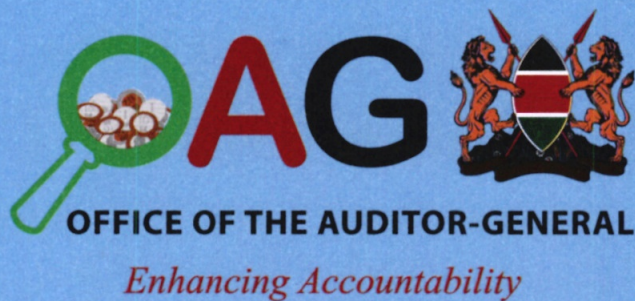


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REPORT

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THE AUDITOR-GENERAL

ON

**KAKAMEGA COUNTY AGRICULTURAL
INPUTS FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**



COUNTY GOVERNMENT OF KAKAMEGA

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

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KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

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d) Key Management Steam

Ref	Name	Position
1	Mr.Bill Graham Silingi Otieno	Chief Officer Ministry of Agriculture
2	Norman Munala	County Director of Fisheries
3	Mr.George Michaels Mbakaya	County Director of Agriculture
4	Dr Jason Micheka	County Director of Vetinary Services
5	Mr.Henry Odanga	County Director of Livestock Production

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	County Assembly	Assembly Committees
2	Auditor General	Office of Auditor general
3	National Treasury	Directorate of Accounting Services
4	Controller of budget	Office of COB

f) Registered Offices

P.O. Box 36
PC Building/Block C, 3rd Floor
Fitina road /Kakamega Kisumu Highway
Kakamega, KENYA

g) Fund Contacts

Telephone :(254) 725964385
E-mail: cdakakamega@yahoo.com
Website:

h) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
 - 1.Kenya Commercial bank
 - 2.Coop bank

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

i) Independent Auditors

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

j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

k) County Attorney

The County Attorney
County Government of Kakamega
County Headquarters
P.O. Box 36 -50100
Kakamega, Kenya

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

3. Fund Administration Committee

Name	Details of qualifications and experience
 Mr. Bill Graham Silingi Otieno	● Chief officer Agriculture & irrigation ● BBM (Finance option) CPAK ● 17 years of Experience
 Norman Munala	● County Director of Fisheries ● Masters in Fisheries ● 25 years work experience
 Mr. George Michaels Mbakaya	● Fund Administrator ● Director Agriculture ● Phd Agriculture ● 15 years

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 Dr Jason Micheka	● County Director of Veterinary Services ● Bsc Veterinary Medicine ● 25 Years work experience
 Mr. Henry Odanga	● County Director of Livestock Production ● Bsc Animal production ● 25 years

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
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4. Management Team

Name	Details of qualifications and experience
 Mr. Bill Graham Silingi Otieno	● Chief officer Agriculture & irrigation ● BBM (Finance option) CPAK ● 17 years of Experience
 Norman Munala	● County Director of Fisheries ● Masters in Fisheries ● 25 years work experience
 Mr. George Michaels Mbakaya	● Fund Administrator ● Director Agriculture ● Phd Agriculture ● 15 years

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

	● County Director of Veterinary Services ● Bsc Veterinary Medicine ● 25 Years work experience
	● County Director of Livestock Production ● Bsc Animal production ● 25 years

Dr Jason Micheka

Mr. Henry Odanga

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

5. Fund Chairperson's Report

It is my pleasure to present the Kakamega County Agricultural inputs Fund Financial Reports and Statements for the year ended 30th June 2023. The statements present the financial performance for the period ended 30th June 2023.

The Financial Statements have been prepared in line with the Public Finance Management (PFM) Act 2012 and are in line with the format prescribed by the Public Sector Accounting Standards Board. The PFM Act requires that these statements be submitted to the Office of Auditor General and copied to the National Treasury, The Controller of Budget and The Commission of Revenue Allocation.

The Financial Statements present the recent actual fiscal performance for the year and make comparisons to the budget appropriations for the same period. They further provide a comprehensive financial review with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper 2022/2023.

The link between policy, planning and budgeting is critical as provided for in the Constitution and County Government Act. The financial statements play a critical role in the preparation of budget and management of public resources. To strengthen the budget preparation process the County Government will continue to embrace programme based budgeting and deepen public sector financial reforms e.g. incorporating feasibility study, use of the Kakamega County statistical abstract which is prepared annually as part of budget preparation, project management and establishment of a Financial Reporting Unit, Sub County Treasuries and use of Vote Book Management System to increase efficiency and effectiveness in service delivery is committed to upholding the trend of stable macroeconomic performance and ensures transparency by relaying performance indicators to the public. This will be realized through publishing and publicizing as required by the Constitution and the PFM Act, 2012.

