; photographs of committee and management members are not shown; the report by the Fund Administrator is not signed; the date of approval of the financial statements is not indicated; and the statement of comparison of budget and actual amounts is indicated for the period instead of the year ended.

In the circumstances, the financial statements were not prepared in accordance with the accounting standards as prescribed by the Public Sector Accounting Standards Board template.

2. Failure to Gazette the Fund's Regulations

The County Government of Bungoma established the Bungoma County Trade Development Loans Fund vide County Assembly approval in a special sitting of 15 December, 2014. However, although procedural requirements had been obtained up to the passage of the Regulations by the County Assembly, the Regulations have not been gazetted to date to give effect to the establishment of the Fund. This is contrary to Article 199(1) of the Constitution, which provides that County legislation does not take effect unless published in the Gazette.

In the circumstances, Management was in breach of law.

3. Lack of Budget for the Fund

Management did not provide a budget for the Fund to support the balances in the statement of comparison of budget and actual amounts. Consequently, the source of the balances reflected in the statement of comparison of budget and actual amounts could not be confirmed. This is contrary to Section 149(2)(h) of the Public Finance Management Act, 2012, which states that in carrying out a responsibility imposed by Subsection (1), an accounting officer shall, in respect of the entity concerned, prepare estimates of expenditure of the entity in conformity with the strategic plan.

In the circumstances, Management was in breach of law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability 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 its 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 control, 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

09 February, 2023

Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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

	Note	2021/2022	2020/2021
		KShs	KShs
Revenue from exchange transactions		-	-
Interest income	1	117,500	117,500
Total revenue		117,500	117,500
Expenses			
General expenses	2	718,900	956,190
Depreciation and Amortization Expense	3	297,297	900,901
Totalexpenses		1,016,198	1,857,091
Surplus/(deficit)fortheperiod		(898,698)	(1,739,591)

(The notes set out on pages 1 to 21 form an integral part of these Financial Statements)

.....
Name:
Administrator of the Fund


.....
Name: E. W. Wasany
Fund Accountant
ICPAK Member Number: 29202

**Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022**


13. Statement of Financial Position As At 30 June 2022

	Note	2021/2022	2020/2021
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	3,425,622	3,931,515
Current portion of long term receivables from exchange transactions	5	115,679,790	115,775,298
		119,105,412	119,706,813
Non-current assets			
Property, plant and equipment	6A	-	297,297
Intangible assets	6B	8,484,228	8,484,228
Total assets		8,484,228	8,781,525
Net assets		127,589,640	128,488,338
Revolving Fund		119,490,287	119,490,287
Accumulated surplus		8,099,353	8,998,051
Total net assets and liabilities		127,589,640	128,488,338

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 _____ 2022 and signed by:



Name:
Administrator of the Fund




Name:
Fund Accountant
ICPAK Member Number: 29202


Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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

	Revolving Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 July 2020	119,490,287	8,172,622	127,662,909
Deficit for the period	-	(1,739,591)	(1,739,591)
Prior year adjustments	-	2,565,020	2,565,020
Balance as at 30 June 2021	119,490,287	8,998,051	128,488,338
Balance as at 1 July 2021	119,490,287	8,998,051	128,488,338
Deficit for the period		(898,698)	(898,698)
Balance as at 30 June 2022	119,490,287	8,099,353	127,589,640



Name:
Administrator of the Fund



Name:
Fund Accountant
ICPAK Member Number: 29202

**Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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

	Note	2021/2022	2020/2021
		KShs	KShs
Cashflowsfromoperatingactivities			
Receipts			
Interest received	1	10,143	58,502
Total Receipts		10,143	58,502
Payments			
General expenses	2	718,900	956,190
Netcashflowsfromoperatingactivities		(708,757)	(897,688)
Cash flows from investing activities			
Proceeds from loan principal repayments	7	202,864	1,150,045
Netcashflowsusedininvestingactivities		202,864	1,150,045
Cashflowsfromfinancingactivities			
Netcashflowsusedinfinancingactivities		-	-
Netincrease/(decrease)incashandcash equivalents		(505,893)	252,357
Cash and cash equivalents at 1 july 2021		3,931,515	3,679,158
Cash and cash equivalents at 30 june 2022		3,425,622	3,931,515



