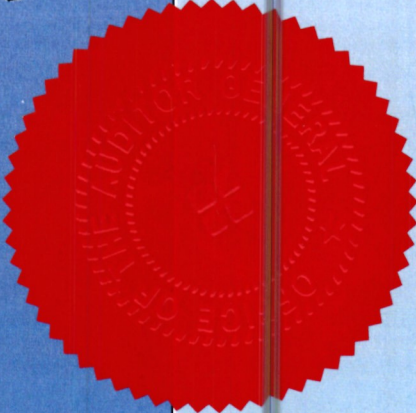


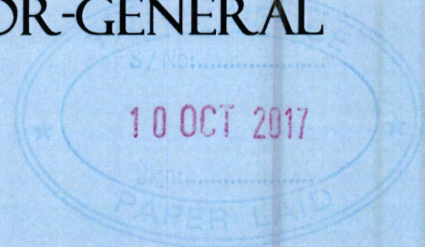
REPUBLIC OF KENYA



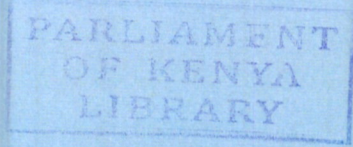
*Paper laid at the
Hr of the House
on 10.10.2017 by
Lom*



OFFICE OF THE AUDITOR-GENERAL



REPORT



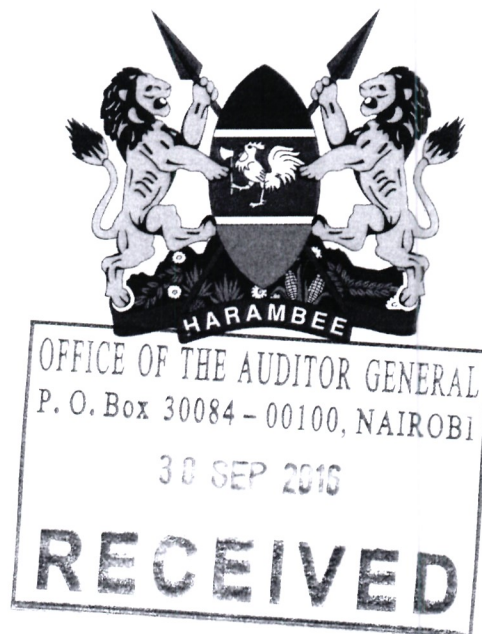
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
UWEZO FUND OVERSIGHT BOARD**

**FOR THE YEAR
ENDED 30 JUNE 2016**



UWEZO FUND OVERSIGHT BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2016.

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

I.	KEY ENTITY INFORMATION AND MANAGEMENT.....	ii
II.	THE BOARD OF DIRECTORS.....	iv
III.	MANAGEMENT TEAM	vi
IV.	CHAIRMAN'S STATEMENT	viii
V.	REPORT OF THE FUND ADMINISTRATOR.....	ix
VI.	CORPORATE GOVERNANCE STATEMENT	x
VII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	x
VIII.	REPORT OF THE DIRECTORS	Error! Bookmark not defined.
IX.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	xi
X.	REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY	xii
XI.	STATEMENT OF FINANCIAL PERFORMANCE	1
XII.	STATEMENT OF FINANCIAL POSITION	2
XIII.	STATEMENT OF CHANGES IN NET ASSETS.....	Error! Bookmark not defined. 3
XIV.	STATEMENT OF CASH FLOWS.....	Error! Bookmark not defined. 4
XV.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
XVI.	NOTES TO THE FINANCIAL STATEMENTS.....	8

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Uwezo Fund was launched by His Excellency the President of the Republic of Kenya on 8th September 2013 and enacted through a Legal Notice No. 21 of the Public Finance Management Act, 2014, and published on 21st February, 2014. At cabinet level, the Uwezo Fund is represented by the Cabinet Secretary for Ministry of Public Service, Youth and Gender Affairs, who is responsible for the general policy and strategic direction of the Fund.

(b) Principal Activities

The Fund seeks to expand access to finances and promote 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, catalyzing innovation, promoting industry, creating employment, and growing the economy

(c) Key Management

The Uwezo Fund's day-to-day management is under the following key organs:

- The Uwezo Fund Oversight Board headed by the Head of Secretariat (HS)
- Constituency Uwezo Fund Management Committees.
- Finance And Accounts Manager
- Human Resource Manager
- Programmes And Coordination Manager
- Senior Internal Auditor
- Procurement Manager

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary	Sicily K. Kariuki (Mrs), CBS
2.	Principal Secretary	Zeinab W. Hussein (Mrs.)
3.	Board Chairperson	Wanjiru Gathira
4.	Ag. H.S	Joseph Mwangi Kirubi, MBS

(e) Fiduciary Oversight Arrangements

- i. Programmes and publicity committee
- ii. Finance and administration committee

iii. Audit and Complaints committee

(f) Entity Headquarters

Uwezo Fund Oversight Board Secretariat
P.O. Box 42009 - 00100
Lorho House 16th Floor
Standard Street
Nairobi, KENYA.

(g) Entity Contacts

E-mail: info@uwezo.go.ke
Website: www.uwezo.go.ke

(h) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Co-operative Bank of Kenya
Kimathi Street
P.O. Box 7512-00200
Nairobi.




(i) Independent Auditors

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


(j) Principal Legal Adviser

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



THE BOARD OF DIRECTORS





Name	Passport Size Photo	Professional/ Academic Qualifications	Experience
Wanjiru Gathira (Chairperson)		-Date of Birth 1966 -Global Executive Master in Business Administration (GEMBA) -Juris Doctor -B.Sc. Business Administration	-21 years
Margaret N. Ratemo		-Date of Birth 1968 Master degree in Labour Management-UON and certificate in Strategic Leadership Development Programme	25 years of experience in Public Service
Kasembeli W. Nasiuma		- Date of Birth 1963 MBA - Moi University 2008	25 year experience in Public Financial Management

Catherine Mootian		<ul style="list-style-type: none"> - Date of Birth 1986 -BHRM -Advanced certificate in BA 	-6years
Caren Wakoli		<ul style="list-style-type: none"> - Date of Birth 1981 -Certificate in Navigating Research Literacies -Master in International Studies -BA Mass Communication and Sociology 	-8 years
Jumali Yussuf		<ul style="list-style-type: none"> - Date of Birth 1986 -BA Sociology -Advance Diploma in Business Management 	-6years

Dr. Stephen Michuki		Date of Birth- DR. STANLEY MICHUKI Bachelor of Arts in Theology Degree of Doctor in Divinity	
---------------------	---	---	--

MANAGEMENT TEAM

	Name	Passport Size Photo	Professional/Academic Qualifications	Area of Responsibility
1	Joseph Mwangi Kirubi, MBS		- Date of Birth 1961 BA University of Nairobi 1985	Ag. Head of Secretariat
2	Gad Etyang		- Date of Birth 1968 B. Arts The University Of Nairobi 1992, Higher Dip HRM, TOT, Member IHRM, Trained in Corporate Governance	Human Resource

3	Peter N. Mogire		<p>- Date of Birth 1965 Pursuing a B.Com [Accounting] from Catholic University of Eastern Africa (CUEA) In addition he is Certified Public Accountant of Kenya [CPA-K] Member of ICPAK</p>	Finance & Accounts
4	Japheth M. Kiilu		<p>Date of birth 1962 BA – Logistic and Chain management –Jaramogi Oginga Odinga University of Science and Technology, Diploma in Purchasing and Supplies –UON. Member KISM</p>	Supply Chain Management
5	Peter Lengapiani		<p>- Date of Birth 1981 MBA, B. Com, CPA (K)</p>	Programmes
6	Samuel N.Muhami		<p>- Date of Birth 1973 MBA(Finance) B.Com(Finance) CPA(K). Member of ICPAK Member of IAA</p>	Audit and Risk Management

CHAIRPERSON'S STATEMENT

I am delighted to present the annual report of Uwezo Fund Oversight Board for the year ended 30th June, 2016. Uwezo Fund Oversight Board has made tremendous progress towards realizing of its mandate.

As we are all aware, women and the 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.

During the Financial Year 2015/2016, the Board is proud to have overseen the development of policies and guidelines that provided direction to the Fund. This has enabled the smooth implementation of the Fund's mandate.

The Ministry of Public Service, Youth and Gender Affairs has continually offered technical and 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 Ruto 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.



Wanjiru Gathira
(Chairperson)

REPORT OF THE ADMINISTRATOR OF THE FUND

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 2015/2016.

Uwezo Fund Oversight Board has so far disbursed Kshs. 5,343,400,004 to all the 290 constituencies countrywide. The Board is delighted to report that out of the this amount, the fund has disbursed a total of Kshs 5,124,364,248 to 55,244 groups comprising of 34,360 women groups, 19,461 youth groups and 1,423 PWD groups. Various Constituencies have started revolving funds allocated through recovering the loans from the fund beneficiaries and financing new groups. So far the fund has recovered a total of Kshs.946,522,479.

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 2015/2016 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.



Zeinab W. Hussein (Mrs.)
(Principal Secretary)

CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the structure and system of rules, practices and processes by which an organization is directed, controlled and held accountable. At Uwezo Fund, we believe that Corporate Governance is core in ensuring the creation, protection and enhancement of stakeholder value and that the Board remains sustainable and viable.

The Board is in compliance with the Corporate Governance Guidelines as part of its continuing obligations. We also ascribe to the ethical standards prescribed by the Public Officer Ethics Act.

The Board is committed to the underlying principles of good governance as stipulated in the "Code of Governance of State corporations (MWONGOZO)".

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Uwezo Fund Oversight Board is a public organization that is expected to exercise good corporate citizenship. The Board is committed to being a responsible corporate citizen, recognizing that we cannot operate in isolation of the environment around us. As such the Board has continually engaged in activities that impact positively on the social economic environment. The Board participated in tree planting in Kakamega Forest Marathon, The First Lady's Half Marathon 2016 and Starehe Girls Charity Walk.

The Board recognizes that, it has to integrate its operations to meet the expectations of its stakeholders and maintain a good rapport with them. To this end, the Board has increasingly invested in public awareness and engagements and thereby creating great public goodwill from Kenyans of all walks of life.

REPORT OF THE DIRECTORS

The Directors have submitted their report together with the financial statements for the year ended June 30, 2016 which show the state of the Uwezo Fund affairs.

Principal activities

The principal activities of the Fund are to expand access to finances and promote 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, 2016 are set out on page 1 to 16

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 entities, which give a true and fair view of the state of affairs of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. 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.

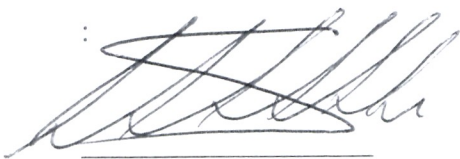
The Directors are responsible for the preparation and presentation of the fund's financial statements, which give a true and fair view of the state of affairs of the fund for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial 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 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 and The Public Finance Management (Uwczzo 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, 2016, and of the fund's financial position as at 30th June, 2016. 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.

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

Approval of the financial statements

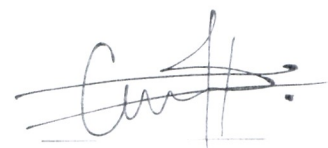
The Uwezo Fund's financial statements were approved by the Board on _____ 2016 and signed on its behalf by:



Director



Director



Director



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UWEZO FUND OVERSIGHT BOARD FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Uwezo Fund Oversight Board Fund set out on pages 1 to 16, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

Management's Responsibility for the Financial Statements

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 such 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.

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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

Report of the Auditor-General on the Financial Statements of the Uwezo Fund Oversight Board for the year ended 30 June 2016

estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion Paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Accuracy of Financial statements

Several inaccuracies have been noted in the financial statements for 2015/2016 as detailed below:-

- (i) The statement of changes in net assets does not provide a detailed movement of the account balances starting from the previous year to the end of the current year as required under International Public Sector Accounting Standards (IPSAS) 1 on presentation of financial statements.
- (ii) The amount of Kshs.168,241,831 on use of goods and services as reflected in the statement of cashflows does not agree with the figure of Kshs.152,824,990 reflected against the item in the statement of financial performance. No explanation has been provided for the difference of Kshs.15,416,241.
- (iii) GOK grants/ loans to groups (repayment) figure of Kshs.462,168,726 reflected in the statement of cashflows does not agree with the figure of Kshs.478,466,895 reflected under Note 13 to the financial statements. No explanation has been provided for the difference of Kshs.16,298,169.
- (iv) The statement of comparison of budget against actual amounts reflects a balance brought forward of Kshs.162,216,273 yet the statement of financial position and the statement of changes in net assets shows an amount of Kshs.220,381,398. The difference of Kshs.58,165,125 has not been explained.
- (v) The statement of comparison of budget and actual amounts does not have an explanation for variances as required under International Public Sector Accounting Standards (IPSAS) 24 on presentation of budget information in the financial statements.
- (vi) There is inconsistency in disclosure of the amount reported on GOK grants under Note 3(i) of Kshs.826,361,600 and the amount disclosed under Note 3(ii) which has Kshs.832,875,000.
- (vii) The statement of financial position reflects a balance of Kshs.3,365,301 under accounts receivable while Note 14 to the financial statements discloses a balance of Kshs.3,148,684. The difference of Kshs.216,617 has not been explained or reconciled.

- (viii) Contrary to the requirements of IPSAS 1 on presentation of financial statements, reserve funds balance brought forward of Kshs.220,381,398 has been presented in the statement of financial performance as a part of the total revenue for the year ended 30 June, 2016.

Consequently, the accuracy of the financial statements for the year ended 30 June 2016 cannot be confirmed.

2. Cash and Cash Equivalents

2.1. Prior Year Audit Matters

In the report for 2014/2015, it was indicated that the management did not prepare bank reconciliation statements for nine bank accounts with balances totalling Kshs.1,831,106,831 out of the total bank balances of Kshs.1,993,553,997 reflected in the statement of financial position. In addition, the main Co-operative Bank Account reconciliation statement reflected receipts totalling Kshs.7,124,845 in the bank not in cash book, hence omitted in the financial statements. The issues have not been resolved to date.

2.2. Current Year Issues

The statement of financial position reflects cash and cash equivalents balance of Kshs.1,877,425,470 as at 30 June 2016. However, the following anomalies have been observed:

- (i) The Fund had three accounts in Chase Bank for Machakos town constituency namely, Main Account, Loan repayment Account and Administration Account with balances of Kshs.3,082,647, Kshs.669,293 and Kshs.150,000, respectively. The bank was placed under statutory management by the Central Bank of Kenya on 7 April 2016 and therefore, recovery of these amounts is contingent upon the bank reverting to its normal operations.
- (ii) The cash and cash equivalents balance of Kshs.1,877,425,470 as detailed in Note 12 to the financial statements includes a bank balance of Kshs.242,989,421 at Kenya Commercial Bank. However, cash books analysis provided for audit verification shows a balance of Kshs.362,857,717 resulting to an unexplained difference of Kshs.119,868,296.
- (iii) Board of survey certificate as at 30 June 2016 and bank balances confirmation certificates for all bank accounts were not provided for audit examination.
- (iv) Cash and cash equivalents balance of Kshs.1,877,425,470 was not supported by cash books, bank statements, bank certificates and bank reconciliation as at 30 June 2016.

- (v) Cash and cash equivalents balance of Kshs.1,877,425,470 as at 30 June 2016 excludes an amount of Kshs.46,121,430 transferred to constituencies and which remained unutilized as at the close of financial year.

Under the circumstances, the accuracy and validity of cash and cash equivalents balance of Kshs.1,877,425,470 cannot be ascertained.

3. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.75,916,659 as at 30 June, 2016. The balance includes a part payment amounting Kshs.19,522,765 in respect of an ERP software procured during the year. The supply, installation and commissioning of the application is yet to be made even though the part payment has already been capitalized as an asset. Information available for audit indicated that the implementation of the ERP which was contracted at sum of Kshs.46 million has been called off even though there is a valid contract between the Board and the supplier. Further, recoverability and utilization of the part payment of Kshs.19,522,765 is doubtful given that the Fund appears to have stopped the implementation of the software. The value for money received by the Board in respect of the software cannot be ascertained. Under the circumstances, the accuracy and existence of property, plant and equipment balance of Kshs.75, 916,659 cannot be confirmed.

4. Loans to Groups

The statement of financial position also reflects loans to groups balance of Kshs.3,999,463,591 as at 30 June, 2016. However, the balance has no details or schedules to support the loan balances for each constituency group. Further, no ledgers, listing and aging analysis in support of these loans have not been provided for audit verification.

Consequently, the accuracy and validity of the loan balance of Kshs.3,999,463,591 cannot be confirmed.

5. Unsupported Amounts/Balances

The following amounts have not been supported:

- (i) Directors' expenses totalling Kshs.12,334,200 out of total directors' cost of Kshs.15,416,840 disclosed in Note 8 to the financial statements.
- (ii) Transfers to constituencies administration expenses figure of Kshs.145,216,262 disclosed under Note 5 to the financial statements.

6. Insurance Costs

The disclosures under Note 7 to the financial statements includes insurance costs totalling Kshs.9,582,469 for the year under review. The insurance costs includes comprehensive insurance for GK B 504G and GK B716G vehicles at a cost of

Kshs.1,533,322. No justification has been provided for insuring these government vehicles. As a result, the propriety and validity of the expenditure of Kshs.1,553,322 cannot be ascertained.

7. Variances Between the Financial Statements and the Ledger

The balances/amounts reflected under Note 7 to the financial statements for various expenditure items differs with ledger figures as highlighted below:

Item	Balance as per the financial statements (Kshs)	Balance as per ledger (Kshs)	Variance (Kshs)
Refurbishment of buildings	754,516	1,166,204	411,688
Purchase of office furniture & general equipment	1,018,715	25,546,725	24,528,010
Purchase of specialized plant equipment and machinery	1,528,655	22,431,180	20,902,525
Office and general supplies	2,577,042	2,595,042	18,000
Other operating expenses	13,258,108	13,506,339	248,231
TOTAL	19,137,036	65,245,490	46,108,454

The above variances has not been explained.

Disclaimer of Opinion

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



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

Nairobi

07 September 2017

**I. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**

	NOTES	2015-2016 Kshs	2014-2015 Kshs
Reserves			
Reserve funds b/f -		220,381,398	470,499,210
Revenue from non-exchange transactions			
Grants- Administration	3	826,361,600	342,500,000
Other Income (AIA)	4	36,300	46,000
Total revenue		1,046,779,298	477,007,358
Expenses			
Staff costs	6	13,099,406	4,542,852
Use of goods and services	7	152,824,990	133,321,324
Directors costs	8	15,416,840	15,222,600
Finance Cost	10	248,670	233,855
Depreciation	11	11,872,368	7,262,054
Training Expenses- Capacity Building	9	106,329,744	268,603,818
Transfers to Constituencies	5	145,216,262	163,477,308
Total expenses		445,008,281	592,663,812
Fund Balance for the period		601,771,017	220,381,398

The notes set out on pages 9 to 17 form an integral part of the Financial Statements

**II. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE, 2016**

	NOTES	2015-2016 KSHS.	2014-2015 KSHS.
Assets			
Current assets			
Cash and Cash Equivalent	12	1,877,425,470	1,993,534,816
Accounts receivables	14	3,365,301	2,022,917
		1,880,790,771	1,995,557,733
Non- Current Assets			
Property, Plant and Equipment	17	75,916,659	41,928,804
Loans to Groups	13	3,999,463,591	3,537,294,865
		4,075,380,250	3,579,223,669
Total assets		5,956,171,021	5,574,781,402
Liabilities			
Current Liabilities			
Accounts Payable	15	-	-
Non - Current Liabilities			
Total Liabilities		-	-
Net Assets			
G.O.K Loan Grants - Capital Fund	13	5,354,400,004	5,354,400,004
Reserves			
Accumulated Fund Balance	16	601,771,017	220,381,398
		5,956,171,021	5,574,781,402
Total net asset and Liabilities		5,956,171,021	5,574,781,402

The Financial Statements set out on pages 1 to 16 were signed on behalf of the Board of Directors by:

Principal Secretary (Fund Administrator)

Date: 30/9/16

Chairperson of the Board

Date:

III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2016

Attributable to the owners of the controlling entity

	Reserves					Total
	Self insurance reserve	Capital replacement development reserve	Housing reserve	Accumulated surplus	Minority interest	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2015	-	-	-	220,381,398	-	220,381,398-
Surplus/(deficit) for the period	-	-	-	601,771,017	-	601,771,017
Transfers to/from accumulated surplus	-	-	-	220,381,398-	-	220,381,398
Balance as at 30 JUNE 2016	-	-	-	601,771,017	-	601,771,017
Surplus for the period	-	-	-	601,771,017	-	601,771,017
Transfers to/from accumulated surplus	-	-	-	220,381,398-	-	220,381,398-
Balance as at 30 JUNE 2016	-	-	-	601,771,017	-	601,771,017

**IV. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2016**

	Notes	2015-2016	-2015
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
G.O.K Grants	3	826,361,600	342,500,000
Other Income (AIA)	4	36,300	46,000
		826,397,900	342,546,000
Payments			
Staff costs	6	13,099,406	4,542,852
Use of goods and services	7	168,241,831	133,321,320
Directors Costs	8	15,416,840	15,222,600
Training Expenses	9	106,329,744	268,603,818
Other Capital Grants and Transfers	5	145,216,262	163,477,308
Finance Costs	10	248,670	233,855
Reduction in receivables	14	1,342,384	(5,183,133)
Increase in Payables	15	0	463,469
		434,478,297	850,682,089
Net Cash flows from operating activities		391,919,603	(238,136,089)
Cash flows from investing activities			
Property plant and equipment purchased	17	(45,860,223)	(33,670,091)
Net cash flows used in investing activities		(45,860,223)	(33,670,091)
Cash flows from financing activities			
G. O. K. Grants/Loans to groups Loan	13	(462,168,726)	(3,537,294,865)
Net cash flows used in financing activities		(462,168,726)	(3,537,294,865)
Net increase/(decrease) in cash and cash equivalents		(116,109,345)	(3,809,101,045)
Cash and Cash Equivalents at 1 JULY	12	1,993,534,816	5,802,635,861
Cash and cash equivalents at 30 JUNE		1,877,425,470	1,993,534,816

7. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Revenue	Original budget		Adjustments		Final budget		Actual on		Performance difference
	2015-2016	Kshs	2015-2016	Kshs	2015-2016	Kshs	2015-2016	Kshs	
G.O.K Grants	1,040,000,000				832,875,000	826,361,600	826,361,600	6,513,400	
Balance of Funds B/f	162,216,273				162,426,986	162,426,986	162,426,986	-	
Other Income - AIA			36,300		36,300	36,300	36,300		
	1,202,216,273		36,300		995,338,286	988,824,886	988,824,886	6,513,400	
Domestic Loans to Non-Financial Public									
Enterprises									
Basic Salaries - Permanent Employees	51,256,440				51,256,440	3,312,141	3,312,141	47,944,299	
Basic Wages - Temporary Employees	6,200,000				6,200,000	1,442,805	1,442,805	4,757,195	
Personal Allowance - Paid as Part of Salary	43,254,960				43,254,960	8,347,233	8,347,233	34,907,727	
Employer Contributions to Compulsory National Social Security Schemes	16,189,497				16,189,497	-	-	16,189,497	
Utilities Supplies and Services	3,840,000				3,840,000	1,703,764	1,703,764	2,136,237	
Communication, Supplies and Services	3,806,000				3,806,000	3,086,509	3,086,509	719,491	
Domestic Travel and Subsistence, and Other Transportation Costs	83,450,000				83,450,000	57,732,279	57,732,279	25,717,721	
Foreign Travel and Subsistence, and other transportation costs	6,700,000				6,700,000	2,985,399	2,985,399	3,714,601	
Printing, Advertising and Information Supplies and Services	20,300,000				20,300,000	21,672,421	21,672,421	(1,372,421)	

Rentals of Produced Assets	14,000,000	14,000,000	10,566,573	3,433,427
Training Expenses	216,147,666	216,147,666	106,329,744	109,817,922
Hospitality Supplies and Services	34,369,000	34,369,000	33,142,435	1,226,565
Insurance Costs	29,891,164	29,891,164	9,582,469	20,308,695
Specialised Materials and Supplies	8,475,000	8,475,000	249,300	8,225,700
Office and General Supplies and Services	5,650,000	5,650,000	2,595,042	3,054,958
Fuel Oil and Lubricants	6,224,000	6,224,000	4,728,821	1,495,179
Other Operating Expenses	27,750,000	27,750,000	13,506,339	14,243,661
Routine Maintenance - Vehicles and Other Transport Equipment	2,500,000	2,500,000	3,149,793	(649,793)
Routine Maintenance - Other Assets	850,000	850,000	505,032	344,968
Refurbishment of Buildings	2,160,000	2,160,000	1,166,204	993,796
Purchase of Vehicles and Other Transport Equipment	20,150,000	20,150,000	16,364,971	3,785,029
Purchase of Office Furniture and General Equipment	51,068,546	51,068,546	9,181,754	41,886,792
Purchase of Specialised Plant, Equipment and Machinery	76,270,000	76,270,000	22,431,180	53,838,820
Other Capital Grants and Transfers	471,714,000	471,714,000	145,216,262	326,497,738
Total expenditure	1,202,216,273	- 1,202,216,273	478,998,469	691,099,066
Surplus for the period	(0)	36,300	509,826,417	(716,704,404)

- i. The expenditures on staff have huge variances since all Staffs are deployed from various Ministries. The Ministries continued paying for their salaries since pay structure for the Board is awaiting approval from Salaries and Remuneration Commission.
- ii. The board funds were released by the Ministry towards the end of June,2016 and this resulted to huge unspent balances which affected the activities for the period. The Board received Funds during the financial year Recurrent **Kshs.176,361,600** and Development **Kshs.650,000,000** as follows:-

	Recurrent	Development
• 17/03/2016	Kshs. 425,000,000.00	31/07/2015 Kshs.47,500,000.00
• 29/6/2016	kshs. 225,000,000.00	10/8/2015 Kshs. 95,000,000.00
		21/06/2016 Kshs. 33,861,600.00

iii. The Board did not receive recurrent funds amounting to **Kshs.6,513,400.00** during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The entity'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 entity.

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.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

.Transfers from other government entities

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

b) Budget information –

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts 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.

Transfers are made to or from investment property only when there is a change in use.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) 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.

f) Comparative figures

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

g) 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, 2016.

3. Government grants

(i) Budget Amount	2015 - 2016	2014- 2015
	Kshs.	Kshs.
Cash book balances - CBK	141,645,632	1,347,258,895
Cash book balances - Cooperative Bank	20,781,354	446,955,027
Cash in hand		36,009
Other Income – AIA	36,300	46,000
Expected Receipt from the Ministry	826,361,600	390,000,000
Total	988,824,886	2,184,295,931

(ii) G.O.K. Grants/ Receipts

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
G.O.K. Grants as per the budget	832,875,000	390,000,000
Less: Funds not Received	6,513,400	47,500,000
Total	826,361,600	342,500,000

4. Other Income

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
AIA		
Collection	36,300	46,000
Total	36,300	46,000

5. Transfers to Constituencies Administration expenses

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Balance b/f	14,002,692	
Total transfer	177,335,000	177,480,000
Less: Unutilised funds - Bank balances	46,121,430	14,002,692
Total	145,216,262	163,477,308

6. Staff Costs

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Basic Salaries - Permanent Employees	3,312,141	320,562
Basic Wages - Temporary Employees	1,440,032	2,042,642
Personal Allowance - Paid as Part of Salary	8,347,232	2,136,035
Employer Contributions to Compulsory National Social Security Schemes		43,613
Total	13,099,406	4,542,852

7. Use of Goods and Services

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Utilities Supplies and Services	1,703,763	2,097,787
Communication, Supplies and Services	3,086,509	2,530,979
Domestic Travel and Subsistence, and Other Transportation Costs	57,732,279	79,478,120
Foreign Travel and Subsistence, and other transportation costs	2,985,399	1,797,889
Printing , Advertising and Information Supplies and Services	21,762,421	14,172,885
Rentals of Produced Assets	10,566,572	9,268,497
Training and Capacity building		
Hospitality Supplies and Services	33,142,434	10,475,057
Insurance Costs	9,582,469	439,628
Specialised Materials and Supplies	249,300	236,000
Office and General Supplies and Services	2,577,042	2,300,328
Fuel Oil and Lubricants	4,728,820	3,130,386
Other Operating Expenses	13,258,108	3,230,166
Routine Maintenance - Vehicles and Other Transport Equipment	3,149,793	1,271,512
Routine Maintenance - Other Assets	505,032	18,000
Refurbishment of Buildings	754,516	1,924,655
Purchase of Office Furniture and General Equipment	1,018,715	171,000
Purchase of Specialized Plant, Equipment and Machinery	1,528,655	778,436
Total	152,824,991	133,321,324

8. Directors Costs

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Honoraria	960,000	960,000
Airtime	84,000	84,000
Duty allowance	8,700,000	8,639,000

Lunch allowance	90,000	116,000
Accommodation allowance	5,512,840	5,334,000
Taxi refund	70,000	89,600
Total	15,416,840	15,222,600

9. Training Expenses Capacity

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Training Expenses	106,329,744	268,603,818
Total	106,329,744	268,603,818

10. Finance Costs

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Bank Charges	248,670	233,855
Total	248,670	233,855

11. Depreciation Charge

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Motor Vehicles	7,655,707	4,077,210
Office Equipment	897,952	656,686
Office Furniture and Fittings	1,113,790	856,259
Computer Equipment and software	2,204,917	1,671,899
Total	11,872,367	7,262,054

12. Cash and Bank Balances

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Bank balance - Central Bank of Kenya	259,142,953	20,781,354
Bank Balance - Co-operative bank- Headquarters	217,224,674	141,645,632
Cash at hand		
Bank balances - Constituencies Fund		
African Banking Cooperation	3,839,242	8,114,637
Chase Bank	3,901,940	2,872,928
Consolidated Bank	7,312,863	13,254,307
Co-operative Bank	391,382,980	478,346,897
Equity Bank	629,837,385	719,434,991
Family Bank	45,538,709	71,090,839
First Community Bank	71,774,074	112,839,280
Kenya Commercial Bank	242,989,421	421,220,615
National Bank of Kenya	4,481,229	3,933,337
Total	<u>1,877,425,470</u>	<u>1,993,534,817</u>

13. Development Funds to Groups

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Loan capital fund	5,354,400,004	5,354,400,004
Outstanding Loan fund to Constituencies:		
Balance in the Accounts	478,466,895	1,773,802,831
Loan Repayment a/c	876,469,518	43,302,308
Loan Outstanding a/c	<u>3,999,463,591</u>	<u>3,537,294,865</u>

14. Account Receivable (Staff Imprest)

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Outstanding at closure of the year	3,148,684	2,022,917

Total	<u><u>3,148,684</u></u>	<u><u>2,022,917</u></u>
--------------	-------------------------	-------------------------

15. Funds not received from the Ministry

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Amount	<u>6,513,400.00</u>	<u>47,500,000</u>
Total	<u><u>6,513,400.00</u></u>	<u><u>47,500,000</u></u>

16. Reserves

	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
	<u>601,771,017</u>	<u>220,381,398</u>
Total	<u><u>601,771,017</u></u>	<u><u>220,381,398</u></u>

17. Property Plant And Equipment

Property, plant & equipment and depreciation Property, plant and equipment is stated at cost or valuation less accumulated depreciation. Depreciation is provided to write-off the cost of the fixed assets in use on a straight –line basis over the expected useful life’s of the assets concerned. The annual rates for this purpose are:-

Motor Vehicles - **25.00%**

Office Equipment - **12.50%**

Furniture - **12.50%**

Fixtures & Fittings - **12.50%**

Computers - **33.33%**

PROPERTY, PLANT AND EQUIPMENT


DETAILS	Motor Vehicle KShs	Office Equipment KShs	Office Furniture & Fittings KShs	Computer Equipment & Software KShs	Total KShs.
Cost / Valuation As At 1 July 2015	30,622,829	6,255,955	7,056,823	5,535,805	49,471,412
Additions (Purchases-June 2016)	16,364,971	1,875,525	3,389,478	24,230,249	45,860,223
Less: Disposal / Write Off	-	-	-	-	-
As At 30 June 2016	46,987,800	8,131,480	10,446,301	29,766,054	95,331,635
Depreciations					
At 1 July 2015	4,206,377	672,278	909,852	1,754,101	7,542,608
Charge For The Year	7,655,707	897,953	1,113,790	2,204,918	11,872,368
Total Accumulated Depreciation	11,862,084	1,570,230	2,023,642	3,959,019	19,414,976
Less: On Disposals	-	-	-	-	-
Net Book Value	35,125,716	6,561,250	8,422,658	25,807,035	75,916,659
At 30 June 2016	35,125,716	6,561,250	8,422,658	25,807,035	75,916,659
At 30 June 2015	26,416,452	5,583,677	6,146,971	3,781,704	41,928,804

Note:Computer equipment and software include 40% instalment of Kshs.19,522,765.00 paid for the ERP system

18. 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.	The statements reflected bank balance as cash and cash equivalent instead of the cash book balances. This was reflected in both the headquarters and constituencies accounts.	The issues was responded in time as per the auditor time line	Head of accounts Peter Nyamete Mogire	Responded to the issues on 1/07/2016	Response from the auditor not yet received



Principal Secretary (Fund Administrator)

Date... 30/9/15

Chairperson of the Board



Date.....