Pursuant to Sec 149 of the PFM Act, 2012, I confirm that there was accountability to the County Assembly in ensuring that the resources of the Kakamega Municipality were authorized and lawfully utilized in an effective, efficient, economical and transparent manner.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FINANCING

Article 202 of the Constitution of Kenya 2010 provides that revenue raised nationally shall be shared equitably among the National Government and County Governments. Each County Government's equitable share of revenue raised nationally is determined annually before the preparation of budget estimates through the Division of Revenue Act as required by articles 218 and 224 of the Constitution. The revenue sharing formula is developed by the Commission on Revenue Allocation and approved by Parliament in accordance with article 217 of the Constitution.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

Equitable share: There have always been challenges of delays in disbursement of equitable share to the County thus affecting adversely the planning and implementation of County operation.

CONCLUSION

Kakamega County Agricultural inputs fund recorded good progress in implementation of their agendas and projects. On behalf of Fund, I would like to thank H.E. The Governor, H.E. The Deputy Governor for the leadership and support they have provided during the period. Further, my sincere gratitude goes to the Fund Board Members and staff for their continued efforts to realize the goals as set in the budget FY 2022/2023. I extend my gratitude to all other stake holders for pulling together and for their continued commitment, dedication and hard work to ensure service delivery to the people of Kakamega County. I would also like to thank the County Assembly under the leadership of the Speaker and the County Clerk for their co-operation and oversight role as well as donors who have continued to support us in implementing development of municipalities.

Finally, my sincere appreciation goes to all the citizens of Kakamega County for their continuous engagement with the County Government which has contributed to efficient service delivery and citizen centric development.

Name Benjamin Andam Signature [Signature] Date Jan 11
Chairperson of the Fund

6. Report of The Fund Administrator

Kakamega County Agricultural Inputs Fund is established by and derives its authority and accountability from Agriculture fund Act 31st May 2019. The Fund is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

The fund's objective is to procure and distribute subsidized agricultural inputs to farmers in the County. To provide for a Fund that will facilitate faster, transparent and accountable procurement and distribution of subsidised agricultural inputs to farmers in the county.

The Fund's principal activity is to manage — subsidized agricultural inputs including certified seeds, seedlings, fertilizer, agrochemicals, storage facilities, agricultural machinery and equipment, fish fingerlings and brood stock, fishing gear, bees and apiculture equipment, feeds, poultry, livestock, animal genetic material, animal drugs and vaccines in the County.

In view of the foregoing, the Fund must create a bigger impact on enterprise development in order to play its rightful role in the County and/or nation's development by rethinking its business model to reach more businesses efficiently, effectively and in a sustainable manner. The Corporation must also be an attractive partner in youth and women economic empowerment to attract funding from all potential sources and win the confidence and goodwill of all Kakamega business people. The Corporation's capacity to deliver the strategy is critical. Its legal, policy, instructional, technological and competence frameworks shall be adequately strengthened over time and an environment conducive to attract and retain requisite skills created.

To remain sustainable in the long run and reduce its dependence on government funding, the Fund shall expand and restructure its product portfolio, diversify its sources of funding and adopt a business approach in its operations.

In conclusion, I call on all stakeholders to effectively play their part in supporting the Fund to realize its mandate. It will require a lot of dedication, success and hardworking on the part of all stakeholders to make this big dream come true.


.....
+ Fund Administrator

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

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

Introduction

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

The key development objectives of the Fund as per the strategic plan are to:

- a) Provide high quality agricultural inputs to farmers
 - b) To manage the subsidized agricultural inputs in the County.,
- Below we provide the progress on attaining the stated objectives:

Progress on attainment of Strategic development objectives

Program	Objective	Outcome	Indicator	Performance
Agricultural inputs	Procure and distribute farm inputs to farmers in the County	Increased productivity(yields) of maize	Number of bags	In FY 20/21 yields of maize increased from 2.5 million bags to 2.9 million bags in the County

8. Corporate Governance Statement

a. Number of Fund Administration Committee meetings held and the attendance to those meetings by members,

The current Board was competitively recruited and sworn in, in the Financial Year 2022/2023 hence committees have been formed and ready to hold meetings starting Financial Year 2023/2024.