.....
Name:

Administrator of the Fund



.....
Name:

Fund Accountant

ICPAK Member Number: 29202

Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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

	Originalbudget	Adjustments	Finalbudget	Actual on comparable basis	Performance difference	% utilisation
	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022
Revenue	KShs	KShs	KShs	KShs	KShs	
Transfers from County Govt.	1,200,000	-	1,200,000	-	-	0%
Interest income	117,500	-	117,500	10,143	107,357	9%
Totalincome	1,317,500	-	1,317,500	10,143	107,357	1%
Expenses						
General expenses	1,317,500	-	1,317,500	718,900	598,600	55%
Totalexpenditure	1,317,500	-	1,317,500	-	-	0%
Surplusfortheperiod	-	-	-	718,900	718,900	

Budget notes

- 1. The 0% & 9% on transfers from county & interest income respectively is due no exchequer releases during the financial year and we have also not been disbursing loans meaning the revenue was a steady decrease in the interest income since we could not get the 5% administrative fee charged on loans as processing fee. We were also not able to follow up on the loan default due to the volatile political environment*
- 2. The variance between the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual)*

**Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

17. Notes to the Financial Statements

1. General Information

Bungoma county trade development Fund is established by and derives its authority and accountability from the County Trade development Fund Regulation 2014. The Fund is wholly owned by the County Government of Bungoma and is domiciled in Kenya. The fund's objective is to provide capacity building through training of the traders as well as offer affordable credit facility to the MSMEs

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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

**Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (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.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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

**Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be</p>

Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
Discontinued Operations	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.

3. 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 on 17th February 2021. 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 did not record additional appropriations for 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 12.5 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.

Summary Of Significant Accounting Policies (Continued)

b) Inventories

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

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

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

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

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

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

c) Provisions

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

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

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

Contingent liabilities

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. *Entity to state the reserves maintained and appropriate policies adopted.*

e) Changes in accounting policies and estimates

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

f) Employee benefits – Retirement benefit plans

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

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

g) Foreign currency transactions

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

Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Summary Of Significant Accounting Policies (Continued)

h) Borrowing costs

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

i) Related parties

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

j) Cash and cash equivalents

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

k) Comparative figures

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

l) Events after the reporting period

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

m) Ultimate and Holding Entity

The Bungoma county Trade development loan fund is a County Public Fund established by 2015 Act under the Department of Trade . Its ultimate parent is the County Government Bungoma.

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 e.g.

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

b) Useful lives and residual values

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

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

c) Provisions

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

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.

Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

6. Notes To The Financial Statements

1. Interest income

1. Interest income		
Description	2021/2022	2020/2021
	KShs	KShs
Interest income from loans	117,500	117,500
Total interest income	117,500	117,500

This reflects the 5% interest on loan repayments

2. Use of Goods and Services

2. Use of Goods

Description	2021/2022	2020/2021
	KShs	KShs
Telecommunication	40,000	121,000
Boards and committee	678,300	831,400
Other expenses	600	3,790
Total	718,900	956,190

3. Depreciation and Amortization Expense

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	297,297	900,901
Total	297,297	900,901

4. Cash and cash equivalents

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Current account	3,084,905	3,589,798
Others	340,717	341,717
Total cash and cash equivalents	3,425,622	3,931,515

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

Financial institution	Account number	2021/2022	2020/2021
		KShs	KShs
a) Current account			
Equity Bank -OPERATION ACC	0480262513336	3,081,182	3,585,595
Equity Bank -COLLECTIN ACC	0480272137974	3,723	4,203
Sub- total	-	3,084,905	3,589,798
b) Others(specify)			
M Pesa-WORKING ACC		340,717	340,717
M Pesa-UTILITY ACC		-	1,000
Sub- total		340,717	341,717
Grand total		3,425,622	3,931,515

Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

5. Receivables from exchange transactions

Description	2021/2022	2020/2021
	KShs	KShs
Current Receivables		
Interest receivable	13,877,454	13,770,097
Current loan repayments due	101,802,336	102,005,201
Total Current receivables	115,679,790	115,775,298
Totalreceivables from exchange	115,679,790	115,775,298

Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

6. Property, plant and equipment

6A. Ict Equipment.

