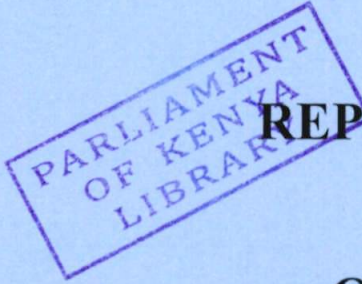
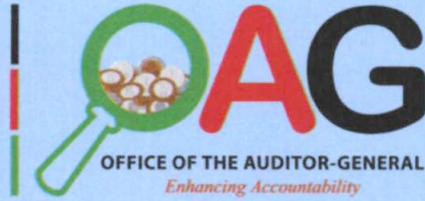


REPUBLIC OF KENYA



REPORT

168

OF

THE AUDITOR-GENERAL

ON

BUSIA COUNTY AGRICULTURAL
DEVELOPMENT FUND

FOR THE YEAR ENDED

30 JUNE, 2025

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BUSIA COUNTY AGRICULTURAL DEVELOPMENT FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

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

**Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
BOT	Board of Trustees
ADF	Agricultural Development Fund

2. Key Entity Information and Management

a) Background information

The Fund's principal activity is to finance agriculture in the County by supporting strategic farming interventions with high potential for enhancing productivity, value addition, quality improvements and marketing. The Fund is established by and derives its authority and accountability from the Busia County Agricultural Development Fund Act, 2014 on 16th May 2014. The Fund is wholly owned by the County Government of Busia and is domiciled in Kenya.

The fund's objective is to;

- i) Provide funding for eligible intervention to cover the agricultural sector, fisheries, livestock and veterinary services.
- ii) Promote county agricultural productivity and marketing through strengthening producer organizations, streamlining and facilitating bulk supply of inputs to farmers, pastoralists and fisher folks including fertilizers, certified seeds, agro chemicals, animals breeding, animal and fish drugs and feeds, artificial insemination services and fishing gears among others.
- iii) Soil testing and soil fertility management in clustered areas of farmers' associations.
- iv) Gather, package and disseminate agribusiness related information pertaining to key elements of value chain across various sector enterprises including but not limited to agronomic and market information.
- v) Promote core value addition infrastructural development.
- vi) Promote high value agricultural, livestock and fisheries products such as oil crops, newly emerging high value crops, animals and poultry.

The fund also encouraging farmers to apply from other loaning institutions such as banks.

The Fund's principal activity is providing loaning services to the members of the farming community who qualify at an interest rate of 5% per annum. The loans are solely intended to for activities that spur agribusiness activities in the county.

b) Principal Activities

The mandate of the Fund is to provide loans to farmers/clients for agribusiness activities and recover the same. This shall enable the Fund to take off as a micro finance institution at a future date.

c) Board of Trustees

Ref	Name	Position
1	Chairman of the Board	Mr. Charles Papai Ekume
2	Chief Officer Agriculture	Mr. Elijah Mwaro
3	Chief Officer Finance	CPA Gypson Wafula
4	Other Board of Trustee Members	Mrs. Everlyn A. Dindi Mr. Innocent Omboko Mr. Robert Murega
5	Fund Manager/ Administrator	Mr. Michael Oliati Ouma

d) Key Management Team

Ref	Name	Position
1	Fund Manager/ Administrator	Mr. Michael Oliati Ouma
2	Fund Accountant	CPA Paul Orotu
3	Chairman of the Board	Mr. Charles Papai Ekume
4	Chief Officer Agriculture	Mr. Elijah Mwaro

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit-Rep	CPA Maximilla Ayieko
2	County Assembly of Busia	
3	Office of the Auditor General	

f) Registered Offices

County Agricultural Development Fund

Agricultural Training Centre compound

P.O. Box 28 - 50400

Busia – Kenya

g) Fund Contacts

Telephone: (254) 743 957 788

E-mail: adfbusia2014@gmail.com

h) Fund Bankers

Family Bank

Account No: 079000028508 and 079000031692

Busia Branch

P.O. Box 329-50400

Busia – Kenya

i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

Key Entity and Management (Continued)