b. Succession plan,

The Board of Directors are always competitively recruited and legally constituted after their term has ended.

c. Existence of a service charter,

Currently there is no service charter, the management is in the process of preparing one to be approved by the board.

d. Process of appointment and removal of trustees/ Administration Committee members,

Members are appointed by the CEC Ministry of Agriculture and thereafter vetted by the county public service board. Member can be removed by the resolution of the full board and notification to the Appointing authority if he or she has not adhered to the regulations of the board.

e. Roles and functions of the Administration Committee members,

The following are the roles and functions of the administration committee members

- Delegate tasks to Sub Committees
- Seek external advice
- Deals with administration matters

f. Induction and training, Administration Committee members and member's performance,

Members are always inducted after engagement and are frequently trained on quarterly basis

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

g. Conflict of interest,

At the beginning of every Board meeting members are requested to declare if they had any conflict of interest issues on the agenda at hand.

No conflict of interests were raised during board meetings.

h. Ethics and conduct as well as governance audit undertaken if any

No ethics and conduct as well as governance audit conducted.

9. Management Discussion and Analysis

a. On the operational and financial performance of the Fund/Board during the period,
The Kakamega county Agricultural Inputs Fund received a total of Ksh. 4.7M .

b. Entity's key projects or investments decision implemented or on going,
The Fund had envisaged opening regional offices. We however endeavour to take our services closer to the citizens of this County.

c. Fund's compliance with statutory requirements,
The fund has complied with the required statutory requirements

d. Major risks facing the Fund, material arrears in statutory and other financial obligations
The delays in receiving of the funds slowed down Subsidised Products disbursements. No enough capacity in enforcement of recoveries.

e. Any other information considered relevant to the users of the financial statements.
The fund is in operation and is still picking up gradually to reach its potential.

10. Environmental and Sustainability Reporting

1. Sustainability Strategy and Profile

Kakamega County Agricultural Inputs Fund is established by and derives its authority and accountability from Agriculture fund Act 31st May 2019. The Fund is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

The fund's objective is to procure and distribute subsidized agricultural inputs to farmers in the County. To provide for a Fund that will facilitate faster, transparent and accountable procurement and distribution of subsidised agricultural inputs to farmers in the county.

The Fund's principal activity is to manage — subsidized agricultural inputs including certified seeds, seedlings, fertilizer, agrochemicals, storage facilities, agricultural machinery and equipment, fish fingerlings and brood stock, fishing gear, bees and apiculture equipment, feeds, poultry, livestock, animal genetic material, animal drugs and vaccines in the County.

2 Environmental performance

The Fund is in the process of developing its strategic plan and its environmental policy which will also be captured in this plan. However the loans that have been issued to the business people have improved their living standards of within the County through expansion of their businesses.

3 Employee Welfare

The Corporation is currently relying on seconded staff from the parent Ministry of Agriculture. It intends to develop its policies guiding staff hiring process, job descriptions, terms of references and performance contracting as it moves toward autonomy. The current staffs conform to Public Service hiring and appraisal policies.

The entity's management conducts weekly/monthly meetings with its staff allowing them to share their success stories and challenges while preparing monthly work plans. Where possible and when resources allow, the staffs are supported to attend short courses, professional development courses, workshops and seminars to improve their skills and work performance.

The entity is also in compliance with Occupational Safety and Health Act of 2007.

4 Market Place Practices

a) The Corporation being a County Corporation has trained its staff on Code of Conduct of public servants and the Ethics and Anti corruption Act. It's funded by public funds and ensures high standards of corporate governance. Our products are fairly priced thus attracting traders from all sectors of the economy.

All fund staffs conform and adhere to the public service code of conduct and remain apolitical while delivering services to the public.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND

Annual Report and Financial Statements for the year ended June 30, 2023

b) The fund being a public entity works within structures created by the National and County Governments that govern public procurement. It works within the confines of public procurement act and public finance management act and respects its suppliers and is open to scrutiny in the public procurement process. Our procurement officer is regularly allowed to attend trainings and workshops that help him improve skills in public procurement management.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

Kakamega County Agricultural Inputs Fund is established by and derives its authority and accountability from Agriculture fund Act 31st May 2019. The Fund is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

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Results

The results of the Fund for the year ended June 30, 2023 are set out.

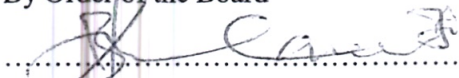
Trustees

The members of the Board of Trustees who served during the year are shown . The changes in the Board during the financial year are as shown:

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.

