

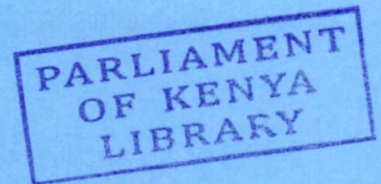
REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**



**THE AUDITOR-GENERAL**

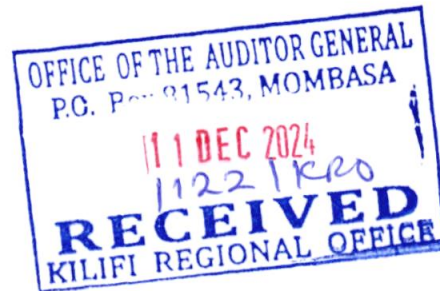
**ON**

**KILIFI COUNTY MICROFINANCE  
(WEZESHA) FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

PAPERS LAID	
DATE	25/2/2025
TABLED BY	Majority leader
COMMITTEE	
CLERK AT THE TABLE	Mwalim

Revised 30<sup>th</sup> June 2024



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*KILIFI COUNTY MICROFINANCE (WEZESHA) FUND*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE, 2024**

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

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***Kilifi County Microfinance(Wezesha) Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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***Kilifi County Microfinance(Wezesha) Fund***

**Annual Report and Financial Statements for the year ended June 30, 2024**

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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

b) Glossary of Terms

Fiduciary Management      The key management personnel who had financial responsibility  
*Provide a list of Acronyms and Key terms used in the financial report as per above example.  
The list to be exhaustive)*

**Kilifi County Microfinance(Wezesha) Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

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**2. Key Kilifi County Microfinance (Wezesha) Fund Information and Management**

**a) Background information**

Kilifi County Microfinance (Wezesha) Fund is established by and derives its authority and accountability from Kilifi County Microfinance Fund Act gazetted on 10<sup>th</sup> June 2016. The Fund is wholly owned by the County Government of Kilifi and is domiciled in Kenya.

The fund's objective is to provide support to Micro and Small Enterprises operating within the County through provision of seed capital, Market linkage and Employment Creation.

**b) Principal Activities**

The Fund has five key mandates as follows:

- (i) To provide access to capital and financial facilities to micro and small enterprises owned by the residents in the County.
- (ii) To support micro and small enterprises to develop linkages with large enterprises.
- (iii) To facilitate marketing of products and services of micro and small enterprises owned by residents in the county in both domestic and international markets.
- (iv) To facilitate investment in small and micro enterprises oriented in commercial infrastructure such as business or industrial parks, stalls, markets or business incubators that will be beneficial to the enterprises.
- (v) To provide business development services to micro and small enterprises, and generate gainful self-employment for the residents of Kilifi.

The mission of Kilifi County Microfinance (Wezesha) Fund is to Provide Affordable Microfinance for Employment Creation.

The vision is, *Maisha Bora Kwa Wakilifi*

**c) Key Management**

Ref	Name	Position
1	Peter Shoka Msuko	Fund Manager/ Administrator
2	Michael Mwango	Fund Accountant
3	Andrew Kai	Principal Procurement Officer

**d) Fiduciary Management**

Ref	Name	Position
1	Peter Shoka Msuko	Fund Manager/ Administrator
2	Michael Mwango	Fund Accountant
3	Andrew Kai	Principal Procurement Officer

***Kilifi County Microfinance(Wezesha) Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**Key Kilifi County Microfinance (Wezesha) Fund and Management (Continued)**

**a) Fiduciary Oversight Arrangements**

<b>SN</b>	<b>Position</b>	<b>Name</b>
1	Directorate Internal Audit	Kezia Wangui Mugambi
2	Finance and Administration Committee	1. Daniel Masha 2. Lynne Farrah (Chief Officer Trade) 3. Sidi Jefwa 4. Uhuru Raymond
3	Audit and Risk management Committee	1. Raymond Masha 2. Damaris Kadzo 3. Sidi Jefwa 4. Winny Luwali ( Chief Officer Finance)
4	County Assembly of Kilifi	

**b) Registered Office**

P.O. Box 519  
Department of Trade, Tourism and Cooperative Development Offices  
Kilifi Water Road  
Kilifi, KENYA

**c) Kilifi County Microfinance (Wezesha) Fund Contacts**

Telephone: (254) 790 465 544  
E-mail: [kilificountymicrofinancefund@gmail.com](mailto:kilificountymicrofinancefund@gmail.com)  
Website: <http://www.kilifi.go.ke>

**d) Fund Bankers**

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

***Kilifi County Microfinance(Wezesha) Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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- 1) Cooperative Bank of Kenya Limited  
Kilifi Branch  
P.O. Box 96-80108  
Kilifi, Kenya
  
- 2) Kenya Commercial Bank  
Kilifi Branch  
P.O.Box 48400-00100  
Nairobi-Kenya
  
- 3) Rafiki Microfinance Bank  
Mtwapa Branch  
P.O.Box 12755-00400  
Nairobi-Kenya

*Kilifi County Microfinance(Wezesha) Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**Key Kilifi County Microfinance (Wezesha) Fund and Management (Continued)**

**e) Independent Auditors**

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

**f) Principal Legal Adviser**




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

**g) County Attorney**





The County Attorney  
County Government of Kilifi  
P.O. Box 519 - 80108  
Kilifi, Kenya

**Kilifi County Microfinance(Wezesha) Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

**e) Board of Trustees/ Fund Administration Committee.**


Name	Details of qualifications and experience
 <p><b>Lynne Tracy Farrah</b> <b>Trade Representative</b> 1. DOB 10.11.1974</p>	<p><b>Experience:</b> Over 10 years working experience in the County Government. Currently the Chief Officer for Trade-County Government of Kilifi.</p> <p><b>Qualifications:</b> Master of Public Policy and Administration from Kenyatta University. BSc. Hons. Forensic Science and Criminology London South Bank University.</p> <p>Finance and Administration Committee.</p>
 <p><b>Winnie Wakati Luwali</b> <b>Finance Representative</b> 2. DOB:1990</p>	<p><b>Experience.</b> Over 10 years in senior management positions in County Government of Kilifi. Appointed as Chairperson of the Fund Management Committee on December 28, 2022, she is a seasoned professional with a background in public service.</p> <p><b>Qualifications.</b> Bachelor of Commerce degree from the University of Eastern Africa, Master's in Business Administration (Strategic Management).</p> <p>Credit, Audit and Risk Management.</p>
 <p><b>Malingi Dzombo Malingi</b> <b>Chairperson.</b> DOB 19.11.1974</p>	<p><b>Experience:</b> Over 15 years' experience in managing sacco's including Imarika Sacco, Kenpipe Sacco Ltd and Nassefu Sacco Ltd.</p> <p><b>Qualifications:</b> MBA Finance option at Kenya Methodist University.</p> <p>Certified Public Accountant CPAK. ICPAK Membership No. 6046.</p>

**Kilifi County Microfinance(Wezesha) Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

 <p>Sidi Jefwa Chai  <b>Woman Representative</b>          DOB 24.06.1984</p>	<p><b>Experience:</b> Over 8 years' experience in business management in private sector. Worked as legal assistant and currently practicing law.</p> <p><b>Qualification:</b> Post Graduate Diploma Human Resource Management from European Business University Luxembourg.          Degree (LLB) from Catholic University of Eastern Africa.</p> <p>Finance and Administration Committee, Audit and Risk Management.</p>
 <p>Daniel Masha  <b>Cooperative Movement Representative</b>          DOB: 21.04.1961</p>	<p><b>Experience:</b> Over 30 years in Savings and Credit Cooperatives management.</p> <p><b>Qualification: Bachelor in Cooperative Business.</b></p> <p>Credit Committee, Finance and Administration.</p>
 <p>Uhuru Karisa Raymond  <b>Youth Representative</b>          DOB 26.06.1995</p>	<p><b>Experience –</b> Over 5 years' experience in teaching both private and public school.</p> <p><b>Qualification:</b> Bachelor of Education Bio/Chem from Pwani University.</p> <p>Credit Committee, Finance and Administration</p>
 <p>Damaris Kadzo Kitsao          PWDs Representatiive          D.O.B 8.11.1977</p>	<p><b>Experience.</b> Over 3 years experiencing in teaching profession.</p> <p><b>Qualifications.</b> Bachelor of Education and Counselling.</p> <p>Audit and Risk and management, and Credit.</p>




**Kilifi County Microfinance(Wezesha) Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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 <p><b>Fund Manager.</b> Peter Shoka Msuko Fund Manager <b>DOB 05.10.1986</b></p>	<p><b>Experience:</b> Over 7 years' experience in both Private and Public Industry with special focus on Business Development and Finance.</p> <p><b>Qualifications:</b> Bachelor of Commerce Majoring in Accounting. Professional qualifications CPA II, Secretary to the Board and Committees.</p>
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**Kilifi County Microfinance(Wezesha) Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