	ICT EQUIPMENT	Total
Cost	KShs	KShs
At 1st July 2020	3,000,000	3,000,000
Additions	-	-
At 30th June 2021	3,000,000	3,000,000
At 1st July 2021	3,000,000	3,000,000
Additions	-	-
At 30th June 2022	3,000,000	3,000,000
Depreciation and impairment		
At 1st July 2020	1,312,500	1,312,500
Depreciation	900,901	900,901
Prior year depreciation adjustments	489,302	489,302
At 30th June 2021	2,702,703	2,702,703
At 1st July 2020	2,702,703	2,702,703
Depreciation	297,297	297,297
At 30th June 2021	3,000,000	3,000,000
Net Book Value		
As at 30th June, 2021	297,297	297,297
As at 30th June, 2022	-	-
Recalculated Depreciation based on The National Treasury's Guidelines(Useful life of 3.33 years; straight line method)		
Cost		3,000,000
Depreciation in year 1; 18/19		
Recalculated Depreciation	900,901	
Prior year depreciation	750,000	
Depreciation undercharge		150,901
Depreciation in year 2; 19/20		
Recalculated Depreciation	900,901	
Prior year depreciation	562,500	
Depreciation undercharge		338,401
Total Depreciation undercharge		489,302
Depreciation in year 3:20/21	900,901	900,901
Written Down Value		297,297

Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

6A. Ict Equipment.

Description	2021/2022	2020/2021
	KShs	KShs
Cost		
At beginning of the year	8,484,228	8,484,228
At end of the year	8,484,228	8,484,228
Amortization and impairment		
Prior year adjustments	-	3,054,322
NBV	8,484,228	8,484,228

NB: Change in amortization Policy was changed to align the amortization to The National Treasury's Guidelines for Management of Specific Categories of Assets and Liabilities. The previous amortizations were based on the Draft County Government's Asset Management Policy, as The National Treasury's Guidelines had not been issued. Sec. 4.3.5.2(2) of the Guidelines provides that an intangible asset that has an indefinite useful life is not amortised if there are no legal, contractual, regulatory, technological, or other factors that limit its useful life. In the current circumstances, there are no limitations on the asset, the asset is renewed on a yearly basis and there is no foreseeable future when the use of the asset is expected to be limited

**Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Notes To The Financial Statements (Continued)

7. Principal loan Repayment.

	2021-2022	2020-2021
	Kshs	Kshs
Proceeds from loan Principal Repayments	202,864	1,150,045
Net Cash Flow From Operating Activities	202,864	1,150,045

8. Revolving Fund.

	Amount Received	Rate	2021-2022
			Kshs
Transfers from county Government- 2014/15	100,000,000	97	97,000,000
Transfers from county Government- 2015/16	13,828,000	97	13,413,160
Transfers from county Government- 2017/18	9,357,863	97	9,077,127
Total	123,185,863		119,490,287

Bungoma County Trade Development Loan Fund
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Other Disclosures

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

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

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

b) Liquidity risk management

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

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

Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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. 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.

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:

**Bungoma County Trade Development Loan Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Variance in comparative figures	The variances of the comparative figures were corrected after the 1 st draft	Resolved	29 th January 2022
1.2	Cash flow Statement reflected loan disbursement and repayments however no analysis was issued to support the figure	The Copy of the cheques drawn to loan beneficiaries with a Bank list were attached were provided both in hard and soft copy The Mpesa and bank statement were also availed as evidence of loan repayment	Resolved	29 th January 2021
1.3	Accuracy of Interest Income	The issue under review was corrected during the review of the financial during the submission of our response to the audit queries	Resolved	29 th January 2022
1.5	Non compliance with the PSASB Reporting	We did review the financial statements as per the PSASB during our revision of the financial statements ,we however agreed to incorporate the few issues which were not possible for us to review in the current year	Resolved	29 ^h January 2022
1.6	Control weakness over financial management Lack of Fund Accountant	We acknowledge the Absence of the Fund Accountant .However more control measures were established by putting a qualified accountant to do the checks and control before a substantive accountant is seconded to the fund .	Resolved	2 nd February 2022