By Order of the Board



.....

Chair of the Board

Date:

12. 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 Agriculture fund Act 31st May 2019 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, 2023. 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 Agriculture fund Act 31st May 2019. 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, 2023, 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. OR

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

Approval of the financial statements

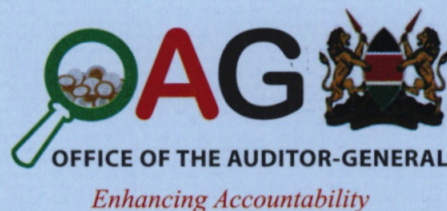
The Fund's financial statements were approved by the Board on _____ 2023 and signed on its behalf by:


.....

f Administrator of the County Public Fund

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal 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 Kakamega County Agricultural Inputs Fund set out on pages 1 to 25, which comprise the statement of financial position

as at 30 June, 2023, statement of financial performance, statement in changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kakamega County Agricultural Inputs Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Public Finance Management (Kakamega County Agricultural Inputs Fund) Regulations, 2019.

Basis for Qualified Opinion

Inaccurate Revenue Amount from Sale of Subsidized Products

The statement of financial performance reflects and Note 3 to the financial statements reflects revenue totalling to Kshs.9,480,430 from sale of subsidized farm products. However, farm inputs distribution schedule reflects revenue amount totalling to Kshs.333,310,065 resulting to unexplained variance of Kshs.323,829,635.

In the circumstances, the accuracy and completeness of the revenue amount from sale of subsidized products totalling to Kshs.9,480,430 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Agricultural Inputs Fund Management in accordance with ISSAI 30 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects income budget and actual on comparable basis amounts of Kshs.713,080,000 and Kshs.14,230,430 respectively, resulting to under-funding of Kshs.698,849,570 or 98% of the budget. Similarly, the statement reflects total actual expenditure of Kshs.60,904,244 against approved budget of Kshs.713,080,000 resulting to under-performance of Kshs.652,175,756 or 91% of the budget. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Transfers to Other Government Entities

The statement of financial performance and Note 6 to the financial statements reflects expenditure totalling to Kshs.56,431,700 in respect of transfers to other Government entities – CRF contrary to Section 154(1)(a) of the Public Finance Management Act, 2012 which provides that an accounting officer shall not authorize the transfer of an amount that is appropriated to another Government entity or person.

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

2. Failure by the Advisory Committee to Hold Meetings

Review of records revealed that during the year under review, the Fund Advisory Committee did not hold any meetings contrary to Section 20(1) of the Kakamega County Agricultural Inputs Fund Regulations, 2019 which requires the Advisory Committee to hold meetings once every three months.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the activities that govern them. I believe that the audit 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, except for the matter described in the basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were effective.

Basis for Conclusion

Lack of Internal Audit Unit

During the year under review, the Fund did not have an internal audit unit which gives assurance on effectiveness of the operations and activities of the Fund.

In the circumstances, the effectiveness of the internal oversight could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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 misstatements, 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 services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015, and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 January, 2024

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	4,750,000	4,700,000
Sale of subsidized Products	3	9,480,430	329,033,623
		14,230,430	333,733,623
Total Revenue		14,230,430	333,733,623
Expenses			
Fund Administration expenses	4	-	4,572,604
Use of goods and services	5	4,472,544	-
Transfer to other Government entities-CRF	6	56,431,700	293,000,000
Finance Costs	7	-	71,784
Total Expenses		60,904,244	297,644,388
Surplus/(Deficit) for the Period		(46,673,814)	36,089,235

(The notes set out on pages 18 to 21 form an integral part of these Financial Statements)

.....
Name: DR. GEORGE MIBAMBA
Administrator of the Fund

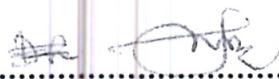
.....
Name: Vitalis Lando
Fund Accountant
ICPAK Member Number:

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position As at 30 June 2023

Description	Note	2021/2022	2022/2023
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	8	1,317,729	47,991,543
Current Portion of Long- Term Receivables From Exchange Transactions	9	7,816,487	7,816,487
Total current assets		9,134,216	55,808,029
Non-Current Assets			
Total Assets		9,134,216	55,808,029
Liabilities			
Long Term Portion of Borrowings	10	-	-
Total Liabilities		9,134,216	55,808,029
Net Assets			
Revolving Fund		44,435,910	44,435,910
Reserves		-	-
Accumulated Surplus		(35,301,695)	11,372,119
Total Net Assets and Liabilities		9,134,216	55,808,029