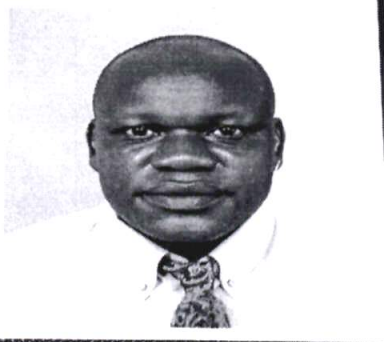


j) Principal Legal Adviser

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




k) County Attorney

The office of County Attorney
P.O Box Private Bag
Busia


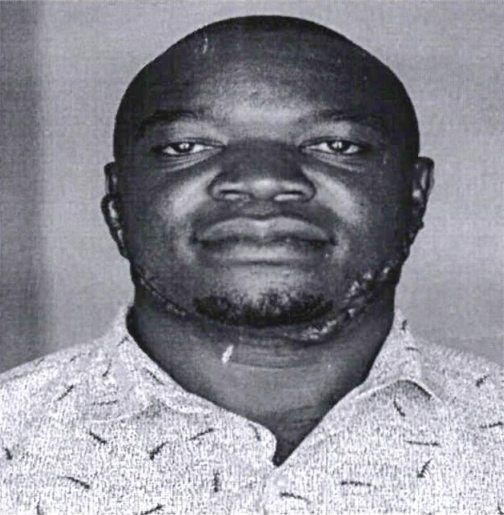
3. Board of Trustees

Name	Details of qualifications and experience
 <p>MR. CHARLES P. EKUME</p>	<p>Chairperson Dob: 5th October 1971 Education: Bsc in Agribusiness Management Experience: Supervisor at Mastermind Tobacco 1997-2003 and Project Manager Alliance One Tobacco 2007-2014.</p>
 <p>Mr. Elijah Mwaro</p>	<p>Chief Officer Agriculture Dob: 12/05/1986 Bachelor of Arts Work Experience: Serving as County Chief Officer for County Government of Busia- 2022-to date Experience: over 12 years</p>
 <p>CPA. GYPSON WAFULA</p>	<p>Chief Officer Finance Dob: 03/09/1978 Master's Degree in Business Administration (Finance)-UoN Bachelor of Commerce – Strathmore University Certified Public Accountant of Kenya (CPAK) Diploma in Project Management from Kenya Institute of Management Work Experience: -Over 10 years' experience in administration, financial management and auditing -Served as Assistant Director Internal Audit, County Assembly of Busia</p>

**Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

	<p>County Attorney Dob: 23/11/1987 County Government of Busia Studied postgraduate diploma in legal practice at The Kenya school of law, CLE studied (LLB HONS) Bachelor of laws at university of Nairobi. Experience: Over 10 years in the legal practices.</p>
<p>MR. INNOCENT OMBOKO</p>	<p>Vice Chairperson Dob: 1st January 1967 Education: Bsc in Agriculture 2013 and Msc in Business Administration 2013. Experience: Outgrower Manager 2018 and Field Superidentant</p>
	<p>Member Dob: 24th November 1960 Bsc. in Agribusiness Management. Experience: Over 30 years in provision of agricultural extension services.</p>
<p>Ms. EVERLYN A. DINDI</p>	<p>Director/Fund Administrator Dob: 12th Feb 1979 Degree in Agribusiness Management Experience: Over 11 years' experience in Banking industry. Joined County in 2020 as Agricultural Officer, to Deputy Fund Administrator and Currently the Fund Administrator.</p>
	<p>MR. MICHAEL OLIATI OUMA</p>
<p>MR. ROBERT K. MUREGA</p>	

4. Management Team

Name	Details of qualifications and experience
 <p>1. MR. MICHAEL OLIATI OUMA</p>	<p>Director/Fund Administrator Dob: 12th Feb 1979 Degree in Agribusiness Management Experience: Over 11 years experience in Banking industry. Joined County in 2020 as Agricultural Officer, to Deputy Fund Administrator and Cuurently the Fund Administrator.</p>
 <p>2. MR. PAUL OROTO</p>	<p>Fund Accountant Dob: 4th December 1989 Education: BSC Acturial Science, CPA K. Experience: Accountant with Busia County,</p>

5. Fund Chairperson's Report

Changes in the Fund during the year

There have not been any changes in the Fund during the year.

Review of the Fund's performance

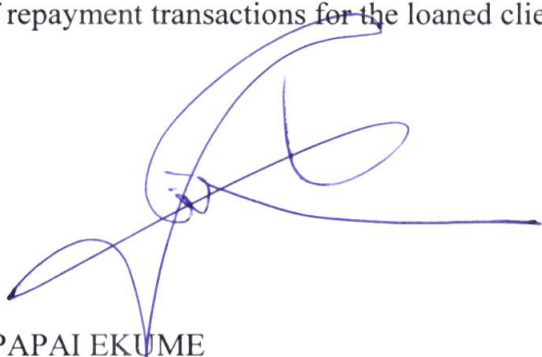
Loan repayment stands at 26%.

Future outlook of the Fund

Loan repayment which now stands at Ksh. 5,891,461.09 after two withdrawals and disbursements to farmers worth Ksh. 9,500,000 can also be used as a revolving funds as was intended during its inception. The demand for loans from the farming community is very high indicating the Fund is of importance to our clients.

A conclusion

Timely release of funds from Treasury and in each quarter during the financial year can enable the Fund achieve its mandate. The Fund has introduced a PAYBILL NO. 222121 at our Family Bank, Busia Branch which is expected to improve repayment as it drastically reduces the cost of repayment transactions for the loaned clients.



CHARLES PAPA EKUME

Chairperson of the Board

6. Report of The Fund Administrator

Changes in the Fund during the year

There have not been any changes in management team of the fund during the year.

Review of the Fund's performance

ADF funded a number of enterprises which include;

Fish farming

Poultry farming

Livestock farming (Dairy farming)

Crop farming (Green maize, tomatoes, local vegetables, ground nuts)

The main challenges experienced by the Fund include the following

Busia County Agricultural Development Fund was not allocated any amount during the current financial year.

Late disbursement of the funds by Treasury

High demand for loans from farming community.

Some farmers do not understand Agribusiness concepts.

Low repayment from the loaned clients

Recommendations

County Treasury to prioritise disbursement of funds on quarterly basis.

County Assembly to increase allocation of funds to ADF to meet the ever-increasing demand of loans by farmers of at least Kshs. 20,000,000 per year.

Sensitization of farmers on agribusiness concepts by department of agriculture and animal resources.

Improvement in loan recovery by use of partners such County Administration (at Sub County, Ward and Village)

Future outlook of the Fund

Loan repayment which now stands at Kshs. 5,891,464.09 after two withdrawals and disbursements to farmers worth Kshs. 9,500,000 can also be used as a revolving fund as was

intended during its inception. The demand for loans from the farming community is very high indicating the Fund is of importance to our clients.