**f) Management Team**

Name	Details of qualifications and experience
 <p>1. Peter Shoka Msuko Fund Manager DOB 05.10.1986</p>	<p><b>Experience:</b> Over 8 years' experience in both Private and Public Industry with special focus on Business Development and Finance.</p> <p><b>Qualifications:</b> Bachelor of Commerce Majoring in Accounting. CPA II,</p> <p><b>Area of Responsibility:</b> Oversee the day-to-day operations of the Fund;</p>
 <p>2. Michael Mwango Accountant DOB 1982</p>	<p><b>Experience:</b> Over 10 years' experience in Accountancy both private and public sectors.</p> <p><b>Qualifications:</b> Bachelor of Commerce CPA (K)</p> <p><b>Area of responsibility:</b> Fund Accounting operations.</p> <p>Membership: ICPA (K).</p>
 <p>3. Andrew Kai Fund Procurement officer DOB 1978</p>	<p><b>Experience:</b> Over 13 years' experience in procurement both private and public sectors.</p> <p><b>Qualifications:</b> Bachelor of Business Management (BBM) Supplies and Procurement option. Licensed Supply Chain Practitioner. Member KISM.</p> <p><b>Area of responsivity:</b> Fund Procurement Operations,</p>



**Kilifi County Microfinance(Wezesha) Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

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**Board/Fund Chairperson's Report**

I am delighted to present the Annual Report and Financial Statements for Kilifi County Microfinance (Wezesha) Fund for the year ended 30<sup>th</sup> June, 2024.

This Fund was established by an Act of County Assembly. The main purpose of the Fund is to provide access to capital and financial facilities to MSEs owned by residents in the County. The Fund Board provides oversight role to the Fund. It is consisting of seven non-executive members appointed by the Governor. The day to day management of the business and implementation of policy decisions is the responsibility of the Fund Secretariat.


The joint effort of the Board, the Secretariat and the ward committee teams led to achievement of the following milestones in the seventh year of the life of the Fund.

- i. **Appointment of Board Members**  
Kilifi County Microfinance (Wezesha) Fund amendment Act 2016 provides that the Fund board serves a term of three years eligible for reappointment for one further term.
- ii. **Partnership With Financial Institutions**  
Wezesha Fund was able to partner with Kenya Commercial Bank and Rafiki Microfinance Bank to assist in providing access to capital and financial facilities to micro and small enterprises (MSMEs) owned by the residents in the County and efficiency in loan recoveries.
- iii) Financing of LPO/LSOs through loan guarantee. This product has helped many your suppliers to get into business.

The Fund, like any other Kilifi County Microfinance (Wezesha) Fund, had some challenges during the year under review. They included the following:

- (i) Under staffing. Currently the Fund is understaffed. This is as a result of expiry of contracts of three credit officers from the Month of February 2022 and their positions are yet to be filled through the County Public Service Board. Political interference that lead to high loan default.
- (ii) Lack of fund vehicle to facilitate on loan recoveries and follow ups.

The Fund is getting into its seventh year of operation. The Fund operations are guided by the strategic plan that has expired. The Board is in the process of procuring a consultant to have the strategic plan in place for 2024-2027.

Name MAKINGI D2OMBO MAKINHI Signature   
Date 05/12/2024  
Chairperson of the Board/Fund.

**Kilifi County Microfinance(Wezesha) Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**g) Report of the Fund Administrator**

On behalf of the Fund secretariat, it gives me great pleasure to present our annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2024.

The Fund was in its sixth year of operation. During the financial year under review, the Fund did record growth in almost all parameters mainly it had partnered with financial institutions namely Rafiki Microfinance Bank and Kenya Commercial Bank. The main reason as to why the Fund partnered with financial Institution was assist the Fund in doing due diligence, loan disbursement and recoveries. Consequently, the change of the name of the Fund from Mbegu Fund to Wezesha Fund led to low loan repayment since people thought the former fund had ceased operations with the former regime. This called for high sensitisation costs informing people that Wezesha Fund and Mbegu was one and the same thing.

**Financial performance of the Fund.**

The Fund had a budget of Ksh. 328,566,000.00 in the Financial Year 2023/2024 out of which Ksh 150,000,000.00 was to be sourced from the County Government annual allocation, Ksh 15,000,000.00 from management fees and Ksh 50, 400, 00.00 from running loans. The Fund got Ksh 75,000,000.00 from County Government. 97% of the budget which is equivalent to Ksh. 321,599,187.00 was for lending. The 3% of 150,000, 000.00 plus 3% of the income/ management fees amounting to Ksh 6,966,813.00 was allocated for administration cost of the Fund. Any additional money administration expense was to come from management fees. The year under review, the Fund had to incur sensitisation costs due to the change of name and products awareness so that people could understand that Wezesha Fund and Mbegu Fund is just the same thing.

**Programs and their budget.**

	<b>Program</b>	<b>Budgeted Amount</b>	<b>Additions during the year</b>	<b>Actual Amount</b>	<b>Performance difference</b>
<b>1</b>	Credit	2,426,270	5,231,090	7,657,360	100%
<b>2</b>	Marketing	3,440,000	1,626,650	5,066,650	100%
<b>3</b>	General Administration	3,813,730	5,263,744	9,077,474	100%
<b>4</b>	Lending	321,599,187	-	138,353,871	43%
	<b>Total</b>	<b>331,279,187</b>	<b>12,221,394</b>	<b>21,807,770</b>	

The high difference in expenses from the comparative figure is attributed to the following factors.

- i) In the year 2022/2023 the fund did not do business and had very little activities that could have resulted to expenditure compared to the year 2023/2024. This is because the new government wanted to bring new changes to the Fund. And also the new board was constituted toward the end of the financial year.
- ii) Partnership with the financial institutions to help disbursed loans and recoveries came up with costs.

***Kilifi County Microfinance(Wezesha) Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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- iii) The fund had to invest more in marketing the new name Wezesha name with sensitisation that Mbegu Fund and Wezesha are basically one the same thing.

**Loan disbursement in the year under review.**

The Fund partnered with Kenya Commercial Bank and Rafiki Microfinance Bank to assist the Fund in loan disbursement and loan recoveries.

The table below shows the distribution of loans disbursed to various categories

<b>No.</b>	<b>Category</b>	<b>Number applied</b>	<b>Total Amount</b>
1	Groups	104	14,067,100
2	Sole proprietors	254	102,000,271
3	Companies	46	20,482,838
4	Cooperatives	3	1,900,000
	<b>TOTAL AMOUNT DISBURSED</b>		<b>138,358,871</b>

**Kilifi County Microfinance(Wezesha) Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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- **Loan Recovery/ Collection**

**Table 2: Cumulative outstanding Loan Balance and Repayments.**

Parameter	2020/2021	2021/2022	2022/2023	2023/2024
Outstanding Loan Balance (OLB)	204,302,590	244,975,774	238,389,919	359,228,448
Loan Repayments Received	38,074,403	38,150,307	19,067,819	17,520,346

**Table 3: Portfolio and risk and Amounted collected for the financial year 2022/2023**

Parameter	Performance
PAR(>1day)	55%
Amount Collected	17,520,346

- Total Income generated from Management fees on Group and Cooperatives/Sacco Loans Ksh 8,202,940.



Name: *PERCEA FASUND*

**Fund Administrator**

**Kilifi County Microfinance(Wezesha) Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

**h) Statement of Performance against the County Fund's Predetermined Objectives**

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

The key development objectives of the Fund as per the strategic plan for 2020-2023 are to:

- a) Loan Portfolio Management
- b) Business support Service
- c) Institution Capacity Building
- d) Effective Governance

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Loan Portfolio Management	To increase loan book 150,000,000	Loan book increase to 589,000,000	More groups, cooperative, sole proprietors and companies benefit from accessing loans	Loan book grew to 351,538,996.48 and 104 groups and 3 cooperative, 254 sole proprietors and 46 companies benefited benefited from loans.
Business Support services	Offer business support services to 6500 groups	Signed MOUs with Institution	6500 trained groups for loans uptake. More products certified by Kebs	No MOU was signed with any institution due to budgetary constraints.
Institution Capacity Building	Training of Board members 7	Implement staff performance management system	7 Trained Board members discharging their duties well.	Board members trained.
Effective Governance	Maximise opportunity exploitation through high decision making	Implement robust information management system	Use of Loan management and Accounting system	Installation of Loan management and accounting system.

**Kilifi County Microfinance(Wezesha) Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**i) Corporate Governance Statement**

The Board of Kilifi County Microfinance (Wezesha) Fund is committed to ensure that the Fund operates with integrity and ethics maintaining high standards of Corporate Governance in the interest of its stakeholders. The Board believes that the Fund has complied with the guidelines on Corporate Governance Practices as is required of Public officers.

The Board provides strategic leadership, policy direction and supervision of the Fund. It consists of 7 members.

