

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT


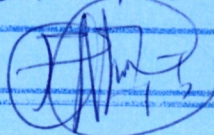
OF

THE AUDITOR-GENERAL

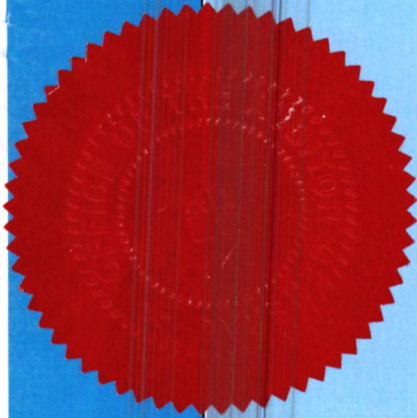
ON

THE FINANCIAL STATEMENTS OF
UWEZO FUND

FOR THE YEAR ENDED
30 JUNE 2018

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 20 JUL 2019	DAY: TUESDAY
TABLED BY:	MAJORITY LEADER
CLERK-AT-THE-TABLE:	

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UWEZO FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

AMENDED

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

FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2018



Uwezo Fund
Reports and Financial Statements
For the year ended June 30, 2018

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I. KEY UWEZO INFORMATION

a. Background information

Uwezo Fund was established by Legal Notice No. 21 of the Public Finance Management (Uwezo Fund) Regulations, 2014 on 21st February, 2014. At cabinet level, the Uwezo Fund is represented by the Cabinet Secretary for the Ministry of Public Service, Youth and Gender Affairs, who is responsible for the general policy and strategic direction of the Uwezo Fund. The Fund is domiciled in Kenya and has no branches.

b. Principal Activities

The principal activity of the Fund is to expand access to finances in promotion of youth and women businesses and enterprises at the constituency level for economic growth towards the realization of the goals of Vision 2030 which was later expanded to include persons living with disability. The kitty provides mentorship opportunities to enable beneficiaries take advantage of 30% government procurement preference through its Capacity Building Programme. Uwezo Fund is therefore an avenue for incubating enterprises, catalyzing innovation, promoting industry, creating employment, and growing the economy. The vision of the fund is to be a leading Institution in economic empowerment of the youth, women and persons living with disabilities for their improved quality of life. The mission is to spur the nation's economic growth and development through mobilisation of resources by providing affordable and accessible credit to youth, women and persons with disabilities.

c. Key Management

Uwezo Fund day to day management is under the following key offices: -

- Head of Secretariat
- Constituency Uwezo Fund Management Committees
- Finance and Accounts
- Human Resource
- Programmes and Co-ordination
- Internal Audit
- Supply Chain Management

d. Fiduciary Management

The Key policy direction and administrative personnel who held office during the Financial Year ended 30th June, 2018 and who had fiduciary responsibility were:

- | | |
|--------------------------|-----------------------------|
| • Cabinet Secretary | - Prof. Margaret Kobia, MGH |
| • Principal Secretary | - Hon. Safina Kwekwe Tsungu |
| • Ag Head of Secretariat | - Kirubi Mwangi |

e. Fiduciary Oversight Responsibility/Arrangement

- i. The Fund Oversight Board
- ii. Programmes and Publicity Committee
- iii. Finance and Administration Committee
- iv. Audit and Risk Management Committee

f. Uwezo Fund Headquarters

Lonrho House 16th Floor
Standard Street
P.O. Box 42009 - 00100
Nairobi, KENYA

g. Contacts

Telephone: (254) 776 154 204
E-mail: info@uwezo.go.ke
Website: www.uwezo.go.ke

h. Bankers

- 1 Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
- 2 Kenya Commercial Bank
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
- 3 Co - operative Bank of Kenya
Kimathi Street
P.O. Box 7512 - 00200
Nairobi, Kenya
- 4 National Bank of Kenya Ltd
Harambee Avenue
P.O. Box 72866
City Square 00200
Nairobi, Kenya

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- 5 Family Bank Ltd.
P. O. Box 74145 - 00200
Nairobi, Kenya
- 6 Equity Bank Ltd.
P.O. Box 75104 - 00200
Nairobi, Kenya
- 7 Consolidated Bank Ltd.
P.O. Box 51133 - 00200
Nairobi, Kenya
- 8 African Banking Cooperation
P.O. Box 46452 - 00100
Nairobi, Kenya
- 9 Chase Bank Ltd
P.O. Box 66049 - 00800
Nairobi, Kenya
- 10 First Community Bank Ltd
P.O. Box 26219 - 00100
Nairobi, Kenya

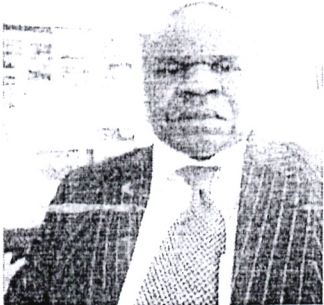


i. Independent Auditors

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




j. Principal Legal Advisers

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






II. THE BOARD OF DIRECTORS

Name	Passport Size Photo	Professional/ Academic Qualifications	Experience
Kasembeli W. Nasiuma		Date of Birth: 1963 MBA - Moi University 2008	25-year experience in Public Financial Management, Currently serving as a Deputy Director of Budget at the National Treasury
Yvonne Musuviwa Musila Munuve		Date of Birth 2 nd June, 1965 MBA in Marketing and Financial Management- University of Dar es Salaam, Tanzania BA Education, Economics and Business studies- Kenyatta University	23 years' experience of Marketing in Private sector, marketing expert for Strategy Development, Business Innovations and Portfolio Management, Creativity and results
Joyce Wanjiru Munyua		Date of Birth: 1970 MSc Commerce Finance and Investment - KCA University, Bachelor of Commerce - Finance - KCA University, and Certified Public Accountant(K) - Strathmore University, Member of ICPAK	21 years of experience as Accountant both in Public and Private sectors. Experience in Management and Financial Accounting, Strategic leadership, Inventory and Asset Accounting


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<p>Dr. Stanley Michael Michuki</p>		<p>Date of Birth: 1948. Doctorate in Divinity, Bachelor of Arts in Theology</p>	<p>Currently the President of Kenya National Congress of Pentecostal Churches</p>
<p>Margaret Nyabiage Ratemo, OGW</p>		<p>Date of Birth: 1968, Master Degree in Labour Management – University of Nairobi (UON) Talent Management - Stanford University Member of Institute of Human Resource Management (IHRM), Member of Institute of Directors, Kenya, Certificate in Public Private Partnership (PPP) - IP3W. DC Expert in Corporate Governance in Public Sector and Certificate in SLDP</p>	<p>25 years' experience in Public service Management, served in the Boards of KRA, CMA, RBA, CCK, IRA Council member in Kenyatta and Moi Universities among others. Currently servin as the Director of Huma Resource Management and Development</p>
<p>Joseph Mwangi Kirubi, MBS</p>		<p>Bachelor of Arts, (1985) - University of Nairobi</p>	<p>Served as a Director of Administration at the State Department of gender, Experience in Public service administration,</p>

III. MANAGEMENT TEAM

Name	Passport Size Photo	Professional/Academic Qualifications	Area of Responsibility
1 Joseph Mwangi Kirubi, MBS		Bachelor of Arts (1985) - University of Nairobi	Head of Secretariat
2 God Eryang		B. Arts The University of Nairobi 1992, Higher Dip HRM, TOT, Member IHRM, Trained in Corporate Governance	Human Resource
3 Naomy J. Kemboi		MBA Finance & Banking, Moi University CPA(K) Strathmore University Member of ICPAK & AWAK	Finance & Accounts
4 Justus I. Nyaga		B. Com Daystar University Diploma in Purchasing and Supplies. Member KISM	Supply Chain Management
5 Peter Lengapiani		MBA, B.Com, CPA (K)	Programmes

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6	Samuel N. Muhami		MBA(Finance) B. Com(Finance) CPA (K). Member of ICPAK Member of IAA	Audit and Risk Management
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IV. CHAIRMAN'S STATEMENT

I am delighted to present the annual report of Uwezo Fund Oversight Board for the year ended 30th June, 2018. Uwezo Fund Oversight Board has made tremendous progress towards realizing of its mandate.

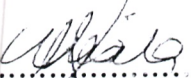
As we are all aware, women and youth form majority of the population in Kenya. However, the majority of them remain vulnerable since they lack capital for investments and collaterals for accessing credits. Uwezo Fund has provided timely and appropriate solution to this perennial challenge by providing access to interest free loans, as well as mentorship opportunities to enable them take advantage of 30% government procurement opportunities, reserved for the youths, women and People living with disabilities (PWDs).

Uwezo Fund Oversight Board is proud to be associated with the immense achievements made towards expanding access to finances in the promotion of youth, women and persons living with disabilities businesses and enterprises at the constituency level for economic growth towards the realization of sustainable development goals and vision 2030.

The Ministry of Public Service, Youth and Gender Affairs has continually offered technical, policy guidance and support that have seen the successful implementation of the Fund's mandate. This support cannot go unnoticed, as it has extensively ensured that Uwezo Fund Oversight Board has stood on its feet and implemented its programme effectively.

I wish to thank H.E the President of the Republic of Kenya, Hon. Uhuru Kenyatta, CGH, and The Deputy President, H.E. William Rutto for initiating Uwezo Fund which has become an implausible reality to the youth, women and persons with disabilities' involvement in gainful economic activities

Finally, I wish to thank my fellow Board members for giving me support in providing guidance and leadership to the Board. The management and staff who are deployed to the Board have worked tirelessly and I greatly commend them on behalf of the Board.


.....
Chairperson

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VI. REPORT OF THE FUND ADMINISTRATOR

It is a great honour to present the annual report for Uwezo Fund Oversight Board. This report highlights the milestones achieved by the Board during the Financial Year 2017/2018.

Uwezo Fund Oversight Board has so far disbursed Kshs. 5,854,000,004 to all the 290 constituencies' country wide. It has benefited 64,392 groups comprising 40,315 women groups, 22,369 youth groups and 1,708 PWD groups. Various Constituencies have started revolving funds allocated through recovering the loans from the fund beneficiaries and financing new groups.

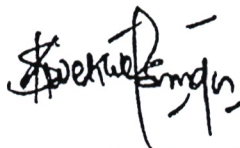
The capacity building programme of the Fund has seen all the funded groups trained, mentored and linked to various Business Development Services available in their constituencies. Further, through the table banking model, the Fund has enhanced the saving culture among the beneficiary groups. Table banking, by its very design ensures that persons with disabilities, women and youth groups are able to employ the availed resources for credit, while promoting and sustaining a saving culture amongst them. Uwezo Fund acts as a boost to the groups' contributions. These efforts, coupled with a robust capacity building and mentorship framework will propel the expected impacts into perpetuity and spur culture of saving.

The overwhelming number of applications for Uwezo Fund across the country is proof that increased Funding through the Fund will go a long way in ensuring comprehensive transformation of enterprises owned by youth, women and PWDs in the country. To date the Board has received over 65,000 applications for the Fund.

Despite the significant strides attained thus far, the Fund has encountered challenges. The main challenges being the overwhelming number of applications received at Constituency level vis-a-vis the Funds allocated to Constituencies. I believe that increased Funding would sufficiently address these challenges.

The impressive performance of the 2017/2018 would have not have been made possible without the continued commitment and dedication of the secretariat team who are deployed to the Board. I therefore wish to thank them for their loyalty and hard work.

Finally, I wish to thank the Board Directors for their valued counsel, timely guidance and decision making that enabled us to deliver the impressive results.



Hon. Safina Kwekwe Tsungu
(Principal Secretary)

VI. CORPORATE GOVERNANCE STATEMENT

Uwezo Fund recognize Corporate Governance to be central towards meeting its objectives. In order to achieve long-term success of the Fund, the Board has ensured consistent maintenance and practice application of good corporate governance practices. The Fund continue to comply with the Corporate Governance Guidelines as prescribed by the State Corporations Advisory Committee (SCAC) being the primary regulatory body of state corporations and ascribe to the ethical standards as set out by the Public Officer Ethics Act.

The Board of Directors

Uwezo Fund is governed by a Board of Directors each of whom is appointed by the Cabinet Secretary, Ministry of Public Service Youth and Gender Affairs (MOPSYG) with the exception of the Chairperson and the Principal Secretaries (PSs) in the MOPSYG and the National Treasury. The Chairperson is nominated by the Cabinet Secretary and appointed by the President. The Board is accountable to the Kenyan citizens and the MOPSYG for the overall performance and is collectively responsible for the long-term success of the Fund. The Board achieves such success by developing relevant guidelines to direct the operations, ensures that the Fund manages risks effectively and monitors Fund's performance and reporting.

Board and Committee Membership

The Board currently comprises of four members, two of whom are Principal Secretaries or representatives from MOPSYG and National Treasury and two Independent Non-Executive Directors including the Fund Chairperson. The Board's size and composition is determined by the Public Finance Management (Uwezo Fund) regulations, 2014, Board Charter and Mwongozo Code of Regulations. Full details of the current Board members, their qualifications, skills, experience and tenure are indicated on pages (v) and (vi) of the 2017 Reports and Financial Statements. The current Committee membership of the Board is as set out below:

	Director	Board	Committees		
			Finance and Administration	Programmes and Publicity	Audit and Risk Management
1.	Yvonne Musila	Independent	√ (C)	√	√
2.	CPA. Joyce Munyua	Independent			√ (C)
3.	Dr. Stanley Michael Michuki	Independent	√	√ (C)	
4.	* Margaret Nyabiage Ratemo, OGW	Representative PS - MOPSYG	√	√	√
5.	* Kasembeli W. Nasiuma	Representative PS – National Treasury	√	√	√
6.	Joseph M. Kirubi, MBS	Head of Secretariat (Ex-Officio and Secretary to the Board)			

* Deemed as non-independent by virtue of being the representatives of the Principal Secretaries Ministry of Public Service Youth and Gender and The National Treasury. √ (C) – Chairman to the Committees

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The Board held 2 full board and one special meetings, while the committees had a total of 10 meetings.

Constituency Uwezo Fund Management Committees (CUFMC's)

The activities of the Fund at the constituency level, are carried out by Constituency Uwezo Fund Management Committees (CUFMC's) which consist of four government representatives and nominees from each ward by the Constituency Member of Parliament and other three nominees by the County Member of Parliament representing Women, Youth and PWD.

Secretariat

The Fund is managed by the secretariats for the Board and for each of the constituencies. The Cabinet Secretary MOPSYG has deployed 32 members of staff from various Government Ministries, Departments and Agencies to the Board's secretariat. The Constituency Development Fund Manager, Sub-county Youth Development Officer and the Sub-County Development Officers provide secretariat services to the constituency committees.

Succession Planning

Succession planning is an integral part of the continuity of an organization. The Fund has achieved this by staggering and varying appointments of Directors of the Board to ensure that the activities of the Board are not interrupted. However, in the year under review the operations of the Board were affected by a Quorum hitch occasioned by instructions from the Head of Public Service vide Circular No. OP.CAB/14/21A dated 29th December, 2017 on merger of Kenya Industrial Estates (KIE), Development Bank of Kenya, Uwezo Fund, Youth Enterprise Development Fund and Women Enterprise Fund into a Development Institution. Further appointments of the Board members during the merger process were restricted.

Induction and Training

The Fund inducted and trained the Audit and Risk Management Committee of the Board on corporate governance to equip them with the requisite skills and competences on board operations and governance issues.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

a. Operational and financial performance for year 2017/2018

For the year under review, the Fund received its full development budgetary allocation of kshs. 500,000,000 and partial recurrent budgetary allocation of Kshs 137,083,125 from the State Department of Gender Affairs. The development funds are expected to be transferred to the Constituencies as Loan Funds while the recurrent funds are to be utilized for administration both at the head office and Constituencies to facilitate Constituencies Uwezo Fund Management Committees in the execution of their mandates.

b. Entity's compliance with statutory requirements

The Fund complied with the prevailing Regulations and Circulars issued by the National Treasury from time to time. In turn, relevant guidelines were issued to the constituencies to enhance compliance.

c. Major risks facing the organization

Risks facing the Fund have been identified as:

Political risk.

The Fund was established by Regulations (Legal Notice number 21 of 21st February, 2014) and not an Act of Parliament. It is therefore not a corporate body making it easy for political leaders at the constituency level to have an overwhelming influence on its administration.

Staffing risk.

The statute has not given the Fund the powers to hire its own staff. Section 5(5) gives mandate to the Cabinet Secretary to provide such public officers as may be necessary for secretariat services to the Board. The Board does not have powers to hire and fire on behalf of the Fund and does not, therefore, have its own staff. It depends on Government officers from other departments both at the Headquarters and Constituencies who are not sufficient to carry out the Fund's activities. Even with the deployment of staff to the Fund from other Ministries, there is still acute shortage of staff.

Debtors's risk

Failure by the borrowers across the nation to repay back the loans is a major risk. The achievement of the Government's objective of availing affordable credit to the citizens through groups is dependent on full repayment of the loans. The unpaid loans eventually culminate into bad debts resulting into loss of Government funds.

Sustainability risk

The loan funds disbursed to all the 290 constituencies were to form a revolving fund whereby once the borrowers paid back the money, other groups would also borrow and benefit from the interest free loans and the process would be continuous. The funds are to remain in the respective constituencies and this would sustain the Fund. The general repayment rate of the

loans in the whole nation is below 40% and if the status does not improve, the sustainability of the Fund is in doubt.

Operational risk

The operations of the Fund at the secretariat and constituency level are on a manual platform. There are no backups and in case of a major disaster, all the information would be destroyed.

Liquidity risk.

The Fund does not generate revenue of its own but depends on Exchequers issued by the Government. Resources have always been scarce and due to the constraint, some major activities may not be carried out by the Fund. Lack of adequate resources is a risk that may hamper achievements of objectives set.

Merger risk.

Despite the blanket benefits associated with mergers and acquisitions, the Fund will lose its identity, existence and brand name that has oscillated very well with citizens at the grassroots level as well as political leaders across the nation.

Risk of lack of quorum in Board meetings.

Initially, the appointment of the Board members was not staggered and after the first tenure, their terms expired almost at the same time. New Board members were appointed but out of the seven slots indicated in the Regulation, only five were appointed. The term of one of the current board members expired on 16th April 2018 and appointments for the vacant positions were not done so the Board as it is constituted has no quorum.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

We recognize that Corporate Social Responsibility (CSR) is increasingly important to our stakeholders and are fundamental to the continued success of the implementation of the objectives and mandate of the Fund.

The Board recognizes CSR as a very important effort in giving back to the society. It has integrated its operations to meet the expectations of its stakeholders and maintain a good rapport with them.

The ensure that the operations of the Board are undertaken in a responsible manner at all times for the benefit of the beneficiaries, staff, suppliers and the community. As part of its CSR initiatives, the Board has continually engaged in activities that impact positively on the social its surrounding environment.



IX. REPORT OF THE DIRECTORS

The Directors submit this report together with the financial statements for the year ended June 30, 2018 which show the state of the Uwezo Fund Affairs.

Principal activities

The principal activity of the Fund is to provide affordable loans to women, youth and persons living with disability led enterprises at the constituency level. It also provides mentorship opportunities to enable the beneficiaries take advantage of the 30% government procurement preference through its Capacity Building Programme. Uwezo Fund, therefore, is an avenue for incubating enterprises, catalysing innovation, promoting industry, creating employment, and growing the economy.

Results

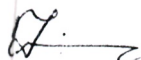
The results of the entity for the year ended June 30, 2018 are set out on page 1 to 5 that includes the summary of the deficit during the year.

Directors

The members of the Board of Directors who served during the year are shown on pages v and vi in accordance with section 4 of the Public Finance Management (Uwezo Fund) Regulations, 2014, however the terms of Dr Stanley who was appointed on 1st of March 2013 expired on 16th of April 2018 and the reappointment was not renewed.

Auditors

The Office of 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.



Uwezo Fund
Head of Secretariat
Nairobi
15th August, 2018

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 11(e) of the Public Finance Management (UWEZO FUND) Regulations, 2014, require the Directors to prepare financial statements in respect of Uwezo Fund, which give a true and fair view of the state of affairs of Uwezo Fund at the end of the financial year and the operating results of the Fund the financial year. The Directors are also required to ensure that the fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the fund. The Directors are also responsible for safeguarding the assets of the fund.

The Directors are 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, 2018. 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 entity; (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 Directors accept responsibility for Uwezo Fund financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)), and in the manner required by the PFM Act and The Public Finance Management (Uwezo Fund) regulation, 2014. The Directors are 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, 2018, and of the fund's Financial Position as at June 30, 2018. The Directors 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.

Approval of the Financial Statements

The Uwezo Fund's Financial Statements were approved by the Administrator of the Fund on 15th August, 2018 and signed on its behalf by:

Sign. 

Chair, Finance and
Administration

Sign. 

Chair, Programmes,
Complaints and Publicity

Sign. 

Chair, Audit and Risk
Management

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UWEZO FUND FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Uwezo Fund set out on pages 1 to 22, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Bank and Cash Balances

The statement of financial position reflect a balance of Kshs.2,763,236,041 in respect of bank and cash balances. However, the following anomalies were noted:

- (i) As reported in the previous year the Fund maintained three bank accounts for each sub-county which are distributed over nine commercial banks and had bank balances amounting to Kshs.1,963,561,434 as at 30 June 2018 as disclosed in Note 10 to the financial statements. However, the bank reconciliation statements for the sub-county treasuries bank accounts were not prepared and submitted for audit review.
- (ii) Bank statements, bank balance confirmation certificates and board of survey certificates and cash books as at 30 June 2018 for the sub-counties treasuries bank accounts were not provided for audit examination.
- (iii) The Fund had three accounts in Chase Bank for Machakos Constituency - Main Account, Loan Repayment Account and Administration Account with balances of Kshs.2,834,972, Kshs.6,245,052 and Kshs.4,192 respectively, all totalling Kshs.9,084,216 as at 30 June 2018. The total amount in these accounts as at the end of the previous financial year was Kshs.9,059,816. It is, therefore, apparent the management continued to transact with Chase Bank even after the institution was placed under statutory management by the Central Bank of Kenya on 7 April 2016 thereby increasing the risk of loss of the funds. Recovery of these amounts is contingent upon the bank reverting to its normal operations.
- (iv) The bank and cash balances of Kshs.2,763,236,041 as at 30 June 2018 included

Report of the Auditor-General on the Financial Statements of Uwezo Fund for the year ended 30 June 2018

cash in transit balance of Kshs.21,600,000. However, the balance was not supported by any relevant and verifiable documents. Consequently, the validity and existence of the amounts as at 30 June 2018 could not be confirmed.

- (v) Further, no documentary evidence was provided in support of release to the intended beneficiaries of the cash-in-transit amounting to Kshs.175,500,000 reported in the year 2016/2017. Further, out the cash-in-transit amount of Kshs.175,500,000 an amount of Kshs.21,600,000 had no documentary evidence provided in support of its subsequent receipt.

In view of the foregoing, it has not been possible to ascertain accuracy, completeness and validity of all cash transactions made during the year and the balances of bank and cash of Kshs.2,763,236,041 as at 30 June 2018 are complete and accurate.

2. Unsupported and Unaccounted for Loans to Groups

As reported in the previous year the statement of financial position as at 30 June 2018 reflects outstanding loans to groups of Kshs.3,920,225,398 (2016/2017-Kshs.3,931,876,732). As disclosed in Note 8 to the financial statements, the figure has been derived by taking the initial National Government capital grants amount of Kshs.6,354,400,004 (2016/2017-Kshs.5,854,400,004) and netting off the amount of monies presumably held in the CBK, main bank accounts and the loan repayment account amounting to Kshs.1,934,174,605 (2016/2017-Kshs.1,922,523,272) all of which were not supported. Further, there were no debtors' ledgers detailing loans issued by the Fund since inception and repayments made over the years on account of any loans recovery. There were also no comprehensive loan listings and/ or aging analysis in support of outstanding loans.

Consequently, the accuracy, completeness, validity and recoverability of the unsupported and unaccounted for loans to groups balance of Kshs.3,920,225,398 cannot be confirmed.

3. Administration Costs – Transfers to Constituencies

The statement of financial performance for the year ended 30 June 2018 reflects administration costs - transfers to constituencies figure of Kshs.171,682,727 which was not supported by any documentary evidence. As disclosed in Note 6 to the financial statements, the figure has been derived after taking into account the unsupported opening balance figure of Kshs.228,285,423 and reducing that amount with the unsupported unutilized funds of Kshs.56,602,696.

Under the circumstances, it has been not possible to verify and confirm the accuracy, propriety and completeness of administration costs - transfer to constituencies figure of Kshs.171,682,727 for the year ended 30 June 2018.

4. Unsupported Transport, Travelling and Subsistence Expenditure

The use of goods and services expenditure of Kshs.68,722,092 as reflected on statement of financial performance and note 2 of the financial statements include Kshs.25,786,899 in respect of transportation, travelling and subsistence. However, payment vouchers and supporting documents to account for expenditure amounting Kshs.5,407,048 relating to transport, travelling and subsistence allowances were not availed for audit review.

In the absence of the payment vouchers and supporting documents it was not possible to confirm the regularity of the expenses of Kshs.5,407,048 as at 30 June 2018.

5. Current Liabilities

The current liabilities balance of Kshs.7,770,833 as at 30 June 2018 was not supported by any relevant documents. As a result, it has not been possible to verify and confirm whether the current liabilities balance Kshs.7,770,833 as at 30 June 2018 is fairly stated.

6. Communication Services and Supplies

The statement of financial performance reflects figure of Kshs.68,722,092 under use of goods and services which as per note 2 of the financial statements include Kshs.1,905,912 for communication services and supplies. The communication services and supplies expenditure of Kshs.1,905,712 includes purchase of calling cards for the officers worth Kshs.1,116,382 and out of which a total of Kshs.260,000 worth of airtime was provided to officers in excess of their applicable entitlement contrary to regulations.

In consequence, the propriety of the expenditure totaling Kshs.260,000 could not be confirmed as at 30 June 2018.

7. Outstanding Imprests

The statements financial position for the year ended 30 June 2018 and Note 11 shows outstanding staff imprests balance of Kshs.3,018,273. Records held by the Fund shows that imprests totaling Kshs.7,495,234 were issued to persons whose details, personal numbers and job groups, were not indicated in the imprests schedule. It was also noted that officers were issued with multiple imprests totaling to Kshs.10,144,278 before the previous one(s) being surrendered contrary to the regulations. In addition, a total of Kshs.492,427 relating to outstanding imprest was in respect to officers who have already left the Fund, making recovery doubtful. No provision for impairment of the same has been included in these financial statements.

Under the circumstances, it has not been possible to verify and confirm the accuracy, completeness, validity and recoverability of the balance of Kshs.3,018,273 as at 30 June 2018.

8. Work-In-Progress

As reported in the previous year the statement of financial position reflects under current assets, work-in-progress amounting to Kshs.19,522,765 (2016/2017-Kshs.19,522,765). As disclosed in Note 9 to the financial statements, the amount represents 40% part-payment in respect of an Enterprise Resource Planning (ERP) software procured and contracted for in the year 2015/2016. The supply, installation and commissioning of the software is yet to be made even though the 40%-part payment was made over two years ago.

Information available for audit indicates that the implementation of the ERP which was contracted at a sum of Kshs.48,806,912 has been called off even though there is a valid contract between the Fund and the supplier. Further, the recoverability and utilization of the part payment of Kshs.19,522,765 is doubtful given that the Fund management appears to have stopped the implementation of the software. The value for money received by the Fund in respect of the software cannot under the circumstances be ascertained.

The validity, existence and accuracy of work-in-progress balance of Kshs.19,522,765 cannot, therefore, be confirmed.

9. Property, Plant and Equipment

The Fund did not maintain an updated fixed asset register during the year under review. Therefore, the completeness and accuracy of the property, plant and equipment balance of Kshs.20,512,953 as reflected in the financial statements for the year ended 30 June 2018 could not be confirmed.

10. Outstanding Previous Year Audit Issues

The following previous year audit issues are yet to be resolved:

10.1 Accuracy of the Financial Statements

(i) The first and final sets of financial statements for the year ended 30 June 2017 submitted for audit exhibited unexplained account balances movement as detailed below:

Account Name	Balance as per final set of financial statements Kshs.	Balance as per the initial set of financial statements Kshs.	Unexplained movement/ adjustments Kshs.
Note 7: Constituency Administration Costs			
- Balance Brought Forward	46,121,430	145,211,430	99,094,832
- Unutilized Funds (Bank Balance)	52,785,423	52,348,640	436,783
Note 9: Loans to Groups			
- CBK Balance	500,000,000	657,390,839	157,390,839
- Balance in Main A/c	295,738,028	285,099,061	10,638,967
- Balance in Repayment A/c	1,126,785,244	1,114,572,531	12,212,713
Bank and Cash Balances	2,412,412,986	2,389,124,523	23,288,463
Current Liabilities	58,295,837	0	58,295,837

In view of the foregoing, the accuracy of the financial statements could not under the circumstances be confirmed.

10.2 Bank and Cash Balances

The following anomalies were noted with regard to bank and cash balances of Kshs.2,412,412,986 as at 30 June 2017 as reflected in the statement of financial position and disclosed under Note 11 to the financial statements:

- (i) The main Co-operative Bank of Kenya account reconciliation statement reflected stale cheques totalling Kshs.235,038 some dating back as far as June 2014. No explanation was given for this anomaly.
- (ii) Bank balances schedules for some constituencies provided for audit had unexplained nil balances while related bank certificates reflected the following balances:

Name of Constituency	Main Account (Kshs.)	Administrative Account (Kshs.)	Repayments Account (Kshs.)	Total (Kshs.)
Langata	443,851.00	242,235.00	2,706,376.05	3,392,462
Tinderet	659,926	4,570	5,489,665	6,153,861
Kipkelion West	57,246.00	5,595.00	5,576,787.00	5,639,628
Mwatate			4,419,060.00	4,419,060
Total	1,160,723	252,400	18,191,888	19,605,011

(iii) The balances confirmed by the bank for Kipkelion East were different from the amount used in the preparation of the financial statements.

	Main Account (Kshs.)	Administrative Account (Kshs.)	Repayments Account (Kshs.)
Balance per financial statements	57,246	5,797	5,576,787
Balance per bank certificate	3,865,906	181,595	4,029,869
Unexplained difference	(3,808,660)	(175,798)	1,546,918

Under the circumstances, it was not possible to ascertain whether all cash transactions made during the year were accurately processed and whether the balances of bank and cash of Kshs.2,412,412,986 as at 30 June 2017 were complete and accurate.

10.3 Non-Disclosure – Contribution in Kind of Staff Compensation

The Fund had thirty-two officers working on a full time basis drawn from various ministries and who continued to draw their salaries from their parent ministries. The financial statements of the Fund had, however, not taken into account the donation or contribution in kind received from the ministries in form of staff salaries of Kshs.27,180,516 for the financial year ended 30 June 2017.

10.4 Board of Directors - Composition and Meetings

Out of the seven directors who served in the Board of the Fund during year under review, five were independent non-executive and four of the seven ceased being directors on 28 February 2017. There had been no replacement or extension of their terms which could easily impact on the strategic decision making of the Fund. Further, the Board held only three full board meetings contrary to the Code of Governance for State Corporations, 2015 which requires the Board of Directors to hold a minimum of four meetings.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

Unlawful financial conduct

Review of the Internal Audit reports established that a fraudulent activity was detected at Kajiado South Constituency where forged documents were used to transfer funds from the Loan Repayment Account to the Main Account. By use of the documents, the amount originally authorized for transfer from the Loan Repayment Account to the Main Account to loan or refinance fifteen (15) groups was fraudulently increased by Kshs.1,133,851 from Kshs.1,466,149 to Kshs.2,600,000 and cheques were subsequently issued to the groups. From the foregoing Kshs.1,133,851 was irregularly given out in form of loans without the Fund approval.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

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

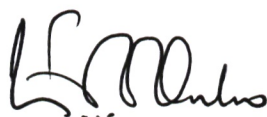
Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities 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 International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Fund in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

08 May 2019

**XII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2018**

	Note	2017-2018 KShs Shs	2016-2017 KShs Shs
Revenue from non-exchange transactions			
Grants from National Government	1	137,083,125	182,875,000
Other income		-	6,780
Total revenue		137,083,125	182,881,780
Expenses			
Use of goods and Services	2	68,722,092	117,945,487
Employees Costs	3	6,461,457	4,970,900
Directors Costs	4	2,422,427	4,544,155
Depreciation Expense	5	28,955,380	20,650,697
Administration Costs-Transfers to Constituencies	6	171,682,727	131,036,007
Total expenses		278,244,083	279,147,246
DEFICIT FOR THE YEAR		(141,160,958)	(96,265,466)

Notes set out on pages 7 to 18 form an integral part of these Financial Statements

XIII. STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018

	Note	2017-2018 KShs	2016-2017 KShs
ASSETS			
Non-Current Assets			
Property, plant and equipment	7	20,512,953	49,003,433
Loans to Groups	8	3,920,225,398	3,931,876,732
Total Non-Current Assets		3,940,738,351	3,980,880,165
Current Assets			
Work – In – Progress (ERP)	9	19,522,765	19,522,765
Bank and cash balances	10	2,763,236,041	2,412,412,986
Trade and other receivables	11	3,018,273	5,385,476
Total Current Assets		2,785,777,079	2,437,321,227
TOTAL ASSETS		6,726,515,430	6,418,201,392
CURRENT LIABILITIES			
Trade and other payables	12	(7,770,833)	(58,295,837)
		(7,770,833)	(58,295,837)
TOTAL NON-CURRENT ASSETS		6,718,744,597	6,359,905,555
TOTAL LIABILITIES			
EQUITY AND LIABILITIES			
Capital and Retained Earnings			
Capital - Loan Fund	13	6,354,400,004	5,854,400,004
Retained Surplus	14	364,344,593	505,505,551
TOTAL EQUITY AND LIABILITIES		6,718,744,597	6,359,905,555

The financial statements were approved by the Board/Administrator of the Fund on..... 2019 and signed on its behalf by:

Head of Secretariat

J.M Kirubi, MBS

Sign.....

Date..... 22/02/19.....

Head of Finance and
Accounts

Naumy J Kemboi
ICPAK M/NO 5787

Sign.....

Date..... 22/2/2019.....

Chairman of the Board

Sign.....

Date..... 22/2/2019.....

**Reports and Financial Statements
For the year ended June 30, 2018**

XIV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2018

	GOK Loan Grants Capital Fund	Accumulated Retained Earnings	Total
2016			
At July 1, 2016	5,354,400,004	601,771,017	5,956,171,021
Additions During the Year	500,000,000	-	500,000,000
Deficit During the year		(96,265,466)	(96,265,466)
At June 30,2017	5,854,400,004	505,505,551	6,359,905,555
2017			
At July 1,2017	5,854,400,004	505,505,551	6,359,905,555
Additions During the Year	500,000,000	-	500,000,000
Deficit During the year	-	(141,160,958)	(141,160,958)
As at June 30,2018	6,354,400,004	364,344,593	6,718,744,597

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XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2018

	Note	2017-2018 KShs	2016-2017 KShs
RECEIPTS			
Government grants and subsidies	1	137,083,125	182,875,000
Other income, rentals and agency fees		-	6,780
		137,083,125	182,881,780
PAYMENTS			
Use of Goods and Services	2	68,722,092	117,945,487
Staff Costs - Compensation of employees	3	6,461,457	4,970,900
Directors Costs	4	2,422,427	4,544,155
Other Capital Grants and Transfers	6	171,682,727	151,036,007
Total Payments		(249,288,702)	(258,496,549)
		(112,205,577)	(75,614,769)
Cash Used in Operating Activities			
Decrease in Receivables	15.(a)	2,367,203	(2,020,175)
Decrease in Payables	15. (b)	(50,525,004)	58,295,837
Net Cash used in Operating Activities	15.(c)	(168,134,211)	(19,339,107)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant, Equipment and Intangible Assets	8.(b)	(464,900)	(13,260,236)
Increase/Decrease in Non-current Receivables	15.(d)	11,651,333	67,586,859
Net Cash used in investing activities		11,186,433	54,326,623
FINANCING ACTIVITIES			
Grant for Capital Loan Fund from GOK	15.(e)	500,000,000	500,000,000
Increase Cash and Cash Equivalents		350,823,054	534,987,516
Cash and Cash Equivalents at Beginning of Year		2,412,412,986	1,877,425,470
Cash and Cash Equivalents at End of the Year	15.(f)	2,763,236,040	2,412,412,986

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XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 TH JUNE, 2018

	Budget	Actual	Variance	Explanation
			Jun-18	As Below
	Kshs.		Kshs.	
Revenue				
Government grants	682,777,500	637,083,125	45,694,375.00	No exchequer was received
Other Income				
Total income	682,777,500	637,083,125	45,694,375	
Expenses - Use of Goods and Services				
Domestic Loans to Non – Financial Public Enterprises	445,000,000	-	445,000,000	Delay in Exchequer releases
Basic Wages – Temporary Employees	2,000,000	1,866,457	133,543	Some casuals did not report after the interview
Personal Allowance – Paid as Part of Salary	6,200,000	4,595,000	1,605,000	There was no substantive chairman to the Board to be paid Honoraria
Utilities Supplies & Services	1,600,000	1,403,992	196,008	Fluctuation of Power rates
Communication Services and Supplies	5,128,200	1,905,712	3,222,488	Merger directive stalled most of the activities
Domestic Travel and Subsistence and other Transportation Costs	62,168,800	25,156,632	37,012,168.00	Merger directive stalled most of the activities
Foreign Travel and Subsistence and Other Transportation Costs	2,000,000	653,777	1,346,223	Merger directive stalled most of the activities
Printing, Advertising, and Information Supplies and Services	23,847,150	8,264,439	15,582,711	Merger directive stalled most of the activities
Rentals of Produced Assets	12,000,000	11,879,745	120,255	The Excess service charge has not been paid
Training Expenses	43,850,000	1,147,600	42,702,400	Members applied for training but no approval was given by the Board

**Reports and Financial Statements
For the year ended June 30, 2018**

Hospitality supplies and services	33,730,720	7,128,504	26,632,066	Some of the Board's meeting could not be done due to lack of quorum & there were no trainings due to merger directi
Insurance costs	2,000,000		2,000,000	The approval for board members was not finalized
Specialized Materials and Supplies	500,000	204,000	296,000	Some activities were put on hold because of the directive of the Funds Merger
Office General office Supplies and Services	4,118,602	3,516,178	586,424	Some activities were put on hold because of the directive of the Funds Merger
Fuels, Oils and Other Lubricants	13,920,000	3,375,114	10,559,886	Many activities were put on hold because of the directive of the Funds Merger
Other operating expenses	16,360,000	4,326,399	12,033,601	The Excess service charge has not been paid and packing slots which were to be increased were put on hold.
Routine Maintenance-Motor Vehicles	13,430,800	1,817,485	11,623,315	Most vehicles were relatively new, but the one which required major repair was put on hold.
Routine Maintenance-Other Assets	1,500,000	388,452	1,111,548	Not many items required Maintenance
Refurbishment of Buildings	3,000,000		3,000,000	No repairs were done
Purchase of Vehicles and Other Transport Equipment	6,000,000		6,000,000	Purchase of Assets was put on because of the Funds Merger.
Purchase of Office Furniture and General Equipment	1,009,800	464,900	544,900	Merger directive stalled most of the activities
Purchase of Specialized Plant, Equipment and other Machinery	3,735,000		3,735,000	Purchase of Assets was put on because of the Funds Merger.
Other Capital Grants and Transfers	185,000,280		185,000,280	Delay in Exchequer releases
Total expenditure	888,099,352	78,070,876	810,319,326	
Unutilized Constituency Administration Bank Balances brought Forward	228,285,423	171,682,727	56,602,696	Administration Bank Balances for the 290 Constituencies as at 30 th June 2018
Grand total expenditure		270,027,716		

The Fund uses Bank as opposed to Cashbook balances when preparing the Accounts. This amount represents the difference which is expected to be nil after all the 290 Constituencies cashbook balances are obtained.

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Uwezo Fund is established by and derives its authority and accountability from Public Finance Management (uwezo) Regulations. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund’s principal activity is to:

- (a) Expand access to finances in promotion of youth and women business and enterprises at the constituency level for economic growth towards the realization of the goals of vision 2030;
- (b) To generate gainful self-employment for the youth and women; and
- (c) To model an alternative framework in funding community driven development.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive Income and other comprehensive income in these financial statements

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to exercise judgement in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Uwezo Fund.

The financial statements have been prepared in accordance with the PFM Act, the Public Finance Management (Uwezo Fund) Regulations, 2014 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard/Amendment to a standard	Effective date	Impact
Amendments to IAS 16 and IAS 38 titled <i>Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)</i>	1 st Jan 2016	The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is

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Standard/Amendment to a standard	Effective date	Impact
		generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.
Amendments to IAS 1 titled <i>Disclosure Initiative</i> (issued in December 2014)	1 st Jan 2016	The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
<i>Disclosure Initiative</i> (Amendments to IAS 7: <i>Statement of Cash flows</i>)	1 st Jan 2017	The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. The Fund therefore did not adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle of accounting policies adopted in the preparation of these financial statements are set out below:

a) **Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Fund's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Fund's activities as described below.

- i) **Grants from National Government** are recognised in the year in which the *Fund* actually receives such grants.
- ii) **Other income** is recognised as it accrues.

b) **In-kind contributions**

In-kind contributions are donations that are made to the Fund in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Fund makes disclosure for services donations and includes other such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) **Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by the relevant Ministry.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in the statement of comprehensive income as income/loss.

In the financial 2017/2018 the Fund did not carry out any revaluation neither did it dispose of any assets.

d) **Depreciation and impairment of property, plant and equipment**

Depreciation on property, plant and equipment is recognised in the income statement on straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

e) **Intangible assets**

Intangible assets comprise purchased computer software licenses, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f) **Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

g) **Capital Loan Fund**

Capital Loan Fund comprises of Capitalization of Grants from government through State Department of Gender and thereafter transferred to constituencies.

h) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, 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 to authorised public officers which were not surrendered or accounted for at the end of the financial year.

i) **Budget information**

The original budget for FY 2017/2018 was approved by the Board in August 2017. No Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The 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 cash basis. The amounts in the financial Statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

j) **Comparative figures**

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

k) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the 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.

Estimates and assumptions

The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

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.

1. Grants from National Government

Name of the Entity sending the grant	2017-2018	2016-2017
Recurrent grants	137,083,125	182,881,375
Capital grants	500,000,000	500,000,000
Total	<u>637,083,125</u>	<u>682,875,000</u>

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Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2016-2017 KShs
Ministry of Public service, Youth and Gender Affairs./State Department for Gender Affairs	137,083,125	-	500,000,000	637,083,125	682,875,000
Total	137,083,125		500,000,000	637,083,125	682,875,000

**During the year, the Fund did not receive exchequer of Kshs. 45,694,375 as appropriated in the recurrent budgetary.*

	2018 Kshs.	2017 Kshs.
2. USE OF GOODS AND SERVICES		
Electricity and water	1,403,992	1,741,665
Communication services and supplies	1,905,712	2,599,240
Transportation, travelling and subsistence	25,786,899	33,478,086
Advertising, printing, stationery and photocopying	8,264,439	50,841,705
Staff training expenses	1,147,600	1,019,060
Hospitality supplies and services	4,706,077	3,567,348
Bank Charges and Commissions	264,697	250,671
Office and general supplies and service	3,720,178	1,198,566
Rent Expenses	11,879,745	8,061,142
Repairs and maintenance- Motor Vehicles	1,817,485	1,995,081
Repairs and maintenance-Other Assets	388,452	335,884
Other operating expenses	4,061,702	9,425,071
Fuel, Oils and lubricants	3,375,114	3,431,968
	<u>68,722,092</u>	<u>117,945,487</u>
	2017-2018 Shs	2016-2017 Shs
3. Staff Costs		
Extraneous Allowances to Employees	4,595,000	4,970,900
Wages to Temporary Employees-Interns	1,866,457	-
Employee costs	6,461,457	4,970,900

The average number of employees was:

	32	32
Permanent Employees-Management	32	32

All officers attached to the Fund are deployed from various ministries and Government Agencies (MDAs) and are remunerated by their respective MDGAs. Subsequently the fund received Contribution in Kind totalling Kshs.30, 486,792

	2017-2018 Shs	2016-2017 Shs
4. Directors Cost		
Chairman's Honoraria	-	640,000
Directors emoluments	-	-
Airtime	-	56,000
Duty Allowance	1,540,000	2,261,200
Lunch Allowance	100,000	84,000
Accommodation Allowance	314,600	1,458,000
Mileage	464,427	-
Taxi Refund	3,400	44,955
Total director emoluments	<u>2,422,427</u>	<u>4,544,155</u>
	2017-2018 Shs	2016-2017 Shs
5. DEPRECIATION		
Motor Vehicles	22,187,523	14,646,950
Office Equipment	1,603,313	1,188,015
Office Furniture and Fittings	2,150,153	1,305,788
Computers	3,014,391	3,509,945
Total depreciation	<u>28,955,380</u>	<u>20,650,697</u>
	2017-2018 Kshs	2016-2017 Kshs
6. CONSTITUENCY ADMINISTRATION COSTS		
Balance B/F- Cash at Bank	52,785,423	46,121,430
Cash in Transit	175,500,000	-
Transfers	-	313,200,000
Total	228,285,423	359,321,430
Unutilized Funds-Bank Balance	35,002,696	52,785,423
Cash in HQs Cooperative Bank Account	21,600,000	175,500,000
Total	(56,602,696)	(228,285,423)
Total Expenditure	<u>171,682,727</u>	<u>131,036,007</u>
	2017-2018 Shs	2016-2017 Shs
7. (a). Property and Equipment		
Motor Vehicles	9,891,243	32,078,766
Office Equipment	5,166,457	6,745,871
Office Furniture and Fittings	5,262,718	7,116,871
Computers	192,535	3,061,925
Total PPE	<u>20,512,953</u>	<u>49,003,433</u>

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(b). Property and Equipment

	Motor vehicle	Office Equipment	Office Furniture & Fittings	Computers & Related Equipment	Total
Cost	Shs	Shs	Shs	Shs	Shs
At July 1, 2016	46,987,620	8,131,480	10,446,301	29,766,054	95,331,635
Additions	11,600,000	1,372,636	-	287,600	13,260,236
Transfers/adjustments				(19,522,765)	(19,522,765)
At July 1, 2017	58,587,800	9,504,116	10,446,301	10,530,889	89,069,106
Additions		23,900	296,000	145,000	464,900
At End of Year- June 2018	58,587,800	9,528,016	10,742,301	10,675,889	89,534,006
Depreciation and impairment					
At July 1, 2016	11,862,084	1,570,231	2,023,642	3,959,019	19,414,976
Depreciation	14,646,950	1,188,015	1,305,788	3,509,945	20,650,697
At July 1, 2017	26,509,034	2,758,246	3,329,430	7,468,964	40,065,673
Depreciation	22,187,523	1,603,313	2,150,153	3,014,391	28,955,380
Cumulative Depreciation	48,696,557	4,361,559	5,479,583	10,483,355	69,021,053
Net Book Values.					
At June 30, 2018	9,891,063	5,166,457	5,262,718	192,534	20,512,952
At June 30, 2017	32,078,766	6,745,871	7,116,871	3,061,925	49,003,433

The Fund uses Bank as opposed to Cashbook balances when preparing the Accounts. This amount represents the difference which is expected to be nil after all the 290 Constituencies cashbook balances are obtained.

	2017-2018	2016-2017
8. Development Fund – Loan to Groups		
Loan Fund	5,854,400,004	5,854,400,004
Bank Balance in CBK A/C	8,122,181	500,000,000
Bank Balance in Loan Repayment A/C	1,239,005,623	295,738,028
Bank Balance in Main A/C	687,046,801	1,126,785,244
Amount of money held in Banks	(1,934,174,605)	(1,922,523,27)
Total Loan To Groups	3,920,225,399	3,931,876,732

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	2017-2018	2016-2017
9. Work – in - Progress		
Enterprise Resource Planning (ERP)*	19,522,765	19,522,765
Total Work-in-Progress	19,522,765	19,522,765
<i>Enterprise resource planning (ERP)*Kshs.19, 5252,765 relates to 40% first instalment payment for software that is still being developed charged to Fixed assets erroneously.</i>		

10. Bank and Cash Balances		2017-2018	2016-2017
Central Bank of Kenya	1000203714	736,706,784	937,017,954
Central Bank of Kenya – Constituency Loan Fund in the HQs Account	1000203714	8,122,181	-
Co-operative Bank of Kenya	1141530598800	33,245,642	86,337
Co-operative Bank of Kenya – Constituency Administration Fund	1141530598800	21,600,000	-
Sub County Treasuries	Various	1,963,561,434	1,475,308,695
Total		2,763,236,041	2,412,412,986
<i>The Bulk of the Cash at bank was held at Central Bank of Kenya, Equity Bank, Co-operative Bank and Kenya Commercial Bank. The Make-up of bank balances are as follows: -</i>			

Detailed analysis of the cash and cash equivalents

		2017-2018	2016-2017
		KShs	KShs
Financial institution	Account number		
a) Headquarter			
Central Bank of Kenya	1000203714	736,706,784	937,017,954
Central Bank of Kenya – Constituency Loan Fund	1000203714	8,122,181	-
Co-operative Bank of Kenya	1141530598800	33,245,642	86,337
Cooperative Bank A/C Constituency Administration Fund in HQs Account	1141530598800	21,600,000	-
Sub-total		799,674,607	937,104,291
b) Sub County Treasuries			
African Banking Cooperation	Various	3,061,279	2,211,739
Chase Bank	Various	9,084,216	9,059,816
Consolidated Bank	Various	15,406,909	11,049,910
Co-operative Bank of Kenya	Various	508,729,936	407,248,552
Equity Bank	Various	770,015,047	568,688,945
Family Bank	Various	76,629,082	45,286,271
First Community Bank	Various	66,556,534	51,723,700
Kenya Commercial Bank	Various	509,803,275	375,811,911
National Bank of Kenya	Various	4,275,157	4,227,853
Sub - total		1,963,561,434	1,475,308,695
Bank Totals		2,763,236,041	2,412,412,986

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11. Other Receivables- Staff Imprests	Shs	Shs
Staff Imprests	3,018,273	5,385,476
Net Other Receivables	<u>3,018,273</u>	<u>5,385,476</u>

	2017-2018	2016-2017
12. Current Liabilities	Shs	Shs
Constituency Administration Cost	7,770,833	58,295,837
Total	<u>7,770,833</u>	<u>58,295,837</u>

	2017-2018	2016-2017
13. Capital Loan Fund	Shs	Shs
Loan Fund	5,854,400,004	5,354,400,004
Grant Received	500,000,000	500,000,000
Total	<u>6,354,400,004</u>	<u>5,854,400,004</u>

	2017-2018	2016-2017
14. Retained Surplus		
Balance Brought Forward	505,505,551	601,771,017
Surplus for the Year	141,160,958	(96,265,466)
Balance Carried Forward	364,344,593	505,505,551

15. NOTES TO THE STATEMENT OF CASHFLOWS
(a) Decrease in Account Receivable- Staff Imprests

	2017-2018	2016-2017
	Kshs	Kshs
Closing Balance	3,018,273	5,385,476
Opening Balance	5,385,476	3,365,301
Total	2,367,203	2,020,175

(b) Reconciliation of payables

	2017-2018	2016-2017
	Kshs	Kshs
Closing Balance	(7,770,833)	-
Opening Balance	(58,295,837)	(58,295,837)
Total	(50,525,004)	(58,295,837)

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(c) Reconciliation of operating profit/ (loss) to
Cash generated from/ (used in) operations

	2018 Kshs	2017 Kshs
Operating Deficit	141,160,958	(96,265,466)
Depreciation	28,955,380	20,650,697
Amortization	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating Deficit before working capital changes	(112,205,578)	75,614,769
(Increase)/decrease in inventories	-	-
Increase other receivables – staff Imprests	2,367,203	(2,020,175)
Increase other Payables	(58,295,837)	58,295,837
Cash used in operations	(168,234,212)	(19,339,107)

	2018 Kshs	2017 Kshs
(d) Decrease in Loans to Groups		
Closing Balance	3,920,225,399	3,931,876,732
Opening Balance	3,931,876,732	3,999,463,501
Balance at end of the year	<u>11,651,333</u>	<u>(67,586,859)</u>

	2018 Kshs	2017 Kshs
(e) Grants from the Government		
	-	500,000,000
	=	<u>500,000,000</u>

	2018 Kshs	2017 Kshs
(f) Analysis of cash and cash equivalents		
Cash at bank	2,755,113,859	2,389,124,523
Cash in hand	-	-
	<u>2,755,113,859</u>	<u>2,389,124,523</u>

16. FINANCIAL RISK MANAGEMENT

	2018 Kshs	2017 Kshs
(a) Decrease in Loans to Groups		
Closing Balance	3,920,225,399	3,931,876,732
Opening Balance	3,931,876,732	3,999,463,501
Balance at end of the year	<u>11,651,333</u>	<u>(67,586,859)</u>

17. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks. The fund's overall risk management programme focuses on unpredictability of loan repayment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund has structures in place to ensure that credit is given only to vetted registered groups within the constituency.

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

i) Credit risk

The Fund has exposure to credit risk, which is the risk that the government as the single financier will be unable to transfer exchequer equivalent to total budgetary allocation in full when due. Management causes disbursements only after the exchequer has been received.

The carrying amount of financial assets recorded in the financial statements representing the Fund's maximum exposure to credit risk.

ii) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Fund's directors, who have built an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of budgetary allocation and actual cash flows as exchequer releases and movement of loan balances.

(iii) Operating risk

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

17. INCOPORATION

The Fund is a public fund, constituted in Kenya under the Public Finance Management, 2012, Act laws and the Public Finance Management (Uwezo fund) Regulations, 2014 and is domiciled in Kenya.

18. EVENTS AFTER THE REPORTING PERIOD

There was no material adjusting figures. However, ERP software that had been classified as Fixed Asset has been correctly restated as work in progress

19. EVENTS AFTER THE REPORTING PERIOD

The amounts stated in note 7 i.e. Transfers to Constituencies in the Statement of Financial performance and note 9 i.e. Loans to Groups are all derived from bank balances as at the end of the financial period this is because:

- (i) of maintenance of consistency with the previous reporting and disclosures.
- (ii) The Fund operates manual systems both at the head office and constituencies, it therefore has challenge in getting data from all the 290 constituencies which manages a total of 870 cash books while observing completeness.

20. CURRENCY

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

21. TAX LIABILITY

The Fund is Tax Exempt as provided for under income Tax Act CAP 470 section 10

22. RELATED PARTY DISCLOSURES

The Government of Kenya is the principal shareholder of UWEZO FUND, holding 100% of the Fund's equity interest.

Other related parties include:

The Parent Ministry; the Ministry of Public Service, Gender and Youth Affairs

XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

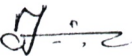
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
1.	Accuracy of Financial Statements – 2016/2017				
	Unexplained account balances of: Constituency Administration Costs (i) 99,094,832 (ii) 436,783 Note 9: Loans to Groups (i) 157,390,839 (ii) 10,638,967 (iii) 12,212,713 Bank and Cash Balances (i) 23,288,463 Current Liabilities (i) 58,295,837	All the Balances have been explained	Naumy Kemboi (AAG)	Resolved	N/A
2.	Bank and Cash Balances				
2.1	Report of 2016/2017 had no bank Reconciliation Statements for 9 bank accounts with balances totalling Kshs. 1,475,308,695	The exercise is ongoing	Naumy Kemboi (AAG)	Not Resolved	31 st May, 2019
2.2	(i) Stale cheques totalling Kshs. 235,038 (ii) Risk of loss of funds with the continued transaction with Chase Bank of Kenya. (iii) Failure to avail Board	Documents presented	Naumy Kemboi (AAG)	Resolved	N/A

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	of Survey Certificates for the nine Sub-county treasuries bank accounts for audit examination. (iv) Confirmation of validity and existence of amounts transferred to constituencies and which remained unutilized and cash in transit balance of Kshs. 175,500,000.				
	(v) Unexplained nil balances as reported while related bank certificates reflected the following total balances of: Langata-3,392,462 Tinderet-6,153,861 Kipkelion West-5,639,862 Mwatate-4,416,060 (vi) Different amounts used in preparation of the financial statements.	Balances Explained	Naumy Kemboi (AAG)	Resolved	N/A
3.	Loans to Groups				
	Accuracy, validity and recoverability of the groups loans balance of kshs.3,931,876,732	Ongoing	Naumy Kemboi (AAG)	Not Resolved	31 st May, 2019
4.	Work in Progress				
	Validity, existence and accuracy of work-in-progress balance of Kshs. 19,522,765	Reports on existence presented	Naumy Kemboi (AAG)	Resolved	N/A
5.	Administration Costs				

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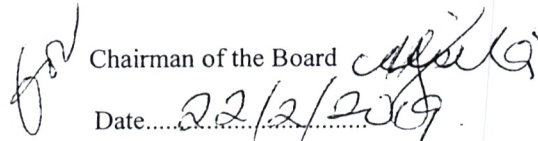
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	Verification of accuracy, of transfer to constituencies of kshs.131,036,007	Verified	Naumy Kemboi (AAG)	Resolved	N/A
6.	Outstanding Imprests				
	Confirmation and verification of the balance of 5,385,476 is fairly stated.	Verified	Naumy Kemboi (AAG)	Resolved	N/A
7.	Non-Disclosure-Contribution in Kind of Staff Compensation				
	donation or contribution in kind received from the ministries in form of staff salaries of Kshs. 27,180,516	Disclosure Made		Resolved	N/A
8.	Board of Directors-Composition and Meetings				
	Number of meetings held by the Fund: - the Board held only three full board meetings contrary to the Code of Governance for State Corporations, 2015 which requires the Board of Directors to hold a minimum of four meetings.	Lack of Quorum	Naumy Kemboi (AAG)	Resolved	N/A

Head of Secretariat



Date: 22/02/19

Chairman of the Board



Date: 22/2/2019

XVIV. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME: UWEZO FUND			
Break down of Transfers from the State Department of Gender			
FY 17/18			
Recurrent Grants			
Ref. No	Bank Statement Date	Amount (Kshs)	Financial Year
FT173125W6Y5	8 TH November, 2017	45,694,375	2017/2018
FT1805227HH8	21 ST February, 2018	45,694,375	2017/2018
FT18137DDXGZ	17 TH May, 2018	45,694,375	2017/2018
Total		137,083,125	2017/2018
Development Grants			
Ref. No	Bank Statement Date	Amount (Kshs)	Financial Year
FT181008B10N	10 TH April, 2018	125,000,000	2017/2018
FT181365XTMF	16 TH May, 2018	125,000,000	2017/2018
FT18170R1PDZ	19 TH June, 2018	125,000,000	2017/2018
FT18171VG4B2	20 TH June, 2018	125,000,000	2017/2018
Total		500,000,000	
Grand Total		637,083,125	

The above amounts have been communicated to and reconciled with the parent Ministry
 Head of Finance & Accounts
 Uwezo Fund
 Sign-----

Head of Accounting Unit
 State Department of Gender
 Sign-----



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