Conclusion

Timely release of funds from Treasury and in each quarter during the financial year can enable the Fund achieve its mandate. The Fund has introduced a PAYBILL NO. 222121 at our Family Bank, Busia Branch which is expected to improve repayment as it drastically reduces the cost of repayment transactions for the loaned clients.

Signed: _____

Michael Oliati Ouma
Fund Administrator

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

Introduction

Busia County Agricultural Development Fund (ADF) has its strategic objectives derived from ADF Strategic Plan 2024-2029. The objectives are;

1. Facilitate easy access of affordable ADF loans to all eligible county farmers.
2. Create an enabling environment for expanded ADF lending structure targeting gender parity through review of the current legal framework.
3. Improve county farmers’ access to information about ADF and its functions.
4. Promote market-oriented production by adopting a value chain approach in the application of agribusiness concept.
5. Facilitate increased agricultural growth and economic development through advisory support service and technology adoption by ADF loanees.

Some of the challenges for the Fund has been non-funding since 2019-2020 FY. This has made it difficult to promote a market-oriented production by a value chain approach since we have to work in collaboration with other stakeholders and staff of department of agriculture and animal resources which require a lot of resources. Low repayment of loans that stands at 26% is compounded by weak legislation within the Busia County Agricultural Development Fund Act, 2014 that has yet to be amended. The proposed amendment is at the Busia County Assembly tabled in the financial year 2024.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Busia County Agricultural Development Fund	Facilitates easy access of affordable ADF loan to all eligible farmers in the county.	Increased food production, creating of on-farm employment	Increase of loaned farmers by 188 to 2,000 since initial loans were issued on 24 th March 2016.	No loans were issued during the year
	Create an enabling environment for expanded ADF lending structure targeting gender parity through review of the current legal framework.	Amendment of Busia County Agricultural Development Fund Act, 2014.	Busia County agricultural Development Fund Bill, 2024 is in place.	The ADF Bill is still with the Busia County Assembly. Its yet to become an Amended Act (law) for use by ADF.
	Improve county farmers’ access to information about ADF and its functions	The Fund is able to reach its clients through individual farm visits and farmer	Over 90% of loaned farmers are reached through calls and sms using ADF	Loan repayment increased to an average of Ksh. 112,840 monthly

Busia County Agricultural Development Fund
Annual Report and Financial Statements for the year ended June 30, 2025

		group visits and trainings.	phone No. 0743957788 and loan repayment is done using Paybill no. 222121	
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8. Corporate Governance Statement

The number of Board/Trustee meetings held and the attendance to those meetings by members

The Board of Trustees held 2 Board meetings and the 7 members attended all the meetings.

Succession plan

The current Board of Trustees were appointed on 6th April 2021 for a five-year term as provided by section 6 (1) (e) of the Busia County Agricultural Development Fund Act, 2014.

Existence of a board/trustee charter

ADF does not have a board charter.

Process of appointment and removal of trustees

The appointment of Board Members is done through advertisement in the daily newspapers, shortlisted and interviewed by the Public Service Board. The names of those who qualify are forwarded to the County Committee Member responsible for agriculture for appointment. Appointment is for a term of five (5) years only renewable for only one further term. A person who qualifies for appointment shall;

- a. Be a holder of a degree from a university recognized in Kenya.
- b. Have at least five (5) years professional experience in the relevant field; and
- c. Meet the requirements of leadership and integrity as provided in Chapter 6 of the Constitution or relevant national legislation.

Roles and functions of the Board/Trustees

- a. providing strategic guidance and oversight to the Fund.
- b. Implement policies of the county government on agricultural sector funding.
- c. Ensure that all projects funded under ADF Act are consistent with the county's priorities specified in the relevant policy documents on county agricultural development and financing.
- d. Authorize allocations from the Fund.
- e. Formulate and approve standards, guidelines and procedures for funding under ADF Act, 2014.
- f. Approve the organizational structure of the Fund.
- g. Provide oversight in the utilization of the Fund.
- h. Perform any other function as may be conferred on it by ADF Act, 2014 or any other written law.
- i. Approve annual work-plans and budgets for the Fund and
- j. Advice the county government on any other matters contained in the ADF Act, 2014.

Induction and training

The new board members underwent induction and training between 27th and 29th July 2021. Areas covered included ADF progress since inception, legality of existence of ADF Act, 2014 and ADF Regulations 2015, financial position, support from the department of agriculture and animal resources, Busia County Agricultural Development Fund Bill,

2021, Agricultural financing, loan vetting process, policy direction and way forward for the Fund, proposed work-plan and budget for the financial year 2024/2025 among others.

Board and member performance

Conflict of interest

Board/trustee remuneration

Remuneration is done through meeting allowances as provided in Circulars by the Salaries and Remunerations Commission of Kenya (SRC).

9. Management Discussion and Analysis

Busia County Agricultural Development Fund is governed by an Act of County Assembly of Busia, The ADF Regulations, 2015. The said Act and Regulations are used together and are in compliance with the PFM Act, 2012; PFM (County Government) Regulations and Controller of Budget Act, 2012.

ADF funded a number of enterprises which include;

Fish farming

Poultry farming

Livestock farming (Dairy farming)

Crop farming (Green maize, tomatoes, local vegetables, ground nuts etc.)

The main challenges experienced by the Fund include the following;

Late disbursement of the Fund by Treasury.

High demand for loans from farmers.

Some farmers do not understand Agribusiness.

Low repayment from the loaned clients

Recommendations

County Treasury to prioritise disbursement of funds on quarterly basis.

County Assembly increase allocation of funds to ADF to meet the ever increasing demand of loans by farmers.