**Board Meetings Attendance**

The Board is mandated to hold a minimum of four meetings and a maximum of nine meetings in a Financial Year. In the FY 2023/2024 the board held 7 full Board meetings and one special meeting. Below is a table showing the board meetings attendance details:

**Table 3: Board meeting attendance**

<b>Board Meeting Date</b>	<b>Board Members Presents</b>
11 <sup>th</sup> July 2023 (Special meeting)	4
29 <sup>th</sup> August 2023 (Board Meeting)	4
6 <sup>th</sup> September 2023 ( Board meeting)	4
28 <sup>th</sup> September 2023 (Board meeting)	4
19 <sup>th</sup> January 2024 (Board Meeting)	4
6 <sup>th</sup> March 2024 (Board Meeting)	4
15 <sup>th</sup> March 2024 (Board meeting)	4
14 <sup>th</sup> May 2024 (Board meeting)	4

Kilifi County Microfinance (Wezesha) Fund amendment Act 2016 provides that the Fund board serves a term of three years eligible for reappointment for one further term.

The current board members are serving their first term which commenced on 20<sup>th</sup> March, 2024. The board chairman is equally serving his first term effective from 14<sup>th</sup> May, 2024.

**Powers and Functions of the Board**

The powers and functions of the board include the following:

The board shall provide strategic leadership, policy direction and supervision of the Fund. In exercising its mandate, the board is vested with the following powers:

***Kilifi County Microfinance(Wezesha) Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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- (a) Enter into association with such other persons, bodies or organizations within or outside Kenya as the Board may consider appropriate
- (b) Advise the County Executive Member for Finance as provided under section 116(1), 9 and 145 of the Public Finance Management Act, 2012”
- (c) Approve loan applications forms
- (d) Oversee implementation of the fund activities

**Board Member’s Process of Appointment and Removal from Office**

- The four private board members are nominated by the Executive Committee Member for Trade and appointed by the Governor. These are youth representative, woman representative, representative of people living with disability and a representative of the Cooperative movement.
- The county chief officer responsible for Trade and the county chief officer responsible for Finance.
- The chairperson of the Board is recruited competitively by the County Public Service Board, vetted by the County Assembly and appointed by the Governor.
- A member of the Board may be removed from office on any one or more of the following grounds:
  - a) Lack of integrity
  - b) Gross misconduct
  - c) Violation of the Constitution or any other law
  - d) Physical or mental incapacity to perform the functions of the office
  - e) Missing three consecutive meetings without a reasonable cause
  - f) Incompetence during the period in office

**Quorum**

The Quorum for the conduct of business of the Board is four members including the Chairperson or the person presiding over the Meeting.

**Conflict of interest**

The Regulations guiding the Fund provides that:

- (a) A member who has an interest in any contract, or other matter present at a meeting shall at the meeting and as soon as reasonably practicable after the commencement, disclose the fact thereof and shall not take part in the consideration or discussion of, or vote on, any questions with respect to the contract or other matter, or be counted in the quorum of the meeting during consideration of the matter.

***Kilifi County Microfinance(Wezesha) Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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- (b) A disclosure of interest made under subparagraph (a) is to be recorded in the minutes of the meeting at which it is made.
- (c) A member of the Board who contravenes subparagraph (a) commits an offence and is liable to imprisonment for a term not exceeding six months, or to a fine not exceeding one hundred thousand shillings, or both.

**Board Remuneration**

The board received board sitting allowances in line with the provisions of the PFM Act, 2012 sec 195 (2) and according to the SRC circular. Total allowances paid to the board members was Ksh. 709,360.00

**Tasks to be accomplished**

The following are the tasks to be accomplished in the FY 2024/2025

- (i) Bench marking for the Board members.
- (ii) Training and sensitising Loan beneficiaries on Marketing.
- (iii) Building the capacity of groups and cooperatives on accessing of Funds and funds utilizations.

**Kilifi County Microfinance(Wezesha) Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

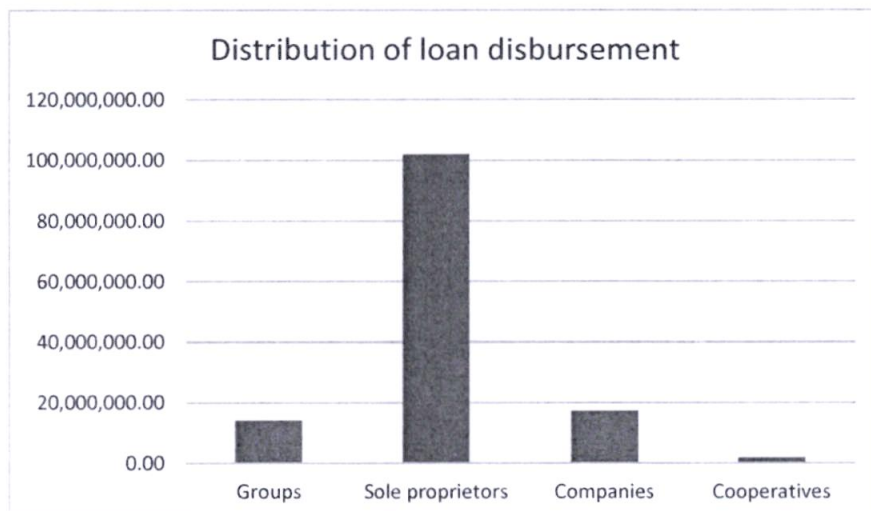
**j) Management Discussion and Analysis**

The Fund started its operations after the gazette of the Amendment Act on 1<sup>st</sup> August 2018. For the start, the Fund board resolved to start implementing mandate 1 (providing access to capital and financial facilities to micro and small enterprises owned by the residents in the County). On implementation of mandate 1, the Fund began with financing of Groups and Cooperative Societies. In this financial year under review, the Fund introduced LPO financing loan product and loans for small companies.

**8.1 Loan Disbursement**

The disbursement target for the FY 2023/2024 was Ksh 321,599,187 by June 30<sup>th</sup> 2024, a total of Ksh. 138,353,871.00 had been approved and disbursed. The approval was for 104 groups, 254 sole proprietors, 46 companies and 3 cooperatives.

No.	Category	Number applied	Total Amount
1	Groups	104	14,067,100
2	Sole proprietors	254	102,000,271
3	Companies	46	20,529,175
4	Cooperatives	3	1,900,000
	<b>TOTAL AMOUNT DISBURSED</b>		<b>138,353,871</b>



**Kilifi County Microfinance(Wezesha) Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**Loan guarantee.**

The fund partnered with Kenya Commercial Bank and Rafiki Microfinance Bank to finance LPO/LSOs from County Government of Kilifi and any other reputable organisation within the County. The fund deposited Ksh 15,000,000.00 to KCB with a greed ratio of 1:5. The LPO/LSOs were to access five times the money deposited that is Ksh 75,000,000.00. Ksh 40,000,000.00 was deposited to Rafiki Microfinance.

At the end of the financial year, Ksh 85,924,355.00 had been disbursed to 47 companies.

**Loan Repayments.**

Most of the loans issued to beneficiaries will be repaid in 24 months' equal instalments. The beneficiaries were given one to three months' grace period before starting repayment. As at 30<sup>th</sup> June 2024, a total of Ksh. 17,520,345.67 had been recovered on account of loan repayments. The outstanding loan balance amounted to Ksh. 359,228,447.70

**Table 4: Loan repayment performance**

Parameter	2020/2021	2021/2022	2022/2023	2023/2024
Outstanding Loan Balance (OLB)	204,302,590	244,975,774	238,389,919	359,228,448
Loan Repayments Received	38,074,403	38,150,307	19,067,819	17,520,346

**Major Risks Associated with the Fund**

The Kilifi County Microfinance (Wezesha) Fund's activities expose it to a variety of financial risks including credit risk. 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 is working on policies to ensure that credit is extended to customers who conform to Fund laid down procedures.

Given that risk taking is an inherent activity in our business, responsibility and accountability for risk management dwells at all levels within the organization, from the Advisory Board down through the organisation to each staff member.

**Credit risk**

The Kilifi County Microfinance (Wezesha) Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. 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 Board.

***Kilifi County Microfinance(Wezesha) Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**The Future outlook of the Fund**

The Fund is in a process to develop a three years' strategic plan which will guide the operations of the Fund up to the year 2027.

The Fund targets to increase its outreach by coming up with new loan products, reducing the average loan turnaround time among other strategies. to the economy. More resources shall be directed to loan recoveries to reduce the amount in loan arrears and defaulters.

The Fund will be seeking to enter into strategic partnerships which will contribute to the attaining of the Fund's objectives. The Fund will equally be seeking to source for other sources of income streams to supplement the allocation from the County Government

***Kilifi County Microfinance(Wezesha) Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**k) Report of The Trustees**

The Board submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Fund affairs.

**a) Principal activities**

The principal activities of the Fund are:

- (i) To provide access to capital and financial facilities to micro and small enterprises owned by the residents in the County.
- (ii) To support micro and small enterprises to develop linkages with large enterprises.
- (iii) To facilitate marketing of products and services of micro and small enterprises owned by residents in the county in both domestic and international markets.
- (iv) To facilitate investment in small and micro enterprises oriented in commercial infrastructure such as business or industrial parks, stalls, markets or business incubators that will be beneficial to the enterprises.
- (v) To provide business development services to micro and small enterprises, and generating gainful self-employment for the residents of Kilifi.

**b) Results**

The results of the Fund for the year ended 30<sup>th</sup> June 2024 are set out on page 1.

**c) Trustees**

The members of the Board who served during the year are shown on page v and vi There were changes in the Board. Mr. Malingi Dzombo Malingi joined the Board as the Chairperson.

**d) Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....  
**Chair of the Board/Fund Administration Committee**

**Date:**

5/12/24

***Kilifi County Microfinance(Wezesha) Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**l) 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 Kilifi County Microfinance (Wezesha) Fund amendment Act, 2016 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, the Kilifi County Microfinance (Mbegu) Fund amendment Act, 2016. 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, 2024, 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.

***Kilifi County Microfinance(Wezesha) Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**Approval of the financial statements**

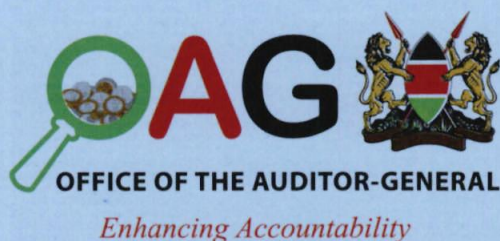
The Fund's financial statements were approved by the Board on 27/09 2024 and signed on its behalf by:

PETER MURU

**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 KILIFI COUNTY MICROFINANCE (WEZESHA) FUND FOR THE YEAR ENDED 30 JUNE, 2024

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### 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.
- 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.

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the 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

#### Adverse Opinion

I have audited the accompanying financial statements of Kilifi County Microfinance

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*Report of the Auditor-General on Kilifi County Microfinance (Wezesha) Fund for the year ended 30 June, 2024*

(Wezesha) Fund set out on pages 1 to 46 which comprise the statement of financial position as at 30 June, 2024, statement of financial performance, statement of changes in net assets, statement of cash flow and statement of budgeted versus actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Kilifi County Microfinance (Wezesha) Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standard (Accrual Basis) and comply with Public Finance Management Act, 2012 and Kilifi County Microfinance Act, 2016 and the Kilifi County Microfinance (Mbegu Fund) (Amendment) Act, 2023.

### **Basis for Adverse Opinion**

#### **1. Inaccurate General Office Administration Expenses Comparative Amount**

The statement of financial performance reflects general office administration expenses comparative amount of Kshs.5,230,707 while the audited previous year financial statements reflect an amount of Kshs.4,356,427 resulting to unexplained variance of Kshs.874,280.

In the circumstances, the accuracy of general office administration expenses comparative amount could not be confirmed.

#### **2. Unsupported Cash and Cash Equivalents Balance**

The statement of financial position and Note 7 to the financial statements reflects cash and cash equivalents balance of Kshs.168,483,475 held in nine (9) bank accounts and one (1) pay bill number. However, two (2) account balances of Kshs.49,998,200 held in a local microfinance institution were not supported by certificate of bank balances, cash books and bank reconciliation statements.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.168,483,475 could not be confirmed.

#### **3. Unsupported, Inaccurate and Doubtful Recovery of Receivables from Exchange Transactions**

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.247,410,116 as disclosed in Note 8 to the

financial statements. However, the balance is not supported by a loan movement schedule and an aging analysis. In addition, the balance is not apportioned into current portion of long-term receivables from exchange transactions receivable within one (1) year and long-term receivables from exchange transactions receivable in the subsequent two (2) years. Included in the balance is Kshs.9,744,082 which the beneficiary was in default for more than ninety (90) days prompting the local commercial bank to deduct the amount from the cash at bank held by the Fund.

In the circumstances, the accuracy, completeness and recoverability of the current portion of long-term receivables from exchange transactions balance of Kshs.247,410,116 could not be confirmed.

#### **4. Unsupported Trade and Other Payables from Exchange Transactions Balance**

The statement of financial position reflects trade and other payables from exchange transaction balance of Kshs.86,400. However, the schedule supporting the balance was not provided. In addition, the statement indicates that the balance is disclosed in Note 14 which is a Note on financial risk management not related to the balance.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.86,400 could not be confirmed.

#### **5. Inaccurate Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.3,688,023 as disclosed in Note 9 to the financial statements. However, the depreciation policy and rates used to arrive at the depreciation and amortization expense for the year of Kshs.499,469 have not been provided/disclosed in the financial statements.

In the circumstances, the accuracy and completeness of property plant and equipment balance of Kshs.3,688,023 could not be confirmed.

#### **6. Inaccurate Net Assets Balance**

The statement of financial position reflects net assets Nil balance while the recomputed balance is Kshs.494,518,335 resulting to unexplained variance of Kshs.494,518,335.

In the circumstances, the accuracy and completeness of net assets Kshs. Nil balance could not be confirmed.

#### **7. Inaccurate Statement of Cashflows**

The statement of cashflows reflects net cashflows from operating activities totalling Kshs.61,341,344 while the recalculated amount is Kshs.61,427,744 resulting to unexplained variance of Kshs.86,400. In addition, the statement reflects net cashflows

used in investing activities totalling Kshs.9,017,071 while the recalculated amount is Kshs.9,103,471 resulting to unexplained variance of Kshs.86,400. Further, the statement reflects proceeds from loan principal repayment comparative amount of Kshs. 19,280,319 while the audited previous year financial statements reflect a balance of Kshs.19,067,819 resulting to unexplained variance of Kshs.212,500. The proceeds from loan principal repayments totalling Kshs.3,698,916 and loan disbursement paid out of Kshs.12,533,112 which have not been supported with disclosure notes.

In the circumstances, the accuracy of the statement of cashflows could not be confirmed.

## **8. Inaccurate General Expenses Budget Amount**

The statement of comparison of budget and actual amounts reflects general expenses final budget of Kshs.17,804,034 while the recomputed amount is Kshs.17,750,154 resulting to unexplained variance of Kshs.53,880.

In the circumstances, the accuracy and completeness of the general expenses budget amount could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kilifi County Microfinance (Wezesha) 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 adverse opinion.

## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs.165,846,000 and Kshs.83,402,940 respectively resulting in under-funding of Kshs.82,443,060 or 50% of the budget. Similarly, the fund spent a total of Kshs.21,852,475 against actual receipts of Kshs.83,402,940 resulting in under-utilization of Kshs.61,550,465 or 73.80%.

The under-funding and under-utilization 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 matters described in

the Basis for Adverse Opinion. There were no key audit matters to report in the year under review.

### **Other Matter**

### **Prior Year Audit Matters**

Several issues were raised in the Auditor-General's report for 2022/2023 financial year. However, the issues were not resolved and Management did not take any action to address the recommendations on the prior year audit issues.

### **Other Information**

The Management is responsible for the other information set out on page iii to xxv which comprise of Key Entity Information and Management, The Board of Trustees, Management Team, Report of the Fund Administrator, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board, Statement of Management's Responsibilities, Statement of Performance Against County Fund's Predetermined Objectives. 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 and I am required to report that fact. Based on the audit procedures performed, because of the significance of the matters described in my Basis for Adverse Opinion, I confirm that the Other Information is materially inconsistent with the financial statements.

The report of the Fund Administrator reflects programs and their budget additions during the year totalling Kshs.12,221,394 while the recomputed total is Kshs.12,121,484 resulting in unexplained variance of Kshs.99,910. Further, the report reflects actual amount totalling Kshs.21,807,770 while the recomputed amount is totalling Kshs.160,154,355 resulting in unexplained variance of Kshs.138,346,585. In addition, the report reflects loan disbursement in the year under review totalling Kshs.138,358,871 while the recomputed amount is totalling Kshs.138,450,208 resulting in unexplained variance of Kshs.138,450,209 resulting in unexplained variance of Kshs.91,338.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Non- Repayment of Loans**

The statement of financial position and Note 8 to the financial statements reflects current portion of long-term receivables from exchange transactions balance of Kshs.247,410,116. As previously reported the loan arrears included an amount of Kshs.30,589,256 issued to three hundred and fifteen (315) groups who had not serviced the loans for over ninety (90) days and were therefore in default. In addition, an amount of Kshs.18,872,792 represented non-performing loans carried forward from prior years, contrary to Regulation 14(5)(a) of the Kilifi County Microfinance (Mbegu) Fund Regulations, 2018 that states that a loan shall be considered to be in default when a borrower is ninety (90) days late in repayment and all efforts to make him or her repay have completely failed.

In the circumstances, the recoverability of the loans could not be confirmed and Management was in breach of the law.

### **2. Non-Remittances of Taxes**

The statement of financial performance and Note 4 to the financial statements reflects general office administration expenses totalling Kshs.17,804,034. Included in the amount is Kshs.818,640 in respect of board allowances. Review of documents provided for audit revealed that taxes amounting to Kshs.86,400 were deducted from board allowances and were not remitted to the relevant authorities contrary to Section 35(5a) of the Income Tax Act 2012, Cap 470 which states that where a person deducts tax under this section he shall, on or before the twentieth day of the month following the month in which the deduction was made, remit the amount so deducted to the Commissioner together with a return in writing of the amount of the payment, the amount of tax deducted and such other information as the Commissioner may specify.

In the circumstances, Management was in breach 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 and based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion, I confirm 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 Management and Board of Trustees**

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 continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Trustees 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 for 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 IFPP 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**

**31 December, 2024**

*Kilifi County Microfinance(Wezesha) Fund*

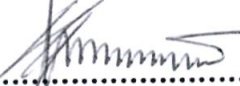
**Annual Report and Financial Statements for the year ended June 30, 2024**

**14. Statement of Financial Performance for the Year Ended June 30, 2024**

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	1	200,000	-
Transfers From the County Government	2	4,500,000	3,480,000
		<b>4,700,000</b>	<b>3,480,000</b>
<b>Revenue From Exchange Transactions</b>			
Other Income/Management Fees	3	8,202,940	505,600
<b>Total Revenue</b>		<b>12,902,940</b>	<b>3,985,600</b>
<b>Expenses</b>			
General office Administration Expenses	4	(17,804,034)	(5,230,707)
Depreciation and Amortization Expense	5	(499,469)	(885,185)
Finance Costs/Bank Administration cost	6	(4,048,441)	-
<b>Total Expenses</b>		<b>(22,351,944)</b>	<b>(5,241,613)</b>
<b>Other Gains/Losses</b>		-	
Gain/Loss on Disposal of Assets		-	-
Gain /Loss on fair value of investments		-	-
<b>Surplus/(Deficit) for the Period</b>		<b>(9,449,004)</b>	<b>(1,256,013)</b>

*(The notes set out on pages 8 to 45 form an integral part of these Financial Statements)*

  
.....  
Name: PETER MSUKO  
Administrator of the Fund

  
.....  
Name: MICHAEL MWANGO  
Fund Accountant  
ICPAK Member Number: 21902

*Kilifi County Microfinance(Wezesha) Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**15. Statement of Financial Position as at 30 June 2024**


Description	Note	2023/2024	2022/2023
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	7	168,483,475	116,159,202
Current Portion of Long- Term Receivables From Exchange Transactions	8	247,410,116	238,389,919
Accounts Receivable/	10	75,023,121	-
<b>Total current assets</b>		<b>490,916,712</b>	<b>354,549,121</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	9	3,688,023	3,918,217
Intangible Assets		-	-
Long Term Receivables from Exchange Transactions		-	-
Investment Property		-	-
<b>Total non- current assets</b>		<b>3,688,023</b>	<b>3,918,217</b>
<b>Total Assets</b>		<b>494,604,735</b>	<b>358,467,338</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	14 (b)	86,400	-
Current Portion of Borrowings		-	-
Employee Benefit Obligations		-	-
Social benefit liabilities		-	-
<b>Total current liabilities</b>		<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>			
Long Term Portion of Borrowings		-	-
Non-Current Employee Benefit Obligation		-	-
Social benefit liabilities		-	-
<b>Total Liabilities</b>		<b>86,400</b>	<b>-</b>
<b>Net Assets</b>			
Revolving Fund		489,256,853	343,756,853
Reserves		-	-
Accumulated Surplus		5,261,482	14,710,485
<b>Total Net Assets and Liabilities</b>		<b>494,604,735</b>	<b>358,467,338</b>

***Kilifi County Microfinance(Wezesha) Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Kilifi County Microfinance (Wezesha) Fund financial statements were approved on 27/09 2024 and signed by:

  
.....  
**Name: PETER MSUKO**  
**Administrator of the Fund**

  
.....  
**Name: MICHAEL MWANGO**  
**Fund Accountant**  
**ICPAK Member Number: 21902**

16. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2024

Description	Revolving Fund	Revaluation	Accumulated surplus	Total
		Reserve		
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2022</b>	231,236,853	-	15,965,298	247,202,151
Surplus/(Deficit) For the Period	-	-	(1,256,012)	(1,256,012)
Funds Received During the Year	112,520,000	-	-	112,520,000
Transfers	-	-	-	-
Trade Payables	-	-	1,200	1,200
<b>Balance As At 30 June 2023</b>	<b>343,756,853</b>		<b>14,710,486</b>	<b>358,467,339</b>
<b>Balance As At 1 July 2023</b>	<b>343,756,853</b>		<b>14,710,486</b>	<b>358,467,339</b>
Surplus/(Deficit) For the Period		-	<b>(9,449,004.00)</b>	<b>(9,449,004.00)</b>
Funds Received During the Year	145,500,000	-	-	145,500,000
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2024</b>	<b>489,256,853</b>	-	<b>5,261,482</b>	<b>494,518,335</b>

### 17. Statement of Cash Flows for The Year Ended 30 June 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1	200,000	-
Transfers from the county government	2	75,000,000	116,000,000
Interest received/Management Fees	3	3,945,378	-
Receipts from other operating activities		0	-
<b>Total receipts</b>		<b>79,145,378</b>	<b>116,000,000</b>
<b>Payments</b>			
Fund administration expenses	6	0	-
General expenses	4	(17,717,634)	5,240,367
Finance cost		0	-
Other payment		<b>0</b>	-
<b>Total payments</b>		<b>(17,717,634)</b>	<b>5,240,367</b>
<b>Net cash flows from operating activities</b>		<b>61,341,344</b>	<b>110,759,633</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets	9	(269,275)	(2,804,990)
Proceeds from sale of property, plant & equipment		0	-
Proceeds from loan principal repayments		3,698,916	19,280,319
Loan disbursements paid out		(12,533,112)	(11,763,864)
Loan Overpayment refunds		0	(212,500)
<b>Net cash flows used in investing activities</b>		<b>(9,017,071)</b>	<b>4,295,765</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts			-
Additional borrowings		0	-
Repayment of borrowings		0	-
<b>Net cash flows used in financing activities</b>		<b>0</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>52,324,273</b>	<b>115,055,397</b>
Cash and cash equivalents at 1 July 2023		<b>116,159,202</b>	1,103,805
<b>Cash and cash equivalents at 30 June 2024</b>		<b>168,483,475</b>	<b>116,159,202</b>

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**18. Statement of Comparison of Budget and Actual Amounts For The Period 2023/2024**

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
<b>Revenue</b>						
Public Contributions and Donations	-	200,000	200,000	200,000	-	100
Transfers From County Govt.	150,000,000		150,000,000	75,000,000	75,000,000	50
Interest Income	-	-	-	-	-	-
Other Income/Management Fees	15,646,000	-	15,646,000	8,202,940	7,443,060	52
<b>Total Income</b>	<b>165,646,000</b>	<b>200,000</b>	<b>165,846,000</b>	<b>83,402,940</b>	<b>82,443,060</b>	50
<b>Expenses</b>						-
Fund Administration Expenses	-	4,048,441	4,048,441	4,048,441	-	100
General Expenses	9,680,000	8,070,154	17,804,034	17,804,034	0	100
Finance Cost	-	0	-	-	0	-
<b>Total Expenditure</b>	<b>9,680,000</b>	<b>12,118,595</b>	<b>21,852,475</b>	<b>21,852,475</b>	<b>0</b>	100
<b>Surplus For the Period</b>	<b>155,966,000</b>	<b>(11,918,595)</b>	<b>143,993,525</b>	<b>61,550,465</b>	<b>82,443,060</b>	43
						-
<b>Capital expenditure</b>	<b>321,599.19</b>	<b>-</b>	<b>321,599,187</b>	<b>138,450,209</b>	<b>183,148,978</b>	<b>48</b>

**Budget notes**

1. There was significant underutilisation of Funds on Management Fees of 51.22% and Capital Expenditure of 47.74% due to non-remittance by the county government of the remaining balance of 75,000,0000.00 which was expected in the FY 2024/2025 (IPSAS 24.14)

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2. *The Difference between the original and the final budget is as a result of reallocation due to increase in the expenditure. (IPSAS 24.29)*
3. *There was no difference on comparable basis between statement of financial performance and statement of comparison of budget and actual amounts for the period.*

**19. Notes to the Financial Statements**

**Significant Accounting Policies**

**1. General Information**

Kilifi County Microfinance Wezesha Fund Kilifi County Microfinance (Wezesha) Fund is established by and derives its authority and accountability from Kilifi County Microfinance Wezesha Fund Amendment Act 216. The Kilifi County Microfinance (Wezesha) Fund is wholly owned by the Kilifi County Government and is domiciled in Kenya. The Kilifi County Microfinance (Wezesha) Fund's principal activity to lend to small and medium enterprises.

**2. Statement of compliance and basis of preparation**

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

**3. Adoption of new and revised standards**

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

Standard	Effective date and impact
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Kilifi County Microfinance (Wezesha) Fund's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for</li> </ul>

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Standard	Effective date and impact
	<p>financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Kilifi County Microfinance (Wezesha) Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the Kilifi County Microfinance (Wezesha) Fund if relevant)</i></p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Kilifi County Microfinance (Wezesha) Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Kilifi County Microfinance (Wezesha) Fund;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Kilifi County Microfinance (Wezesha) Fund's financial performance, financial position and cash flows.</li> </ul> <p><i>(State the impact of the standard to the Kilifi County Microfinance (Wezesha) Fund if relevant)</i></p>
<p>Amendments to Other IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the</li> </ul>

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Standard	Effective date and impact
resulting from IPSAS 41, Financial Instruments	<p>components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Kilifi County Microfinance (Wezesha) Fund if relevant)</i></p>
Other improvements to IPSAS	<p><i>Applicable 1<sup>st</sup> January 2023</i></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><i>State the impact of the standard to the Kilifi County Microfinance (Wezesha) Fund if relevant</i></p>

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition,</p>

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Standard	Effective date and impact:
	<p>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 Kilifi County Microfinance (Wezesha) Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Kilifi County Microfinance (Wezesha) Fund if relevant</i></p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>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.</p> <p><i>State the expected impact of the standard to the Kilifi County Microfinance (Wezesha) Fund if relevant</i></p>

**(iii)Early adoption of standards**

The Kilifi County Microfinance (Wezesha) Fund did not early – adopt any new or amended standards in the financial year or *the Kilifi County Microfinance (Wezesha) Fund adopted the following standards early (state the standards, reason for early adoption and impact on Kilifi County Microfinance (Wezesha) Fund’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 Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund'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 was approved by the County Assembly on 30<sup>th</sup> June 2023. 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 Kilifi County Microfinance (Wezesha) Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of 12,121,485.02 on the FY 2023/3024 budget following the governing body's approval.

The Kilifi County Microfinance (Wezesha) Fund'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.

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**Summary of Significant Accounting Policies (Continued)**

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx 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 Kilifi County Microfinance (Wezesha) Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Intangible Assets**

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

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

**e) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. 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)**

**f) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Kilifi County Microfinance (Wezesha) Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Kilifi County Microfinance (Wezesha) Fund's financial statements. A financial instrument is any contract that gives rise to a financial asset of one Kilifi County Microfinance (Wezesha) Fund and a financial liability or equity instrument of another Kilifi County Microfinance (Wezesha) Fund. At initial recognition, the Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund'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 Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

**Summary of Significant Accounting Policies (Continued)**

**Financial liabilities**

**Classification**

The Kilifi County Microfinance (Wezesha) Fund classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**g) Inventories**

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Kilifi County Microfinance (Wezesha) Fund.

**h) Provisions**

Provisions are recognized when the Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**i) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Kilifi County Microfinance (Wezesha) Fund 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

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cost (the social benefit payments) that the Kilifi County Microfinance (Wezesha) Fund will incur in fulfilling the present obligations represented by the liability.

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**Summary of Significant Accounting Policies (Continued)**

**j) Contingent liabilities**

The Kilifi County Microfinance (Wezesha) Fund recognize a contingent liability and discloses details of any contingencies in the notes to the financial statements.

**Contingent assets**

The Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**k) Nature and purpose of reserves**

The Kilifi County Microfinance (Wezesha) Fund creates and maintains reserves in terms of specific requirements.

**l) Changes in accounting policies and estimates**

The Kilifi County Microfinance (Wezesha) Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**m) Employee benefits – Retirement benefit plans**

The County Government of Kilifi provides retirement benefits for employees of the Fund.

**Summary of Significant Accounting Policies (Continued)**

**n) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**o) Borrowing costs**

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

**p) Related parties**

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

**q) Cash and cash equivalents**

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

**r) Comparative figures**

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

**Summary of Significant Accounting Policies (Continued)**

**5. Significant judgments and sources of estimation uncertainty**

The preparation of the Kilifi County Microfinance (Wezesha) Fund'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 Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund. 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 Kilifi County Microfinance (Wezesha) Fund
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**c) Provisions**

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

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.

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**6. Notes to the Financial Statements Continued**

**1. Public contributions and donations**

Description	2023/2024	2022/2023
	Kshs	Kshs
S.S Mehta	100,000	-
Lawrence Kesesi	100,000	-
<b>Total</b>	<b>200,000</b>	<b>-</b>

**2. Transfers from County Government**

Description	2023/2024	2022/2023
	Kshs	Kshs
Transfers From County Govt. –Operations	150,000,000	116,000,000
Payments By County On Behalf Of The Kilifi County Microfinance (Wezesha) Fund	-	-
Unconditional Development grants	-	-
<b>Total</b>	<b>150,000,000</b>	<b>116,000,000</b>

The fund had a budget of Ksh 150,000,000 but received only Ksh 75,000,000 being a half, out of which 97% was utilised for lending and 3% was transferred to the Administration account.

**3. Other income**

Description	2023/2024	2022/2023
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Management fees.	8,202,940	505,600
<b>Total Other Income</b>	<b>8,202,940</b>	<b>505,600</b>

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**4. General office Administration Expenses.**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Toners and stationaries	394,800	790,313
Loan Processing Costs	-	-
Professional Services Costs	-	-
Board allowances.	818,640	111,560
Travel Costs	2,794,540	1,853,350
Routine maintenance	-	21,050
Fuel And Oil Costs	126,700	12,800
Catering Costs	6,442,740	767,050
General office supplies	-	286,094
Printing And Stationery	361,535	13,920
Daily Subsistence Allowances	914,280	593,010
Advertisements Publicity and Public Campaign Costs	4,328,500	-
Telephone And Communication Expenses	662,800	151,200
Bank Charges	49,499	15,900
Training Fees	910,000	258,200
Marketing activities	-	327,910
Drinking water	-	28,350
<b>Total</b>	<b>17,804,034</b>	<b>5,230,707</b>

**5. Depreciation and Amortization Expense**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Property Plant and Equipment	499,469	885,186
Intangible Assets	-	-
<b>Total</b>	<b>499,469</b>	<b>885,186</b>

**6. Bank Administration cost**

Description	2023/2024	2022/2023
	Kshs	Kshs
Bank Administration Costs	4,048,441	-
<b>Total</b>	<b>4,048,441</b>	<b>-</b>

**Kilifi County Microfinance(Wezesha) Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**7. Cash and cash equivalents**

Description	2023/2024	2022/2023
	Kshs	Kshs
KCG Main Account COOP-01141691949200	549	111,017,529
KCG Administration Co-op A/c 01141691949201	3,430	63,031
KCG Loans Recoveries Co-op A/c 01141691949202	42,077	5,403
Bank-KCG Main Account KCB A/c 1316439526	103,379,745	0
Bank-KCG Loans Guarantee Account KCB	14,998,334	4,999,640
Bank-KCG Administration Account KCB	30,819	0
KCG Main Rafiki Microfinance A/c 2012500000030	10,000,000	0
KCG Loans Guarantee Rafiki Microfinance A/c 02012500000029	39,998,200	0
Bank-KCG Administration Account Rafiki Microfinance	23,121	0
Others ( <i>Specify</i> )		
Mpesa Paybill No 594111	7,200	73,600
Cash in Hand(Imprest)	-	-
Suspenses A/C	-	-
<b>Total Cash And Cash Equivalents</b>	<b>168,483,475</b>	<b>116,159,202</b>

**Kilifi County Microfinance(Wezesha) Fund****Annual Report and Financial Statements for the year ended June 30, 2024****Notes to the Financial Statements Continued**

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

Financial Institution	Account number	2023/2024	2022/2023
		Kshs	Kshs
<b>a) Current Account</b>			
Cooperative Bank	01141691949200	549	111,017,529
<b>Sub- Total</b>		<b>549</b>	<b>111,017,529</b>
<b>Current Account</b>			
<b>b) Cooperative Bank</b>	01141691949201	3,430	63,031
<b>Sub- Total</b>		<b>3,430</b>	<b>63,031</b>
<b>Current Account</b>			
Cooperative Bank	01141691949202	42,077	5,403
<b>c) Sub- Total</b>		<b>42,077</b>	<b>5,403</b>
<b>Current Account</b>			
Kenya Commercial Bank	1316439526	103,379,745	-
<b>Sub- Total</b>		<b>103,379,745</b>	<b>-</b>
<b>Current Account</b>			
Kenya Commercial Bank	1316439690	14,998,334	4,999,640
<b>Sub- Total</b>		<b>14,998,334</b>	<b>4,999,640</b>
<b>Current Account</b>			
Kenya Commercial Bank	1316439585	30,819	-
<b>Sub- Total</b>		<b>30,819</b>	<b>-</b>
<b>Current Account</b>			
Rafiki Microfinance Bank	0201250000299	10,000,000	-
<b>Sub- Total</b>		<b>10,000,000</b>	<b>-</b>
<b>Current Account</b>			
Rafiki Microfinance Bank	0201250000030	39,998,200	-
<b>Sub- Total</b>		<b>39,998,200</b>	<b>-</b>
<b>Current Account</b>			
Rafiki Microfinance Bank	0201004000300	23,121	-
<b>Sub- Total</b>		<b>23,121</b>	<b>-</b>

*Kilifi County Microfinance(Wezesha) Fund*

**Annual Report and Financial Statements for the year ended June 30, 2024**

<b>Others(Specify)</b>			
Mpesa Paybill No 594111		7,200	73,600
Cash In Hand		-	-
<b>Sub- Total</b>		<b>7,200</b>	<b>73,600</b>
<b>Grand Total</b>		<b>168,483,475</b>	<b>116,159,202</b>

**8. Receivables from exchange transactions**

<b>Description</b>	<b>2023/2024</b>	<b>2022/2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Current Receivables</b>		
Interest Receivable	-	-
Current Loan Repayments Due	247,410,116	238,389,919
Other Exchange Debtors	-	-
Less: Impairment Allowance		
<b>Total Current Receivables</b>	<b>247,410,116</b>	<b>238,389,919</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	-	-
<b>Total Non- Current Receivables</b>	<b>-</b>	<b>-</b>
<b>Total Receivables From Exchange Transactions</b>	<b>247,410,116</b>	<b>238,389,919</b>

**Kilifi County Microfinance(Wezesha) Fund**

**Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes To The Financial Statements (Continued)**

**9. Property, plant and equipment**

	Land and Buildings Kshs	Motor Vehicles Kshs	Furniture and fittings Kshs	Computer and Office equipment Kshs	Total Kshs
<b>At July 1, 2022</b>	-	327,100	477,485	1,520,927	2,325,512
Additions	-	-	-	2,485,990	2,485,990
Disposals	-	-	-	-	-
Transfers/Adjustments	-	(8,100)	-	-	(8,100)
<b>At June 30, 2023</b>	-	319,000	477,485	4,006,917	4,803,402
<b>At July 1, 2023</b>					
Additions	-	-	-	269,275	269,275
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
<b>At June 30, 2024</b>	-	319,000	477,485	4,276,192	5,072,677
<b>Depreciation And Impairment</b>					
At July 1, 2022					
Depreciation	-	(63,800)	(71,623)	(749,763)	(885,186)
Impairment	-	-	-	-	-
<b>At June 30, 2023</b>	-	255,200	405,862	3,526,429	4,187,491
<b>At July 1, 2024</b>	-				
Depreciation	-	(51,040)	(60,879)	(387,550)	(499,469)
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
<b>At June 30, 2024</b>	-	204,160	344,983	3,138,879	3,688,022
<b>Net Book Values</b>	-				
<b>At June 30, 2024</b>	-	204,160	344,983	3,138,879	3,688,022
<b>At July 1, 2024</b>	-	204,160	344,983	3,138,879	3,688,022

**Kilifi County Microfinance(Wezesha) Fund**

**Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes To The Financial Statements (Continued)**

**10. Receivables/Debtors**

Description	2023/2024	2022/2023
	Kshs	Kshs
Money due from the County Government	75,000,000	-
Management fees due from Rafiki Bank	23,121	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
<b>Total</b>	<b><u>75,023,121</u></b>	-

**11. Cash generated from operations**

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	-	-
<b>Adjusted For:</b>	-	-
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
<b>Working Capital Adjustments</b>	-	-
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
<b>Net Cash Flow From Operating Activities</b>	-	-

*(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)**

**12. 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	2023/2024	2022/2023
	Kshs	Kshs
Transfers From County Government	75,000,000	116,000,000
Transfers To Related Parties	0	0

**c) Key management remuneration**

Description	2023/2024	2022/2023
	Kshs	Kshs
Board Of Trustees	868,240	0
Key Management Compensation	-	0
<b>Total</b>	868,240	0

**d) Due from related parties**

Description	2023/2024	2022/2023
	Kshs	Kshs
Due From Parent Ministry	0	0
Due From County Government	75,000,000	0
<b>Total</b>	75,000,000	0

**Other Disclosures Continued**

**e) Due to related parties**

Description	2023/2024	2022/2023
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
<b>Total</b>	-	-

**13. Contingent assets and contingent liabilities**

Contingent Liabilities	2023/2024	2022/2023
	Kshs	Kshs
Bank Guarantees KCB	15,000,000	-
Bank Guarantees RAFIKI MICROFINANCE BANK	40,000,000	-
<b>Total</b>	55,000,000	-

**14. 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 Kilifi County Microfinance (Wezesha) Fund'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 Kilifi County Microfinance (Wezesha) Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

**Notes To The Financial Statements (Continued)**

Description	Total amount Kshs	Fully performing Kshs	Past due Ksh s	Impaired Kshs
<b>At 30 June 2023</b>				
Receivables From Exchange Transactions	238,389,919	238,389,919	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	116,159,202	116,159,202	-	-
<b>Total</b>	116,159,202	116,159,202	-	-
<b>At 30 June 2024</b>			-	-
Receivables From Exchange Transactions	247,410,116	247,410,116	-	-
Receivables From Non-Exchange Transactions	75,023,121	75,023,121	-	-
Bank Balances	168,483,475	168,483,475	-	-
<b>Total</b>	490,916,712	490,916,712	-	-

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 Kilifi County Microfinance (Wezesha) Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Kilifi County Microfinance (Wezesha) Fund has significant concentration of credit risk on amounts due from debtors

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 Kilifi County Microfinance (Wezesha) Fund's short, medium and long-term funding and liquidity management requirements. The Kilifi County Microfinance (Wezesha) Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

**Notes To The Financial Statements (Continued)**

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
<b>At 30 June 2024</b>				
Trade Payables	86,400	-	-	86,400
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	<b>86,400</b>	<b>-</b>	<b>-</b>	<b>86,400</b>
<b>At 30 June 2023</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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 Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund'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 Kilifi County Microfinance (Wezesha) Fund's exposure to market risks or the manner in which it manages and measures the risk.

**i. Foreign currency risk**

The Kilifi County Microfinance (Wezesha) Fund 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 Kilifi County Microfinance (Wezesha) Fund'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
<b>At 30 June 2024</b>			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables	-	-	-
<b>Liabilities</b>			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	-	-	-

**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
<b>(Current FY)</b>			
Euro	-	-	-
USD	-	-	-
<b>(Comparative FY)</b>			
Euro	-	-	-
USD	-	-	-

**ii. Interest rate risk**

Interest rate risk is the risk that the Kilifi County Microfinance (Wezesha) Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Kilifi County Microfinance (Wezesha) Fund'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.

**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 Kilifi County Microfinance (Wezesha) Fund capital structure comprises of the following funds:

Description	2023/2024	2022/2023
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	489,256,853	343,756,853
Accumulated surplus	5,261,482	15,059,556
<b>Total funds</b>	<b>494,518,335</b>	<b>358,816,409</b>
Total borrowings	-	-
Less: cash and bank balances	168,483,475	116,159,202
Net debt/(excess cash and cash equivalents)	(168,483,475)	(116,159,202)
<b>Gearing</b>	<b>12.9</b>	<b>32.4%</b>

**1. Events after the reporting period**

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

**2. Ultimate and Holding Kilifi County Microfinance (Wezesha) Fund**

The Kilifi County Microfinance (Wezesha) Fund is a County Public Fund established by Kilifi County Microfinance Fund Act 2016 and Amendment 2024 under the Department of Trade, Tourism Promotion and Cooperative Development. Its ultimate parent is the County Government of Kilifi.

**3. Currency**

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

**20. Annexes**

**Annex I: Progress on Follow Up of Prior Year Auditor’s Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Inaccuracies in the Presentation and Disclosures of Annual Report and Financial Statements	i. The annual report and financial statements do not have page numbers after page 21 to the last page on progress on follow-up of previous year auditor’s recommendation which should be number 41.	We have noted the error of omission in paging of the progress on the follow up of the previous year auditor’s recommendations after page 21 of the annual report and the financial statements and made the necessary changes	Not resolved	December 2024
	The order of the report is not compliant to the	We have noted the order of the report and made correction in	Not resolved	December 2024

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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)
	template. After management team, there should be a Report of the Fund Administrator	compliant to the template as advised after the management team is the report of the fund administrator.		
	ii. The statement of comparison of budget and actual amounts reflects other income totalling to Kshs.4,416,230 while the corresponding other income amount as reflected in the statement of financial performance is Kshs.505	We have corrected the figures in the statement of comparison of budget and actual amount of other income as Kshs 743,000 with the corresponding figure as reflected in the statement of financial performance after extracting from the cash book, bank statements of the main account and approved list for the period under review it should also be noted that kshs 24,600 shown in the annual statement submitted early was approved in the year ended June 2023 and paid in September 2023 and erroneously included in the year under audit review as management fees has been corrected also noted is the Kshs 267,000 being	Not resolved	December 2024

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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)
	,600.	management fees in December 2023 but was realized in January, April, May and June 2023 Refer to amended Note 2 of the Notes to financial Statements		
	The statement of comparison of the budget and actual amounts reflects actual loans approved totalling to Kshs.11,500,000 while the corresponding loans disbursements as reflected in the statement of cash flows and Note 12 to the financial statements is kshs.11,763,864 resulting to unexplained variance of Kshs.263,864	We have noted and corrected the statement of comparison of the budget and actual amounts reflecting loan approved and that disbursed in the statement of cash flows and notes 12 to the financial statements as 12,007,000 which is net after deducting management fees of Kshs 743,000 attached is a detailed schedule of Loan Paid out, Bank Statement, cash book and approved list still referred to as annex 1	Not resolved	December 2024
	The statement of cashflow reflects fund administration expenses totalling to	Fund administration expenses in the statements of cash flows and that of note 9 to the financial statements has been	Not resolved	December 2024

*Kilifi County Microfinance(Wezesha) Fund  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2024*

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
	Kshs.5,240,367 . However, a recalculation of Note 9 to the financial statements results to Kshs.5,230,707 resulting to unexplained variance of Kshs.9,660	corrected to 5,230,707 which is the total expenditure for the year after deducting assets see note no 9 and 10 and expenditure analysis for the whole year under review which shows a total expenditure for operation or use of goods and assets as Kshs 8,035,697.30 is attached and was made available in soft copy during audit process		
		The property plant and equipment balances are disclosed in Note 6 to the financial statements has been corrected as advise and instead of 30 June (Previous FY) and 30 June (Current FY) is 30 June 2022 and 30 June 2023. In addition, during the year only movement of office equipment was recorded since the other movement of motor bike under motor vehicles had been recognized in the		

Kilifi County Microfinance(Wezesha) Fund  
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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)
		year ended June 2023 when the assets was registered but payment made in the year under audit review		
	The property plant and equipment balances are disclosed in Note 6 to the financial statements as Net book values stated as at 30 June (Previous FY) and 30 June (Current FY) instead of as at 30 June 2022 and 30 June 2023. In addition, same balances of the net book values for both financial years were disclosed indicating no movement during the year under review.	During the procurement process motor vehicle was valued at 327,000 which included 8,100 on account of insurance cost the motor bike was registered in the name of the fund during the period ended 30th June 2023 which appear as opening balance for the year under review payment was made during the excluding the figure of 8,100 which was later removed or deducted from the cost of the motor bike since this amount was not spent Note 6 to the financial statements on property plants and equipment included insurance cost which was in the cost of purchases of motor bike has been removed the figure		

Kilifi County Microfinance(Wezesha) Fund  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2024

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)
		since it was not spent and the same is not included as an expense		
	The statement of financial position and Note 5 of the financial statements reflect loans receivable balance of Kshs.238,389,919, which includes loans disbursed during the year under review of Kshs.12,269,464 while the cash book main account for loan disbursements reflects loans disbursements totalling to Kshs.13,286,400 resulting to unexplained variance of Kshs.1,016,936. In addition, the balance includes loans recovered during the year	The cash book main account for loan disbursed has been adjusted to reflect loan receivable balances of Kshs 238,389,919 which included loans disbursed during the year under review of Kshs 12,750,000 which include loan disbursed of Kshs 12,007,000 and Management Fees of Kshs 743,000 and same as that of the statement of financial position and note 5 of the financial statements. Also the balances include loans recovered during the year under review as Kshs19,067,819 from loan recovery account number 01141691949202 kshs 6,672,437.62, Mpesa paybill account 12,284,382.00, Main account number 01141691949200 Kshs 84,000 and		

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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>under review totalling to Kshs.19,067,819 while the cash book main account for loan recovery reflects loans recoveries totalling to Kshs.18,935,703 resulting to unexplained variance of Kshs.132,116.</p>	<p>Administration account kshs 01141691949201 Kshs 27,000 on monthly basis the summary is explained under note 11 of the financial statements.</p>		
	<p>The bank reconciliation statement for account Number 01141691949200 reflects balance as per bank statement of Kshs.110,819,600 while the bank statements reflect a closing balance of kshs.111,017,530 resulting to unreconciled variance of Kshs.197,930</p>	<p>Bank reconciliation Statement for the main account number 01141691949200 the cash book and bank statement has been adjusted to 111,017,530 after deducting Bank charges refer to also note 4 of the financial statements under cash and cash equivalents and the extract of bank statement cash book and reconciliation is attached as Annex 2</p>	<p>Not resolved</p>	<p>December 2024</p>

Kilifi County Microfinance(Wezesha) Fund  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2024

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)
	In the circumstances, the accuracy and completeness of the presentation and disclosure of the annual report and financial statements could not be confirmed.			
1. Budgetary Control and Performance	The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.128,230,630 and Kshs.120,416,230 respectively, resulting in an under-funding of Kshs.7,814,400 or 6% of the budget. Similarly, the Fund expended Kshs.18,342,417 against an approved budget of Kshs.128,230,630, resulting to an under-expenditure of	The fund received it budget allocation for the year of Kshs 116,000,000 in two tranches ie January 2023 and June 2023 from the County government of kilifi. Department of Trade tourism and Cooperative Development resulting in The statement of comparison of budget and actual amounts reflect under funding of Kshs of 7,814,400 or 6% of the budget was as a result of under collection of management fees due to late disbursment and also under expenditure of kshs 109.888.213 or 86% was caused by 1) The term of the fund board	Not resolved	December 2024

Kilifi County Microfinance(Wezeshu) Fund  
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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>Kshs.109,888,213 or 86% of the budget.</p> <p>In the circumstances, the underfunding and under expenditure may have negatively affected the planned activities on service delivery to the intended beneficiaries</p>	<p>expired during the period under review and the position remained vacant due to the process of incorporating new board and gazzement, less loan approvals since the term of the board which is mandated had expired.</p> <p>2) A decision was made to partner with financial institution to assist in loan management the discussion between the fund and the potential partners was lengthy hence to time consuming</p> <p>The same comments were also made under the statement of comparison of budget and actual amount for the period</p>		
<b>Non-Repayment of Loans</b>	The statement of financial position and Note 5 to the financial statements	The management took of issues of loan in arrears and that which had not been serviced for over 90 days and were in default and we are in consultation with	Not resolved	December 2024

*Kilifi County Microfinance(Wezesha) Fund  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2024*

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
	<p>reflect loans receivable balance of Kshs.238,389,919, out of which Kshs.143,775,957 was in respect loan in arrears. As previously reported the loans arrears included an amount of Kshs.30,589,256 issued to three hundred and fifteen (315) groups who had not serviced the loans for over ninety (90) days and were therefore in default. In addition, an amount of Kshs.18,872,792.34 represented non-performing loans carried forward from prior years with Nil repayments, contrary to Regulation</p>	<p>the legal section to pursue defaulters</p>		

*Kilifi County Microfinance (Wezesha) Fund  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2024*

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
	14(5)(a) of the Kilifi County Micro Finance (Mbegu Fund) Regulations, 2019 that states that a loan shall be considered to be in default when a borrower is ninety (90) days late in repayment and all efforts to make him or her repay have completely failed'			

**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 Manager/Accounting Officer (Fund Administrator/ Secretary to the Board.)

Date.....

**Kilifi County Microfinance (Wezesha) Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Annex II: Inter-Fund Confirmation Letter**



*[Kilifi County Microfinance Fund]*  
*[P.O OX 519-80108 Kilifi]*

The *[Kilifi County Microfinance Fund]* wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2024 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Wezesha Fund] as at 30 <sup>th</sup> June 2024							
Reference Number	Date Disbursed	Amounts Disbursed by [Kilifi County Microfinance Fund] (Kshs) as at 30 <sup>th</sup> June 2024			Total (D)=(A+B+C)	Amount Received by [Kilifi County Microfinance Fund] (KShs) as at 30 <sup>th</sup> June 2024 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)			
		0	75,000,000.00	0	75,000,000.00	75,000,000.00	0
<b>Total</b>			<u>75,000,000.00</u>		<u>75,000,000.00</u>	75,000,000.00	

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

**Head of Accountants department of beneficiary Fund:**

Name Michael N. Mwangi Sign [Signature] Date 05/12/2024