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 _____ 2023 and signed by:


 Name: DR. GEORGE MBURAYA
 Administrator of the Fund


 Name: Vitalis Lando
 Fund Accountant
 ICPAK Member Number:

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
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16. Statement Of Changes in Net Assets for the year ended 30th June 2023

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2021	44,435,910	(24,717,116)		19,718,794
Surplus/(deficit) for the year	-	36,089,235	-	36,089,235
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Bal as at 30 Jun 2022	44,435,910	11,372,119	-	55,808,029
Bal as at 1 July 2022	44,435,910	11,372,119	-	55,808,029
Surplus/(deficit) for the year	-	(46,673,814)		(46,673,814)
Funds received during the year	-	-		0
Revaluation gain	-	-	-	0
Balance as at 30 June 2023	44,435,910	-35,301,695	-	9,134,215

.....
Name: DR. GEORGE MBAKAYA
Administrator of the Fund

.....
Name: Vitalis Lando
Fund Accountant
ICPAK Member Number:

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government	2	4,750,000	-
Interest received		-	-
Sale of Farm input subsidies products	3	9,480,430	321,884,963
Total receipts		14,230,430	326,584,963
Payments		-	
Fund administration expenses		-	(4,572,603)
Finance cost		-	(71,784)
Use of goods and services	5	(4,472,544)	-
Transfer to other Government entities-CRF	6	(56,431,700)	(293,000,000)
Net cash flows from operating activities		(46,673,814)	(24,240,576)
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets	11	-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Transfers from other government entities		-	4,700,000
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash Equivalents		(46,673,814)	-
Cash and cash equivalents at 1 July		47,991,543	19,218,794
Cash and cash equivalents at 30 June		1,317,729	47,991,543

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=(a+b)	d	e=(c-d)	
Revenue						
Public Contributions and Donations						
Transfers From County Govt.	13,000,000	-	13,000,000	4,750,000	8,250,000	37
Subsidy programme	700,080,000	-	700,080,000	9,480,430	690,599,570	1
Other Income						
Total Income	713,080,000	-	713,080,000	14,230,430	698,849,570	2
Expenses						
Fund Administration Expenses		-	-			
Use of goods and services	15,080,000		15,080,000	4,472,544	10,551,376	30
Transfer to CRF	698,000,000		698,000,000	56,431,700	641,568,300	8
Total Expenditure	713,080,000	-	713,080,000	60,904,244	652,119,676	9
Surplus For the Period				(46,673,814)		

(The under performance in the statement is explained by the unreceived amount from the County Treasury but was used to acquire e planting, top-dressing and maize seeds for the fund by the Department of Agriculture)

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Kakamega County Agricultural Inputs Fund is established by and derives its authority and accountability from Agriculture fund Act 31st May 2019. The Fund is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

The fund's objective is to procure and distribute subsidized agricultural inputs to farmers in the County. To provide for a Fund that will facilitate faster, transparent and accountable procurement and distribution of subsidised agricultural inputs to farmers in the county.

The Fund's principal activity is to manage — subsidized agricultural inputs including certified seeds, seedlings, fertilizer, agrochemicals, storage facilities, agricultural machinery and equipment, fish fingerlings and brood stock, fishing gear, bees and apiculture equipment, feeds, poultry, livestock, animal genetic material, animal drugs and vaccines in the County.

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

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.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward -looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023 a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<i>Applicable 1st January 2023</i> □ <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). □ <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. □ IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

(iii) Early adoption of standards

The Kakamega County Agricultural Farm input Fund did not early – adopt any new or amended standards in the financial year

1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 20 23 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations on the FY 20 23 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.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

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 of these financial statements.

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.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(entity to amend appropriately) Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate). A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
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Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) 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.

h) 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.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) 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.

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.

k) 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.*

l) 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.

m) 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.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) 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.

q) 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.

r) Comparative figures

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

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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.