Sensitization of farmers on agribusiness concepts by department

Improvement in loan recovery by use of partners such County Administration (at Sub County, Ward and Village)

10. Environmental and Sustainability Reporting

The fund did not undertake any Corporate Social Responsibility (CSR) during the year under review

11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund is financing Agriculture sector in the County by supporting strategic intervention with high potential for enhancing productivity, value addition, quality improvement and marketing.

Results

The results of the Fund for the year ended June 30, 2025, are set out on page 1

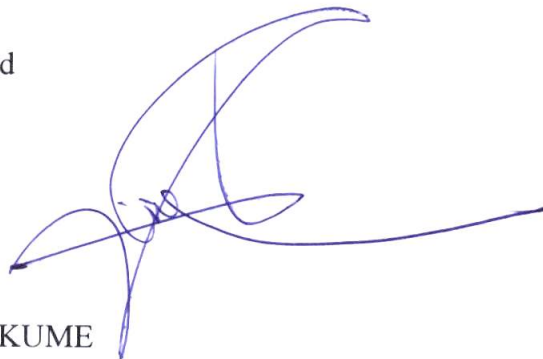
Trustees

The member of the Board of trustees who served during the year is shown in page vi of this report. There were no changes in the board during the financial year.

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



CHARLES PAPA EKUME

Chair of the Board

Date: ... 19th November 2025

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 The Fund and derives its authority and accountability from the Busia County Agricultural Development Fund Act, 2014 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, 2024. 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 is established by and derives its authority and accountability from the Busia County Agricultural Development Fund Act, 2014. 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, 2025, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

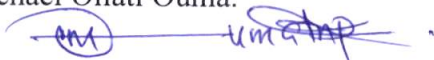
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 19th NOVEMBER 2025 and signed on its behalf by:

Michael Oliati Ouma.



Administrator of the County Public Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 BUSIA COUNTY AGRICULTURAL DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Busia County Agricultural Development Fund set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of

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

In my opinion, except for the 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 Busia County Agricultural Development Fund as at 30 June, 2025 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 Busia County Agricultural Development Fund Act, 2014 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unrecovered Loans Overdue

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.54,619,353 as disclosed in Note 13 to the financial statements. However, the Fund did not indicate the dates when the loans were issued and no ageing analysis was provided to show how long the debts were overdue. Further, the amount includes non-performing loans of Kshs.50,730,600 issued between 2016 and 2024. No evidence or explanation was provided by Management on why the loans have not been repaid. Management has not taken legal action to recover the loans from the farmers. In addition, Management has failed to build a revolving fund as enshrined in the Act and Regulations.

In the circumstances, the accuracy, completeness, valuation and recoverability of the current portion of long-term receivables from exchange transactions balance of Kshs.54,619,353 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Busia County Agricultural Development Fund Management in accordance with ISSAI 130 on the 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 final receipts budget and actual amounts on comparable basis of Kshs.28,870,251 and Kshs.8,932,755 respectively resulting to under-funding of Kshs.19,937,496 or 69% of the budget. In addition, it was observed that the Fund budgeted to receive

Kshs.20,000,000 from the County Government out of which no amount was received. The Fund expended Kshs.1,782,565 against an approved budget of Kshs.28,870,251 resulting to under-performance of Kshs.27,087,686 or 94% of the budget.

In the circumstances, 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 judgement, are of most significance in the audit of the financial statements. Except for the effects of the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the previous year audit, issues were raised under Report on the Financial Statements and Emphasis of Matter as shown in **Appendix I**. However, the issues had not been resolved and no satisfactory explanation was provided for the delay in resolving the issues.

Other Information

The Management is responsible for the Other Information set out on page iii to xx which comprise of Key Entity Information and Management, Board of Trustees, Management Team, Fund Chairperson's report, Report of the Fund Administrator, Statement of Performance Against County Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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

Unlawful Operation of the Fund

Review of documents provided for audit and the annual report and financial statements revealed that the Busia County Agricultural Development Fund was established on 16 May, 2014 which translates to eleven (11) years of operation.

However, there was no approval for continuity of operation from the County Assembly to enable the Fund to continue in operation after 30 June, 2024 when the period lapsed as required by Regulation 197 (1) of the Busia County Agricultural Development Fund Regulations, 2015, which states that the establishment of a County Public Fund shall at the minimum meet the following requirements (i) the initial approval for establishment of a County Public Fund shall be for a maximum period of ten (10) years, beyond which the County Executive Committee and County Assembly approvals shall be sought.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal controls, 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 the 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 controls 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 governance.

In preparing the financial statements, Management is responsible for assessing the Fund's, ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 comply 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 December, 2025


Appendix 1: Unresolved Prior Year Audit Issues

Reference No. of the Auditor-General's Report	Observation
	Report on the Financial Statements
1	Unrecovered Loans Overdue
	Emphasis of Matter
1	Budgetary Control and Performance
	Other Matter
1	Unresolved Prior Year Matters


1. Statement of Financial Performance for the Year Ended 30th June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	5,000,000
Fines, Penalties and Other Levies	3	-	-
			-
Revenue From Exchange Transactions			
Interest Income	4	1,048,539	1,128,230
Other Income	5	-	-
			-
Total Revenue		1,048,539	6,128,230
Expenses			
Employee Costs	6	-	272,895
Use of goods and services	7	1,782,565	3,937,330
Depreciation and Amortization Expense	8	163,980	203,953
Finance Costs	9	-	-
Total Expenses		1,946,545	4,414,178
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
Surplus/(Deficit) for the Period		(898,006)	1,714,052

(The notes set out on pages 9 to 40 form an integral part of these Financial Statements)



Name: MICHAEL OLIATI OUMA
Administrator of the Fund




Name: PAUL OROTO
Fund Accountant
ICPAK Member Number:28839

2. Statement of Financial Position as at 30 June 2025


Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	12	7,257,301	8,870,251
Current Portion of Long- Term Receivables From			
Exchange Transactions	13	54,619,353	53,740,429
Prepayments	14	-	-
Inventories	15	-	-
Investments in financial assets	16	-	-
Total current assets		61,876,654	62,610,680
Non-Current Assets			
Property, Plant and Equipment	17	684,526	848,506
Intangible Assets	18	-	-
Long Term Receivables from Exchange Transactions	13	-	-
Investment Property	19		-
Total non- current assets		684,526	848,506
Total Assets		62,561,180	63,459,186
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	20		-
Current Portion of Borrowings	21		-
Employee Benefit Obligations	22		-
Social benefit liabilities	23		-
Total current liabilities			-
Non-Current Liabilities			
Long Term Portion of Borrowings	21		-
Non-Current Employee Benefit Obligation	22		-
Social benefit liabilities	23		-

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Total Liabilities			-
Net Assets			
Revolving Fund		90,000,000	90,000,000
Reserves			-
Accumulated Surplus		(27,438,820)	(26,540,814)
Total Net Assets and Liabilities		62,561,180	63,459,186

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 19th November 2025 and signed by:



Name: MICHAEL OLIATI OUMA
Administrator of the Fund



Name: PAUL OROTO
Fund Accountant
ICPAK Member Number: 28839

3. Statement of Changes in Net Assets for the year ended 30th June 2025

<i>Description</i>	<i>Revolving Fund</i>	<i>Revaluation Reserve</i>	<i>Accumulated surplus</i>	<i>Total</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
Balance As At 1 July 2022	90,000,000	-	(20,669,053)	69,330,947
Surplus/(Deficit) For the Period	-	-	(2,474,645)	(2,474,645)
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2023	90,000,000	-	(23,143,698)	66,856,302
Balance As At 1 July 2023	90,000,000	-	(23,143,698)	66,856,302
Surplus/(Deficit) For the Period	-	-	1,714,052	1,714,052
Prior Year Adjustment			(5,111,168)	(5,111,168)
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2024	90,000,000	-	(26,540,814)	63,459,186
Balance As At 1 July 2024	90,000,000	-	(26,540,814)	63,459,186
Surplus/(Deficit) For the Period			(898,006)	(898,006)
Prior Year Adjustment				
Funds Received During the Year			-	-

Transfers		-	-	-
Revaluation Gain		-	-	-
Balance As At 30 June 2025	90,000,000		(27,438,820)	62,561,180

4. Statement of Cash Flows for the Year Ended 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	5,000,000
Interest received	4	62,504	180,171
Receipts from other operating activities			-
Total receipts		62,504	5,180,171
Payments		-	
Employee cost	6	-	272,895
Fund administration expenses	7	1,782,565	3,937,330
General expenses		-	-
Finance cost		-	-
Other payments		-	-
Total Expenditures		1,782,565	4,210,225
Adjustments			
Add: Provision for Depreciation		-	-
Less: Interest receivable		-	-
Net cash flows from operating activities	25	(1,720,061)	969,946
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments	13	107,111	1,173,909
Loan disbursements paid out	13	-	-
Net cash flows used in investing activities		107,111	1,173,909
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash		(1,612,950)	2,143,855

Equivalents			
Cash and cash equivalents at 1 July 2024		8,870,251	6,726,396
Cash and cash equivalents at 30 June 2025		7,257,301	8,870,251

5. Statement of Comparison of Budget And Actual Amounts For The Period 2025

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)	f=d/c*100
Revenue						
Balance Brought Forward	8,870,251	-	8,870,251	8,870,251	-	-
Transfers from County Govt.	25,000,000	(5,000,000)	20,000,000	-	-	-
Interest Income	-	-	-	62,504	-	-
Other Income	-	-	-	-	-	-
Total Income	33,870,251	(5,000,000)	28,870,251	8,932,755	19,937,496	30%
Expenses						
Fund Administration Expenses	33,870,251	(5,000,000)	28,870,251	1,782,565	27,087,686	6%
Employees cost	-	-	-	-	-	-
Total Expenditure	33,870,251	(5,000,000)	28,870,251	1,782,565	27,087,686	6%
Surplus for the Period	-	-	-	7,150,190		
Loan Disbursements		-		-		

Budget notes

- A. The cash received as interest was Kshs. 62,504 even though the total accrued interest during the financial year was Kshs. 1,048,539.
- B. The budgeted amount for the Administration expenses was not fully utilised as a result of non-funding by the County Government during the financial year and low interest income repayment by farmers.

Reconciliation of the variance in Surplus/Deficit as reported in Statement of Comparison of Budget and Actual amounts and Statement of Financial Performance

Surplus amount as per the Budget	7,150,190
Balance Brought forward	(8,870,251)
Depreciation	(163,980)
Interest accrued	986,035
Surplus/ (Deficit)	(898,006)

6. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Busia fund is established by and derives its authority and accountability from Busia County ADF Act. The fund is wholly owned by the Busia County Government and is domiciled in Kenya. The fund’s principal activity is to provide loans to farmers/clients for agribusiness activities and recover the same.

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 2025

There were no new and amended standards issued in the financial year.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025 .

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.
IPSAS 44: Non- Current Assets Held	<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

for Sale and Discontinued Operations	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.
IPSAS 45- Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none">i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.

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IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
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(i) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*

4. Summary of 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 2024/2025 was approved by the County Assembly on 30th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of zero on the FY 2024/2025 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.

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 page 8 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.

The Fund uses reducing balance method in depreciating its assets.

The depreciation rates are as follows:

Furniture and Fittings-12.5%

Motor Vehicle- 20%

Computers- 20%

a) 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.

b) 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-

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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 the period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* 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 de-recognition.

Summary of Significant Accounting Policies (Continued)

e) 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.

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.

Summary of 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.

d) 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.

e) 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.

f) 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)

g) 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.

h) 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.*

i) 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.

j) 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.

Summary of Significant Accounting Policies (Continued)

k) 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.

l) 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.

m) 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.

n) 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.

o) Comparative figures

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

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. No Additional disclosure of these estimates of provisions is included.

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.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

6. Notes to the Financial Statements Continued

1. Public contributions and donations

Description	2024-2025	2023/2024
	Kshs	Kshs
Donation From Development Partners	--	-
Contributions From The Public	-	-
Total	-	-

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2024-2025	2023/2024
	Kshs	Kshs
Transfers From County Govt. –Operations	-	5,000,000
Payments By County On Behalf Of The Entity	-	-
Unconditional Development grants	-	-
Total	-	5,000,000

3. Fines, penalties and other levies

Description	2024-2025	2023/2024
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2024-2025	2023/2024
	Kshs	Kshs
Interest Income from Loans	1,048,539	1,128,230
Interest Income From Car Loans		
Interest Income From Investments in financial assets	1,048,539	1,128,230
Interest Income accrued	(986,035)	(948,059)
Total Interest Income	62,504	180,171

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(Provide brief explanation for this revenue)

Notes to the Financial Statements Continued

5. Other income

Description	2024-2025	2023-2024
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified. Disclose write backs if any or recoveries from write offs).

6. Employee Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Salaries And Wages	-	272,895
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other <i>(Specify)</i>	-	-
Total	-	272,895

7. Use of Goods and Services

Description	2024-2025	2023-2024
	Kshs.	Kshs.
General Office Expenses		-
Loan Processing Costs		-
Professional Services Costs		-
Domestic Travel	312,350	927,800
Committee Allowances	799,000	1,524,450
Electricity And Water Expenses		-
Fuel And Oil Costs		300,000

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Description	2024-2025	2023-2024
	Kshs.	Kshs.
Insurance Costs		-
Postage And Courier		-
Printing And Stationery	58,215	174,490
Rental Costs		-
Training Expenses	600,000	854,650
Telephone And Communication Expenses	13,000	60,000
Bank Charges		1,640
Maintenance of Other Assets		44,300
Provision For Doubtful Debts		-
Other Operating expenses		50,000
Social benefit expenses*		
Total	1,782,565	3,937,330

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

8. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Property Plant and Equipment	163,980	203,953
Intangible Assets		-
Total	163,980	203,953

9. Finance costs

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Interest On Bank Overdrafts		-
Interest On Loans From Banks		-
Total		-

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10. Gain/(loss) on disposal of assets

Description	2024-2025	2023-2024
	Kshs.	Kshs
Property, Plant and Equipment		-
Intangible Assets		-
Total		-

11. Gain/ (loss) on Fair Value Investments

Description	2024-2025	2023-2024
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
Total Gain	-	-

12. Cash and cash equivalents

Description	2024-2025	2023-2024
	Kshs.	Kshs
Main Account	1,365,837	3,148,402
Repayment Account	5,891,464	5,721,849
Fixed Deposits Account		-
On – Call Deposits		-
Current Account		-
Others (<i>Specify</i>)		-
Total Cash And Cash Equivalents	7,257,301	8,870,251

Notes to the Financial Statements Continued

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

Financial Institution	Account number	2024-2025	2023-2024
		Kshs.	Kshs.
a) Fixed Deposits Account			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
Sub- Total		-	-
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) Current Account			
Family Bank (Main)	079000028508	1,365,837	3,148,402
Family Bank (Repayment)	079000031692	5,891,464	5,721,849
Sub- Total		7,257,301	8,870,251
d) Others(Specify)		-	-
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		-	-

13. Receivables from exchange transactions

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Current Receivables		
Interest Receivable	7,028,722	6,042,687
Current Loan Repayments Due	47,590,631	47,697,742
Less: Impairment Allowance		
Total Current Receivables	54,619,353	53,740,429
Repayment during the year		
Loans Opening Balance	47,697,742	47,697,742
Prior Year Adjustments	-	1,173,909
Add: Loans disbursed during the year	-	-
Less: Current Loan Repayments Due	(47,590,631)	(47,697,742)
Total principal repayment during the year	107,111	1,173,909

Notes to the Financial Statements Continued

Additional disclosure on interest receivable

Description	2024-2025	2023-2024
	Kshs.	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	1,048,539	948,059
Prior year adjustment on loan repayment	31	
Accrued interest receivable from of long-term loans of previous years	6,042,656	11,379,674
Interest receivable from current portion of long-term loans issued in the current year		-
Interest Received during the Year	(62,504)	(6,285,077)
Current loan repayments due	7,028,722	6,042,687
Current portion of long-term loans from previous years		-
Accrued principal from long-terms loans from previous periods		-

14. Prepayments

Description	2024-2025	2023-2024
	Kshs.	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (<i>Specify</i>)	-	-
Total	-	-

15. Inventories

Description	2024-2025	2023-2024
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (<i>Specify</i>)	-	-
Total Inventories at The Lower of Cost and Net Realizable Value	-	-

Notes to the Financial Statements Continued

16. Investments in financial assets

Description	2024-2025	2023-2024
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b. Investment with Financial Institutions/ Banks	-	-
Bank x	-	-
Bank y	-	-
Sub- total	-	-
c. Equity investments (specify)	-	-
Equity/ shares in Entity	-	-
Sub- total	-	-
Grand total	-	-

(Entity should disclose whether the fixed investment financial assets are measured at amortised cost or at fair value through changes in net assets/ equity) Investments in equity should be measured at fair value through surplus or deficit. Other information to be disclosed includes: the interest rates, maturity dates, valuation methodology, and impairment of these investments.

Movement of Equity Investments

Impairment allowance/ provision	2024-2025	2023-2024
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	-	-
Gain/(loss) in fair value of investments through surplus or deficit	-	-
At the end of the year	-	-

e) Shareholding in other entities

For investments in equity share listed above, list down the equity investments under the following categories:

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		2024-2025	2023-2024
	%	%	%	Kshs	Kshs	Kshs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

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Notes To The Financial Statements (Continued)

17. Property, plant and equipment

	Land and Buildings Kshs	Motor vehicles Kshs	Furniture and fittings Kshs	Computers and office equipment Kshs	Total Kshs
At 1st July 2022	-	4,895,000	215,591	122,300	5,232,891
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2023	-	4,895,000	215,591	122,300	5,232,891
At 1st July 2023					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2024	-	4,895,000	215,591	122,300	5,232,891
At 1st July 2024					
Additions					
Disposals					
Transfer/Adjustments					
At 30th June 2025		4,895,000	215,591	122,300	5,232,891
Depreciation And Impairment					
At 1st July 2022	-	3,721,820	115,950	88,887	3,926,657
Depreciation	-	234,636	12,455	6,683	253,774
Impairment	-	-	-	-	-
At 30th June 2023	-	3,956,456	128,405	95,570	4,180,431
At 1st July 2023					
Depreciation	-	187,709	10,898	5,346	203,953
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June 2024	-	4,144,165	139,303	100,916	4,384,384

Busia County Agricultural Development Fund

Annual Report and Financial Statements for the year ended June 30, 2025

Cost	Land and Buildings Kshs	Motor vehicles Kshs	Furniture and fittings Kshs	Computers and office equipment Kshs	Total Kshs
At 1st July 2024					
Depreciation		150,167	9,536	4,277	163,980
Disposals		-			
Impairment		-			
Transfer/Adjustment					
At 30th June 2025					
Net Book Values					
At 30 th June 2023	-	938,544	87,186	26,730	1,052,460
At 30 th June 2024	-	750,834	76,288	21,384	848,506
At 30 th June 2025		600,667	66,752	17,107	684,526

**Busia County Agricultural Development Fund
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Notes To The Financial Statements (Continued)

18. Intangible assets

Description	2024-2025	2023-2024
	Kshs	Kshs
Cost		
At Beginning of The Year	-	-
Additions	-	-
At End of The Year	-	-
Amortization And Impairment		
At Beginning of The Year	-	-
Amortization	-	-
At End of The Year	-	-
Impairment Loss	-	-
At End of The Year	-	-
NBV	-	-

19. Investment Property

Description	2024-2025	2023-2024
	Kshs	Kshs
At beginning of the year	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-
At end of the year	-	-

(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should not be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.). Entity should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.

Busia County Agricultural Development Fund
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Notes To The Financial Statements (Continued)

20. Trade and other payables from exchange transactions

Description	2024-2025		2023-2024	
	Kshs		Kshs	
Trade Payables	-		-	
Refundable Deposits	-		-	
Accrued Expenses	-		-	
Other Payables	-		-	
Total Trade and Other Payables	-		-	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

21. Provisions

Description	Leave provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance b/f	-	-	-	-
Additional provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Total provisions year end	-	-	-	-
Current Provisions	-	-	-	-
Non-Current Provisions	-	-	-	-

**Busia County Agricultural Development Fund
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Notes To The Financial Statements (Continued)

22. Borrowings

Description	2024-2025	2023-2024
	Kshs	Kshs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments of External Borrowings During the Period	-	-
Repayments of Domestic Borrowings During the Period	-	-
Balance At End of The Period	-	-

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

Description	2024-2025	2023-2024
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z Organization'	-	-
Domestic Borrowings		
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End of The Year	-	-

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

(NB: the total of this statement should tie to note 22 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed). Borrowings should be measured at amortised cost as per IPSAS 41)

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Notes To The Financial Statements (Continued)

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2024-2025	2023-2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

24. Social Benefit Liabilities

Description	2024-2025	2023-2024
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non-current social benefits	-	-
Total (tie to totals above)	-	-

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.

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Notes To The Financial Statements (Continued)

25. Cash generated from operations.

Description	2024-2025	2023-2024
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(898,006)	1,714,052
Adjusted For:		
Depreciation	163,980	203,953
Amortisation		-
Gains/ Losses On Disposal Of Assets		-
Interest Income for the year not received	(986,035)	(948,059)
Finance Cost		-
Working Capital Adjustments		
Increase In Inventory		-
Increase In Receivables		-
Increase In Payables		-
Net Cash Flow From Operating Activities	(1,720,061)	969,946

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

Notes To The Financial Statements (Continued)

26. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	2024-2025	2023-2024
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

Description	2024-2025	2023-2024
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	2024-2025	2023-2024
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

Other Disclosures Continued

e) Due to related parties

Description	2024-2025	2023-2024
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

27. Contingent assets and contingent liabilities

Contingent Liabilities	2024-2025	2023-2024
	Kshs	Kshs
Court Case Against the Fund	-	-
Bank Guarantees	-	-
Total	-	-

Notes To The Financial Statements (Continued)

28. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2025				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2024				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

Notes To The Financial Statements (Continued)

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

The entity has no significant concentration of credit risk on amounts due from farmers

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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2024				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

Notes To The Financial Statements (Continued)

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

i. Foreign currency risk

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

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

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2025			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2024-2025			
Euro	10%	-	-
USD	10%	-	-
2023-2024			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax.

Notes To The Financial Statements (Continued)

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:

Description	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	%	%

29. Events after the reporting period

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

30. Ultimate and Holding Entity

The entity is a County Public Fund established by Busia County Agricultural Development Fund Act under the Department of Agriculture. Its ultimate parent is the County Government of Busia.

31. Currency

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

7. 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)
<p>REF: OAG/BRO/B CADE/2023/2 024/(15)</p>	<p>Unrecovered Overdue Loans</p> <p>The statement of financial position and Note 13 to the financial statements reflects a balance of Kshs.53,740,429 in respect of current portion of long-term receivables from exchange transactions which includes an amount of Kshs.50,730,600 relating to current loan repayments due. However, an ageing analysis was not provided to ascertain when the loans were issued and how long the balances had been outstanding.</p> <p>In the circumstances, the valuation and recoverability of the loans could not be confirmed.</p>	<p>The management agrees with Auditor's Observation and Confirms that all our loans are disbursed as per the Busia Agricultural Development Fund Act 2014 and the Regulations 2015 and the repayment period for all loans issued is 12Months.The management maintain summary of loans issued showing dates of disbursement, Repayment period, interest charged, loan balances and loan ageing analysis per loanee.</p> <p>The management also agree with auditor's observation on none performing loans of ksh 50,730,600 and the loan outstanding balance of 53,740,429.</p> <p>The management would like to</p>	<p>Not Resolved</p>	

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)
		<p>clarify that the existing Busia Agricultural Development Fund Acts 2014 has weakness in addressing the issues of default. However, management has initiated amendment to the Acts to address the issues through Busia County Agricultural Development Fund Bill ,2024.</p> <p>The management has also taken the following recovery measures to recover outstanding loan balances that include;</p> <p>I. Improvement in work force in collaboration with NAVCDP and with newly recruited Agriprenuers based at ward levels, the management is utilizing their services to reach loan defaulters in recovery of outstanding loan balances.</p> <p>ii) Management is doing follow ups on guarantors to assist</p>		

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)
		<p>in pursuing defaulters and ensures they pay their loans and also guarantors to honor their obligations.</p> <p>iii) The management makes follow ups on loanees at Ward levels to remind them on their obligations to repay the loans.</p> <p>iv). Through its official registered mobile No 0743957788, the management make constant calls to defaulters demanding for payment of loans in arrears. It also operates a pay bill No 222121 where money is directly paid to Fund Repayment Account (079000031692) held in Family Bank.</p> <p>(v). The management writes demand letter to defaulters reminding them of their obligations to pay loan.</p>		
REF: REF: OAG/BRO/B	1. Budgetary Control and	The management agrees with	Not 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)
CADF/2023/2024/(15)	<p>Performance</p> <p>The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs. 7,726,396 and Kshs. 11,906,567 respectively, resulting to over-funding of Kshs. 4,180,171 or 54 % of the budget. The over collection of the budget indicates Management does not carry out proper mapping and collection strategies during the budgeting process. Similarly, the Fund incurred actual expenditure of Kshs. 4,210,225 against approved budget of Kshs. 7,726,396 resulting to under-performance of Kshs. 3,516,171 or 46 % of the budget.</p>	<p>auditor's observation and would like to confirm that the overfunding was caused by late disbursement of ksh 5,000,000 for previous financial year 2022/2023 but later came in the beginning of financial year 2023/2024.</p> <p>The fund underperformance was as a result of None disbursement of loans to farmers on advice by the County Executive Committee Member -Smart Agriculture, Livestock, Fisheries, Blue Economy & Agribusiness to suspending loan disbursement until there is effective and efficient loan recovery mechanisms.</p>		
REF:OAG/RO/BCADF/2023/2024/(15)	2. Unresolved Prior Year Matters	The management would like to state that it has since addressed	Not Resolved	

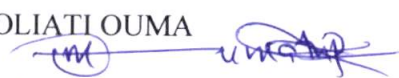
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
)	Various prior year audit issues remained unresolved as at 30 June, 2024. Management has not provided reasons for the delay in resolving the prior year issues.	all the prior year issues with the Office of the Senate (FY 2019/20, 2020/21 & 2021/22) and currently awaiting Senate recommendations.		

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Fund responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Fund Administrator

MICHAEL OLIATIOUMA



Date..... 19th NOVEMBER 2025

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Annex II: Inter-Fund Confirmation Letter

The Busia County Agricultural Development Fund wishes to confirm the amounts disbursed to you as at 30th June 2025 as indicated in the table below.

Confirmation of amounts received by [Agricultural Development Fund] as at 30 th June 2025							
Reference Number	Date Disbursed	Amounts Disbursed by [County Government of Busia] (Kshs) as at 30 th June 2025				Amount Received by [ADF Fund] (KShs) as at 30 th June 2025 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
							-
							-
							-
Total							-

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

Head of Accountants department of beneficiary Fund:

Name : MICHAEL OLIATI OUMA Sign  Date 19th NOVEMBER 2025

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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		

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Annex IV: Reporting on Disaster Management Expenditure

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