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

6. Notes To The Financial Statements

1. Public contributions and donations

Description	2022/2023	2021/2022
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

2. Transfers from County Government

Description	2022/2023	2021/2022
	Kshs	Kshs
Transfers From County Govt. –Operations	4,750,000	4,700,000
Payments By County On Behalf Of The Entity	-	-
Unconditional Development grants	-	-
Total	4,750,000	4,700,000

3. Sale of Subsidized Products

Description	2022/2023	2021/2022
	Kshs	Kshs
Subsidy Programme	9,480,430	329,033,623
Fines	-	-
Total	9,480,430	329,033,623

4. Fund Administration Expense

Description	2022/2023	2021/2022
	Kshs	Kshs
Daily Subsistence Allowance	-	1,824,950
Store rent	-	2,567,654
Conference facility	-	180,000
Total Interest Income	-	4,572,604

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
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Notes to the Financial Statements Continued

5. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
General Office Expenses	-	-
Hospitality-Conference Facility	1,277,162	-
Daily Subsistence Allowance	3,157,750	-
Bank Charges	37,632	-
Total	4,472,544	-

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42

6. Transfer to other Government Entities-CRF

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfer to CRF	56,431,700	293,000,000
Total	56,431,700	293,000,000

7. Finance costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Bank Charges	-	71,784
Interest On Loans From Banks	-	-
Total	-	71,784

8. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
KCB OPERATIONS-1240480695	797	189,475
KCB COLLECTION-1180391721	501,608	15,803,039
CO-OPERATIVE COLLECTION-01141631600700	815,324	31,999,028
Total cash and cash equivalents	1,317,729	47,991,542

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Notes to the Financial Statements Continued

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

Financial Institution	Account number	2022/2023	2021/2022
		Kshs	Kshs
a) Fixed Deposits Account			
Kcb operations-	1240480695	797	189,475
Kcb collection	1180391721	501,608	15,803,039
Co-operative collection	01141631600700	815,324	31,999,028
Total cash and cash equivalents		1,317,729	47,991,542

9. Current portion of Long Term Receivables from Exchange Transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Current Receivables		
Kakamega County Dairy Development Corporation	874,200	874,200
Likuyani Ward Agricultural Officer	948,631	948,631
Lugari Ward Agricultural Officer	366,500	366,500
Navakholo Ward Agricultural Officer	741,200	741,200
Malava Ward Agricultural Officer	298,360	298,360
Butere Ward Agricultural Officer	1,160,216	1,160,216
Mumias West Ward Agricultural Officer	980,000	980,000
Mumias East Agricultural Officer	648,800	648,800
Matungu Ward Agricultural Officer	1,150,000	1,150,000
Shinyalu Ward Agricultural Officer	505,200	505,200
Ikolomani Ward Agricultural Officer	143,380	143,380
TOTAL	7,816,487	7,816,487

10. Long Term Receivables from Exchange Transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Total	-	-

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11. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 st July (Previous FY)	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30 th June (Previous FY)	-	-	-	-	-
At 1 st July (Current FY)	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30 th June (Current FY)	-	-	-	-	-
Depreciation And Impairment	-	-	-	-	-
At 1 st July (Previous FY)	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 th June (Previous FY)	-	-	-	-	-
At 1 st July (Current FY)	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30 th June (Current FY)	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30 th June (Previous FY)	-	-	-	-	-
At 30 th June (Current FY)	-	-	-	-	-

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
Annual Report and Financial Statements for the year ended June 30, 2023

20. Annexes

Annex I: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2. Unapproved Expenditure	The statement of financial performance reflects total expenditure for the year of Kshs.297,644,388. However, the Fund did not produce an approved budget prepared by the Fund Management and approved by both the Advisory Committee and the Executive Committee.	The activities of the fund are fully funded by the County Executive through the parent ministry of Agriculture whose budget was approved by Cabinet and the County Assembly. Unresolved Prior Year Matters	Resolved by senate	
Lack of a Functional Internal Audit Unit	During the year under review, the Fund did not have an internal audit unit which gives assurance on the effectiveness of the operations and activities of the Fund.	The Fund act and regulations does not provide for an internal audit unit for the fund. However, the funds activities are audited by the County Internal Audit Unit established by the County Government of Kakamega	Resolved by senate	

Fund Manager
Kakamega county agricultural inputs fund

Date... 22/11/2024

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND

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Annex II: Inter-Fund Confirmation Letter

The *County Government* wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 20xx							
Reference Number	Date Disbursed	Amounts Disbursed by County Government of Kakamega (Kshs) as at 30 th June 2023				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	2022/2023				4,750,000		
Total					4,750,000		

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name Vitalis Loude Sign [Signature] Date 22/11/2023

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND
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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

KAKAMEGA COUNTY AGRICULTURAL INPUTS FUND

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Annex IV: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments