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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**VIHIGA COUNTY TRADE AND  
ENTERPRISE FUND**

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

PAPERS LAID	
DATE	26/3/2024
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COMMITTEE	—
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**VIHIGA COUNTY TRADE AND ENTERPRISE FUND**

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

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

***Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2023***

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **a) Background information**

Vihiga County Trade and Enterprise Fund was formed after extensive consultations between the County Executive and the Members of the County Assembly of Vihiga which resulted in the enactment of Vihiga County Trade and Enterprise Fund Act 2018. The Fund is operationalized by the Vihiga County Trade and Enterprise Fund Regulations 2018.

The beneficiaries of the program comprise of resi traders and entrepreneurs who are residents of Vihiga County.

### **b) Principal Activities**

The principal activity/mission/ mandate of the fund is to provide affordable loans to eligible residents of Vihiga County.

#### **Vision**

“Powering Your Dream”

#### **Mission**

To provide affordable credit to eligible traders and entrepreneurs of Vihiga County

#### **Core Values**

**INTEGRITY:** We strive to be honest, fair and ethical in all dealings with our clients, suppliers, partners, co-workers and the communities in which we operate.

**ACCOUNTABILITY:** We will individually and collectively take full responsibility for our actions and hold ourselves accountable to each other and to all stakeholders.

**c) Board of Trustees / Fund Administration Committee**

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1	Chairman	Mr Franklin Muchile
2	Fund Administrator – Secretary	Mr Joseph Mbeta
3	Chief Officer Trade	Mr Paul Ayodi
4	Board Member	Ms Veronica Musiega
5	Board Member	Mr Morris Ayodi
6	Board Member	Mr Abisai Angote
7	Board Member	Mr Christopher Kwache
8	Board Member	Mr Boaz Indeje
9	Board Member	Ms Doris Anjawa
10	Board Member	Mr Hajj Amani
11	Board Member	Dr Billy Nyonje
12	Board Member	Ms Philice Mukhala Khimuli
13	Board Member	Ms Achungo Lillian Omumia

**d) Key Management**

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1	Fund Administrator – Secretary	Mr Joseph Mbeta
2	Accountant	Lucy Gathoni
3	Secretariat	Jotham Amutsama
4	Secretariat	Jenipher Mutuli
5	Secretariat	Joyce Vutagwa
6	Secretariat	Mercy Toroitich
7	Secretariat	Millicent Khalwala
8	Secretariat	Carol Kajaira
9	Secretariat	Fanuel Mulindi

**e) Registered Offices**

P.O. Box 344 – 50300,  
Maragoli,  
Kisumu-Busia Highway,  
Kenya.  
Email: [vihigatradeandenterprisefund@gmail.com](mailto:vihigatradeandenterprisefund@gmail.com)

**f) Fund Bankers**

Equity Bank,  
Mbale Branch,  
P.O. Box 75104-00200,  
Nairobi, Kenya.





**g) Independent Auditors**

Auditor General,  
Office of the Auditor General,  
Anniversary Towers, University Way,  
P.o.box 30084,  
GPO 00100,  
Nairobi, Kenya.




**h) Principal Legal Adviser**

County Attorney,  
County Government of Vihiga,  
P.O. Box 344-50300,  
Maragoli, Kenya.






## 2. The Board of Trustees

NO.	Name	Details of qualifications and experience
1	 Mr Franklin Muchile	Chairperson of the board of Board Trustee, Member of Human Resource Committee and member in charge of special interest groups i.e. Bodaboda sector. Certificate in Corporate Governance
2	Mr Joseph Mbeta	Fund Administrator and Secretary of the Board of Trustee. Certified Public Accountant II
3	Dr Anaya Senelwa	Chief Officer Commerce, Tourism and Cooperatives and ex officio board member.
4	Ms Veronica Musiega	Board Member in charge of most representative business membership organization i.e. Small-Medium Enterprises. Diploma Business Management
5	 Mr. Morris Ayodi	Board member in charge of Sabatia sub-county Certificate in Corporate Governance
6	 Mr. Abisai Angote	Chairperson credit committee and a Board member in charge of Vihiga sub-county. Certificate in Corporate Governance
7	 Mr. Christopher Kwache	Board member in charge of Differently-Able persons. Certificate in Corporate Governance

**Vihiga County Trade and Enterprise Fund  
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For the year ended June 30, 2023**



NO.	Name	Details of qualifications and experience
9	 Ms Doris Anjawa	Chairlady Training Committee and Board member in charge of most representative association of women engaged in micro, small enterprises. Bachelor Degree
10	 Mr Hajj Amani	Board member in charge of youth engaged in micro and small enterprises. Diploma Communication
11	Dr Billy Nyonje	Chairperson Monitoring and Evaluation Committee and Board member in charge of Luanda Sub-county. PhD Theology
12	 Ms Philice Mukhala Khimuli	Board member in charge of Hamisi sub-county Certified public accountant
13	Achungo Lillian Omumia	Board member in charge of Emuhayasub-county. Certificate Education

**3. The Management Team**

NO.	Name	Details of qualifications and experience
1.	Joseph Mbeta	Ag. Fund Administrator and. Certified Public Accountant III D.o.b 9 Years in public service
2.	 Ms Lucy Gathoni	Accountant Certified Public Accountant III D.o.b 22/8/1990 8 Years in public service
3.	 Mr Fanuel Mulindi	Accountant Certified Public Accountant III D.o.b 28/04/1985 7 Years in public service
4.	 Mr Jotham Amutsama	Accountant Certified Public Accountant II D.o.b 14/12/89 9 Years in public service
5.	 Ms Carol Kajaira	Accountant Certified Public Accountant II D.o.b 16/02/1991 11 Years in public service
6.	 Ms Joyce Vutagwa	Supply chain officer Bachelor Degree D.o.b 28/10/1992 6 Years in public service

**Vihiga County Trade and Enterprise Fund  
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For the year ended June 30, 2023**

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7.	 Ms Millicent Vuzingwa	Human Resource Diploma hr D.o.b 22/11/1973 7 Years in public service
8.	 Ms Mercy Toroitich	Credit officer Bachelor Degree D.o.b 26/03/1989 7 Years in public service

## **Board/Fund Chairperson's Report**

It is my pleasure to present, on behalf of entire board, the Vihiga County Trade and Enterprise Fund Quarterly Report and Financial Statements for the quarter ending 30<sup>th</sup> June 2023.

During the year, there were changes in the composition of the board membership. Ms Veronica Musiega was appointed by the County Executive Committee Member of Commerce Tourism and Cooperatives to be in charge of most representative business membership organization i.e. Small-Medium Enterprises following the resignation of Ms Everlyne Kisato. Mr Boaz Indeje was promoted to glory after a long battle illness. The board has sought for his replacement from the County Committee Member of Commerce Tourism and Cooperatives and the process is still ongoing.

### **Review of performance**

The fund recorded dismal activity during the year which was attributed to the fact that it did not receive its annual budgetary allocation as provided for under the Act. It's important to note that the fund's administrative expenditure is provided as a percentage of the annual budgetary allocation. For this reason, lack of funds was an impediment to carrying out general operations that facilitate achievement of periodic objectives.

### **Income**

During the year only Kshs 376,064 was recovered, this is a low rate of recovery considering amounts still being owed by the beneficiaries. The board was of the opinion that facilitation for implementation of recovery measures that had previously been initiated was vital to push recovery numbers upwards.

The key source of income is interest charge on loans advanced. This is just a fraction of the total recovered amount and it's unrealistic to imagine that it can be enough for financial self-sustenance and reliability.

There was very little that could be done considering the board had to effect transfers from recoveries account to facilitate meetings which are a statutory requirement, a little sensitization and reminders to beneficiaries.

### **Future outlook**

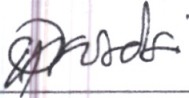
In its quest to provide affordable credit facilities, the Vihiga County Trade and Enterprise Fund seeks to find consistent financial support from the ministry of Commerce, Tourism and Cooperatives. This will help bridge the gaps that exist due to lack of sufficient and continuous funding.

Other potential financial sources e.g. donor funds and grants need to be exploited for more capital to enable expand and meet the demand for credit within Vihiga County.

**Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the County Government, stakeholders, management, staff and fellow board members for their support.

I look forward to your continued support with the Vihiga County Trade and Enterprise Fund.



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MR. Franklin Ford Muchile  
**BOARD CHAIRPESON**

#### **4. REPORT OF THE FUND ADMINISTRATOR**

It is my pleasure to present the Vihiga County Trade and Enterprise Fund annual report and financial statements for the year ended June 30 2023.

During the year one the secretariat by the name Iris Mudasia was tranfered to the ministry of health. The transfer was initiated from the office of the county secretary and effected by the department. This in turn left Hamisi sub-county with only one secretarial personnel to attend to its administrative needs.

##### **a) Financial Performance**

From financial year 2021/2022 to date no budgetary allocations have been received to necessitate loan advancements to eligible applicants. And also recoveries were not sufficient to cover the budget for eligible applications. This meant that there was no loan disbursements for the period understated therefore breaking the loan cycle.

For the financial year ended 30<sup>th</sup> June 2023 the following summary demonstrate recoveries of the outstanding amount and revenue generated from interest collected.

<b>Outstanding Principal at 1<sup>st</sup> July 2022</b>	<b>Outstanding interest at 1<sup>st</sup> July 2022</b>	<b>Recovered Principal</b>	<b>Interest Recovered</b>	<b>Outstanding Amount at 30<sup>th</sup> June 2023</b>	<b>Outstanding Interest at 30<sup>th</sup> June 2023</b>	<b>Outstanding Penalties at 30<sup>th</sup> July 2023</b>
45,521,830.50	3,237,771.00	293,664	82,400	45,228,166.50	3,155,371.30	4,080,081.61

From the illustration above, the rate of recovery is notably low. This could be attributed to lack of implementation of provisions of policies and other measures that were put in place to aid recovery. It's a matter of great importance to note that the measures like recovery follow ups and policies such as training need facilitation for implementation. Not being facilitated through the previous financial years and the year under review, was a major impediment to carrying our core mandate and other general operations.

##### **b) Future outlook**

Moving forward, it's my proposal that the Vihiga County Enterprise Fund need to change tact in its general approach as follows

##### **Increase customer base**

This can be achieved via issuing smaller loans to many beneficiaries and reducing the repayment period. It will help spread the risk of non-repayment, hence reducing default rate and also increase revenue generation due to increased loan cycle frequency.

**Make disbursements a gradual process**

To ensure perpetuity in operations, the disbursement process isn't supposed a one off activity. It should be done in batches and gradually. This will help in projecting and analysing repayment trends that are essential in future planning. It also provides room for adjusting to beneficiary needs which results in a win-win relationship between the enterprise fund and the beneficiaries.

**Close cooperation**

There should exist a close and effective working relation between the executive and the board in terms of policy development, implementation and review. This can be done through providing all the enablers and other necessary tools.

**Conclusion**

I take this opportunity to thank the Vihiga County Trade and Enterprise Fund Board for their support, the secretariat team and other stakeholders who have ensured that Vihiga County Trade and Enterprise Fund achieve its mission, vision and objectives.

Signed:   
\_\_\_\_\_  
**Mr Joseph Mbeta**  
**FUND ADMINISTRATOR**

*Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

<p><b>Specific objective 2:</b> Established loan recovery strategies</p>	<p>Updated loan recovery statement</p>		
<p><b>Output 2.1:</b> Established efficient loan recovery strategies</p> <p><b>Activities</b></p> <ul style="list-style-type: none"> <li>- Assessment of potential applicants</li> <li>- Assessment of business ventures</li> <li>- Capacity building of loan secretariat team</li> <li>- Monitoring and Evaluation of the groups and SMEs performance after receipt of the loans</li> </ul>	<p>Loan recovery strategies incorporated.</p> <ul style="list-style-type: none"> <li>- Established credit committee</li> <li>- Established training committee</li> <li>- Establish Till Number and loan recovery account for loan recovery</li> <li>- Established Monitoring and Evaluation Committee.</li> </ul>	<ul style="list-style-type: none"> <li>- Credit committee reports/minutes</li> <li>- Training reports</li> <li>- Monitoring and evaluation reports</li> <li>- Loan recovery statements</li> </ul>	<p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>- Loan recovery policy in place</li> <li>- Credit committee in place</li> <li>- Risk management and audit committee in place</li> <li>- Monitoring and evaluation policy in place</li> </ul>

## **6. Corporate Governance Statement**

### **THE BOARD**

The Vihiga County Trade and Enterprise Fund is a revolving fund established pursuant to Vihiga County Trade and Enterprise Act, 2018. The Fund is operationalized by the Vihiga County Trade and Enterprise Fund regulations 2018.

The Fund mandate is to provide affordable and accessible loans to traders and entrepreneurs of Vihiga County.

The fund is in the process of putting up a robust corporate governance structure to guide its operations with other stakeholders.

### **BOARD MEETINGS**

The Board meets quarterly or as need arises in order to monitor and review the implementation of the fund's strategic decisions. It plays an oversight role on all financial and operational issues as pertains to the Fund. The Trustees held seven board meetings during the financial year under review.

### **AUDIT AND RISK COMMITTEE**

There exists an established Independent Vihiga County Trade and Enterprise Fund Audit and Risk Committee whose mandate is to oversight utilisation of Public Funds in the fund as guided by Vihiga County Trade and Enterprise Fund Act 2018 and the Public Finance Management Act, 2012.

### **STATEMENT OF COMPLIANCE**

The Board confirms that the fund has complied with all the statutory and regulatory requirements and that the fund has been managed in accordance with the Principles of Good Corporate Governance.

### **INTERNAL CONTROL AND RISK MANAGEMENT**

#### **Internal Control**

The board is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

*Statement of Corporate Governance (Continued)*

### **Internal Control Framework**

Internal controls are reviewed by the external auditors. Where weaknesses are identified, the auditor recommends appropriate actions to be taken by the management.

### **Management Team**

The management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently. The management team is comprised of the secretariat that is stationed in respective sub counties.

### **Auditor**

The fund is audited by the Auditor General Kenya

## 7. MANAGEMENT DISCUSSION AND ANALYSIS

As at 30<sup>th</sup> June 2023 the management had strived to execute its mandate as provided for in the Vihiga County Trade and Enterprise Fund Act 2018. Even though insufficient, notable efforts were made in various areas of administration under the circumstances that were prevailing at the time.

Areas that were covered are as outlined below.

### a) Operational analysis and compliance with statutory provisions

Due to budgetary constraints, the management was unable to operationalize most of its activities save for a few that were fundamental and are a requirement by the Act.

Within the year, management had placed a request for refiling of a position on the board that fell vacant after the demise of Mr Boaz Indeje. He was a representative for chamber of commerce and Hamisi sub-county.

This had to be made in order to comply with the provisions of the Act on composition and representation on the board under section 6.

Quarterly financial reports were prepared and submitted to the County Executive Committee Member for Trade and copies to the Controller of Budget on time as stipulated under section 10 (f) of the Act.

As a duty of the fund administrator under section 10 (m) of the Act, preparation of the strategic plan was yet to commence due to lack of facilitation funds.

Even though this was the case, management had to find a way around complying with the provisions of the same section under subsection (n) and (o), to prepare estimates of expenditure and forward it to the board for approval then the board forwards it to the County Executive Committee Member for Trade.

As most of the key operations of the fund were rendered dormant due to lack of funding and provision of necessary enablers, management did not tire to keep reminding the executive the severity of the situation and its implication on the existence of the Vihiga County Trade and Enterprise Fund.

The importance of systemic and consistent review and implementation of policies and measures put in place to recover outstanding loan amounts was time and again explained to demonstrate how facilitation was urgent and pivotal.

### b) Financial analysis

Due to inability to carry out its day to day operations efficiently and effectively, recovery the outstanding loans was greatly impeded.

Loan principal and interest recovered, and their respective outstanding amounts at the end of the year were as tabulated below.

	<b>Balance b/f</b>	<b>repayments</b>	<b>Balance c/d</b>
	<b>FY 2022/2023</b>	<b>FY 2022/2023</b>	<b>FY 2022/2023</b>
<b>Principal Amount</b>	45,521,830.50	293,664	45,228,166.50
<b>Interest</b>	3,237,771.00	82,400	3,155,371.30
<b>Penalties</b>		-	4,080,081.61

## **MAJOR RISKS FACING THE FUND**

### **a) Credit risk**

Under section 19 sub-section (3), the board is mandated to determine the beneficiaries. Most of the targeted beneficiaries are small business owners with small capital base and cash flows. Analysing operations of such businesses to help determine the repayment capability of an individual and avert risk of non-repayment remains challenging.

In other instances small business owners don't have a financial profile that would be tainted in case they default on repayment. This is largely guided by the "nothing to lose" mind-set.

Due to the scope and nature of their operations, small businesses lack the ability to withstand changes in business environment (both economic and environmental) that might negatively affect their businesses. For example changes in government policies e.g. taxation that have a negative implication on demand and supply through pricing of goods and services. This might lead to most businesses closing shop before they finish servicing of loans.

### **b) Risk of change in political administration.**

Entire existence of the fund depends on political plans and manifestos and goodwill in their implementation. Unnecessary changes in plans and priorities might give rise to the risk of not operating in perpetuity. This comes into play especially when there is a transition from one political administration to another.

## **8. Corporate Social Responsibility Statement**

Corporate social responsibility is an integral part of our culture. As a responsible organisation, we respect the interests of our stakeholders – our employees, customers, suppliers and the wider community and we actively seek opportunities to improve the business environment and to contribute to the well-being of the communities around us.

We are looking forward to getting involved in more Corporate Social Responsibility activities by partnering with other stakeholders in areas of mutual interest.

## **9. Report of the Trustees**

The Trustees submit their report and financial statements for the year ending 30<sup>th</sup> June 2023 which show the state of the Fund affairs during the financial year.

### **Principal activities**

The principal activity of the Fund is to provide financing to the eligible Vihiga County business people to improve their business and in the long run improve their living standards.

### **Results**

The results of the Fund for the year ending 30<sup>th</sup> June 2023 are set out in the financial statements and report.


### **Trustees**

The Board of Trustees who served during the year under review is captured above.

### **Auditors**

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

By Order of the Board



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Franklin Ford Muchile  
**CHAIRPERSON**

Date: 24<sup>th</sup> July, 2023

## **10. Statement of Management's Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Vihiga County Trade and Enterprise Fund Act 2018 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the International Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Vihiga County Trade and Enterprise Fund Act 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

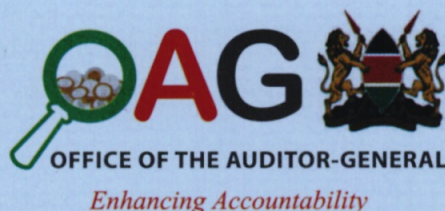
The Fund's financial statements were approved by the Board on July 15, 2023 and signed on its behalf by:

Signed: \_\_\_\_\_

**Joseph Mbeta**  
**FUND ADMINISTRATOR**

# REPUBLIC OF KENYA

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Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON VIHIGA COUNTY TRADE AND ENTERPRISE FUND FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Vihiga County Trade and Enterprise Fund set out on pages 1 to 30, which comprise of the statement of financial

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*Report of the Auditor-General on Vihiga County Trade and Enterprise Fund for the year ended 30 June, 2023*

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Vihiga County Trade and Enterprise Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Vihiga County Trade and Enterprise Fund Act, 2018 and the Public Finance Management Act, 2012.

### **Basis for Adverse Opinion**

#### **1. Misstated Other Income**

The statement of financial performance reflects an amount of Kshs.1,419,164 as other income during the year. However, this account and as disclosed in Note 2 to the financial statements relate to borrowing of Kshs.1,300,000 from Joint Loans Board under the National Government's Ministry of Trade and transfers from other accounts of Kshs.119,164 all totaling to Kshs.1,419,164. Therefore, there was no income in the year under review.

In the circumstances, the accuracy of the income amount of Kshs.1,419,164 disclosed as other income could not be confirmed.

#### **2. Unsupported Receivables from Exchange Transactions**

The statement of financial position and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.29,412,931 under total current portion of receivables and an amount of Kshs.23,050,688 under long term receivables from exchange transactions all totaling to Kshs.52,463,619. However, no ageing analysis was provided for audit.

In addition, the receivables from exchange transactions reduced from an amount of Kshs.54,355,212 in the previous year to Kshs.52,463,619 in the year ended, resulting to a decrease of Kshs.1,891,593. However, there were no additional loans in the year and only an amount of Kshs.376,064 was recovered in the year, resulting to unexplained decrease of Kshs.1,515,529 in the year. No record of debt provision was provided for audit review.

In the circumstances, the completeness and accuracy of receivables from exchange transactions of Kshs.52,463,619 could not be confirmed.

### **3. Unsupported Property, Plant and Equipment Balance**

The statement of financial position reflects a balance of Kshs.1,140,800 in respect to property, plant and equipment and office furniture of Kshs.729,900, resulting to a total of Kshs.1,870,700 which is an increase of Kshs.943,684 from the previous year's balance of Kshs.927,016. It is not clear, and Management has not indicated how the additional assets were acquired as there are no records maintained on the same.

In addition, the statement of financial performance reflects Nil balance in respect to depreciation and amortization expense and as disclosed in Note 4 to the financial statements. This is contrary to the reporting template, which requires that all property, plant and equipment be stated at cost less accumulated depreciation and impairment loss.

In the circumstances, the completeness, accuracy and existence of the property, plant and equipment balance of Kshs.1,870,700 could not be confirmed.

### **4. Unsupported Intangible Assets Balance**

The statement of financial position reflects a balance of Kshs.820,000 on intangible assets. This is an increase of Kshs.546,666 from the previous year's balance of Kshs.273,334. No evidence was presented to show how the additional intangible assets were acquired. In addition, no amortization charges were made on the intangible assets in the year under review.

In the circumstances, the completeness and accuracy of the intangible assets balance of Kshs.820,000 could not be confirmed.

### **5. Unsupported Closure of Bank Accounts**

The statement of financial position reflects a balance of Kshs.361,419 in respect to cash and cash equivalents and as disclosed in Note 5 to the financial statements. The detailed analysis reflects two (2) Kenya Commercial Bank (KCB) accounts which had Nil balances. Although the Management explained that the two accounts had been closed, no documentary evidence such as Board minutes were provided for audit verification.

In the circumstances, the accuracy and completeness of cash and cash equivalents of Kshs.361,419 could not be confirmed.

### **6. Inaccurate Disclosure of Accumulated Surplus**

The statement of financial position reflects accumulated surplus amount of Kshs.16,154 which is lower than the surplus for the prior year. This is an indication that the amount does not include the accumulated surplus from the last financial year of Kshs.60,164.

In the circumstances, the accuracy of accumulated surplus amount of Kshs.16,154 could not be confirmed.

## **7. Statement of Changes in Net Assets**

The statement of changes in net assets reflects opening balance of Kshs.54,199,584 while the audited financial statements for the year ended 30 June, 2022 reflects a closing balance of Kshs.55,583,763 resulting in a variance of Kshs.1,132,067 which has not been explained or reconciled.

In the circumstances, the accuracy of the statement of changes in net assets could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Vihiga County Trade and Enterprise Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Key Audit Matters**

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

### **Other Matter**

### **Prior Year Matters**

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Outstanding Loans**

The statement of financial position reflects long term receivables from exchange transactions of Kshs.23,050 688 and as disclosed in Note 6 to the financial statements. The 1<sup>st</sup> disbursement was done in July, 2019 while the 2<sup>nd</sup> disbursement was done in July 2020, both having a maturity period of three years. However, the loans are long overdue with poor repayments which has hindered further issuance of loans.

In the circumstances, the Fund may not meet its main objective of issuing loans due to high default rate.

### **2. Non-Collection of Penalties and Fines**

The statement of financial performance reflects Nil amounts in respect to fines, penalties and other levies as no revenue was realized from these revenue sources during the year under review and even in the prior year.

In the circumstances, the Fund is not penalizing loan defaulters as expected.

### **3. Failure to Provide Approved Annual Estimates**

The statement of comparison of budget and actual amounts reflects an analysis of budgeted revenue of Kshs.1,419,164 and an actual receipt of Kshs.1,403,010. It also shows an equivalent expense of Kshs.1, 419,164. However, the approved budget for the period under review was not provided for audit verification. This is contrary to Section 33(1) of the Vihiga County Trade and Enterprise Fund Act, 2018 which states that at least three months before the commencement of each financial year, the board shall cause to be prepared estimates of the revenue and expenditure of the fund.

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

### **4. Use of Goods and Services**

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects an amount of Kshs.1,403,010 under use of goods and services. This amount comprised of administration expenses of Kshs.98,900, Board Allowances of Kshs.526,000 and airtime and daily subsistence allowances of Kshs.778,110 all totaling to Kshs.1,403,010. However, these expenditures were financed by loan recoveries of Kshs.376,064 and borrowings of Kshs.1,419,164, as there were no other generated incomes in the year. No reason was given by Fund Management for continued payment of Board Allowances without any discernable activity.

In the circumstances, the Fund is technically dormant and expenditure of Kshs.1,403,010 incurred does not reflect any value for money.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of Strategic Plan, Risk Management Policy and Strategy**

Review of records revealed that Fund does not have a strategic plan and it is not clear how the Management will work towards attaining the vision and identify the organization's goals and objectives. In addition, Management had not put in place risk management policy, strategies, and risk register to mitigate against risk and therefore not clear how the Management manages risk exposures.

In the circumstances, the effectiveness of risk management in the Fund could not be confirmed.

#### **2. Issuance of Loans to Non-Qualifying Beneficiaries**

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.46,854,238. Review of documents revealed that some beneficiaries were given loans contrary to the Vihiga County Trade and Enterprise Fund Loan Policy Section 3.4 which provides that; in the approval of the loan amount to be granted, the Board shall rely on the capacity of the applicant to repay the Loan.

In the circumstances, the internal controls on management of loans could not be confirmed.

### **3. Non-Compliance with the Implementation of the Recommendations of Legislative Oversight Committees**

During the year under review, the Management of Vihiga County Trade and Enterprise Fund did not provide reports on implementation of the recommendations of legislative Oversight Committees.

In the circumstances, compliance on effectiveness in implementation of the recommendations of legislative Oversight bodies could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund policies and procedures may deteriorate.

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**31 January, 2024**

**Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2023**

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

	Note	2022-2023 KES	2021-2022 KES
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations		-	-
Transfers From the County Government		-	-
Loan penalties accrued		-	-
Fines, Other Levies		-	-
<b>Revenue From Exchange Transactions</b>			
<b>Interest Income</b>			
Other Income	2	1,419,164	2,705,504
<b>Total Revenue</b>		<b>1,419,164</b>	<b>2,705,504</b>
<b>Expenses</b>			
Employee Costs		-	-
Use of goods and services	3	(1,403,010)	(1,900,615)
Depreciation and Amortization Expense	4	-	(744,725)
Finance Costs		-	-
<b>Total Expenses</b>		<b>(1,403,010)</b>	<b>(2,645,340)</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets		-	-
<b>Surplus/(Deficit) For The Period</b>		<b>16,154</b>	<b>60,164</b>

The accounting policies and explanatory notes to the end year financial statement form an integral part of this Comprehensive Income Statement. The Vihiga County Trade and Enterprise Fund Income Statement was approved on July 15, 2023 and signed by:

  
 \_\_\_\_\_  
**Joseph Mbeta**  
**FUND ADMINISTRATOR**

  
 \_\_\_\_\_  
**Franklin Ford Muchile**  
**CHAIRPERSON**

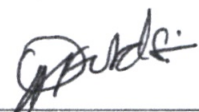
**Vihiga County Trade and Enterprise Fund**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

**13. Statement of Financial Position as At June 30 2023**

	Note	2022-2023 KES	2021-2022 KES
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	361,419.00	88,365
Current Portion of Long- Term Receivables From Exchange Transactions	6	29,412,930.86	7,500,974
		<b>29,774,349.86</b>	<b>7,589,339</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7	1,140,800.00	927,016
Office Furniture	7	729,900.00	-
Intangible Assets	8	820,000.00	273,334
Long Term Receivables from Exchange Transactions	6	23,050,688.24	46,854,238
		<b>25,741,388.24</b>	<b>48,054,588</b>
<b>Total Assets</b>		<b>55,515,738.10</b>	<b>55,643,927</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Provisions		-	-
Current Portion of Borrowings	9	1,300,000.00	-
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation		-	-
Long Term Portion of Borrowings		-	-
<b>Total Liabilities</b>		<b>1,300,000.00</b>	<b>-</b>
<b>Net Assets</b>			
Revolving Fund	1	54,199,584.12	55,583,763
Reserves		-	-
Accumulated Surplus		16,154.00	60,164
<b>Total Net Assets and Liabilities</b>		<b>55,515,738.10</b>	<b>55,643,927</b>

The accounting policies and explanatory notes to the end year financial report form an integral part of this Statement of Financial Position. The Vihiga County Trade and Enterprise Fund Statement of Financial Position was approved on July 15, 2023 and signed by:

  
 \_\_\_\_\_  
**Mr Joseph Mbeta**

  
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**MR. Franklin Ford Muchile**



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**FUND ADMINISTRATOR**

**CHAIRPERSON**

**Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2023**

**14. Statement of Changes in Net Assets for the year ended June 30<sup>th</sup> 2023**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	KES	KES	KES	KES
<b>Balance As At 1 July 2020</b>	51,435,140	-	-	51,435,140
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Interest Accrued	3,345,381	-	-	3,345,381
Penalty Accrued	3,551,130	-	-	3,551,130
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2021</b>	-	-	-	<b>58,331,651</b>
		-		
<b>Balance As At 1 July 2021</b>	58,331,651	-	-	<b>58,331,651</b>
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Less Expenses	(2,747,888)	-	-	<b>(2,747,888)</b>
<b>Balance As At 30 June 2022</b>	-	-	-	<b>55,583,763</b>
<b>Balance As At 1 July 2022</b>	<b>54,199,584.12</b>	-	-	<b>54,199,584.12</b>
Surplus/(Deficit) For the Period	-	-	16,154	16,154
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2023</b>	<b>54,199,584.12</b>	-	<b>16,154</b>	<b>54,215,738.12</b>

The accounting policies and explanatory notes to the end year financial report form an integral part of this Statement of Changes in Net Assets. The Fund Statement of Changes in Net Assets was approved July 15, 2023 and signed by:

  
\_\_\_\_\_  
**Mr Joseph Mbeta**  
**FUND ADMINISTRATOR**

  
\_\_\_\_\_  
**MR. Franklin Ford Muchile**  
**CHAIRPERSON**

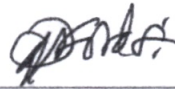
**Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2023**

**15. Statement of Cash Flows for the Year Ended 30 June 2023**

	Note	2022-2023 KES	2021-2022 KES
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the county government		-	-
Interest received	2	82,400	256,884
Receipts from other operating activities	9	1,300,000	-
<b>Total receipts</b>		<b>1,382,400</b>	<b>256,884</b>
<b>Payments</b>			
Fund administration expenses	3	(98,900)	(90,340)
General expenses	3	(1,304,110)	(2,555,000)
Finance cost		-	-
<b>Net cash flows from operating activities</b>		<b>(20,610)</b>	<b>(2,645,340)</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments	2	293,664	992,560
Loan disbursements paid out			(500,000)
<b>Net cash flows used in investing activities</b>		<b>293,664</b>	<b>492,560</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>273,054</b>	<b>(1,895,896)</b>
Cash and cash equivalents at July 1st 2022		88,365	1,984,260
<b>Cash and cash equivalents at 30 June 2023</b>		<b>361,419</b>	<b>88,364</b>

The accounting policies and explanatory notes to the end year financial report form an integral part of this Cash Flow Statement. The fund Cash Flow Statement was approved on July 15, 2023 and signed by:

  
**Mr Joseph Mbeta**  
**AG.FUND ADMINISTRATOR**

  
**MR Franklin Ford Muchile**  
**CHAIRPERSON**

*Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

**16. Statement of Comparison of Budget and Actual Amounts for the Period**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% utilization</b>
	<b>2021/2022</b>	<b>2021/2022</b>	<b>2021/2022</b>	<b>2021/2022</b>	<b>2021/2022</b>	<b>2021/2022</b>
<b>Revenue</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>
Public contributions and donations	-	-	-	-	-	-
Balance b/f Main a/c	60,164	-	60,164	60,164	-	100
Transfer from Recovery A/c	59,000	-	59,000	59,000	-	100
Borrowing from JLB	1,300,000	-	1,300,000	1,283,846	16,154	99
<b>Total income</b>	<b>1,419,164</b>	<b>-</b>	<b>1,419,164</b>	<b>1,403,010</b>	<b>16,154</b>	<b>99</b>
<b>Expenses</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>
<b>ADMINISTRATIVE</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>
Other Operating Expenses - bank charges	900	-	900	900	-	100
General administrative Expenses	42,000	-	42,000	42,000	-	100
Telephone, Telex, Facsimile and Mobile Phone Services	-	-	-	-	-	-
Catering Services (receptions), Accommodation, Gifts, Food and Drinks	56,000	-	56,000	56,000	-	100
Advertising, Awareness and Publicity Campaigns	-	-	-	-	-	-
Maintenance & Repair of Motor Vehicle	-	-	-	-	-	-
Refined Fuels and Lubricants for Transport	-	-	-	-	-	-
<b>Administrative Sub-Total</b>	<b>98,900</b>	<b>-</b>	<b>98,900</b>	<b>98,900</b>	<b>-</b>	<b>100</b>

*Vihiga County Trade and Enterprise Fund  
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	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022
	KES	KES	KES	KES	KES	KES
<b>GENERAL EXPENSES</b>						
Daily Subsistence Allowance	365,110	-	365,110	365,110	-	100
Depreciation	-	-	-	-	-	-
Publishing & Printing Services	-	-	-	-	-	-
Production and printing of Training Materials	-	-	-	-	-	-
Training Expenses - Others (Bud	-	-	-	-	-	-
Board Allowances	526,000	-	526,000	526,000	-	100
General Office Supplies (papers, pencils, forms, small office equipment etc.)	-	-	-	-	-	-
Legal Dues, Insurance, Arbitration and compensation payments,	16,154	-	16,154	-	16,154	-
Fund Airtime Allowance	413,000	-	413,000	413,000	-	100
<b>General Sub-total</b>	<b>1,320,264</b>	<b>-</b>	<b>1,320,264</b>	<b>1,304,110</b>	<b>16,154</b>	<b>99</b>
<b>NON-CURRENT ASSETS</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>
Purchase of Office Furniture & Fittings	-	-	-	-	-	-
Purchase of Computers, Printers and other IT Equipment	-	-	-	-	-	-
Data management system	-	-	-	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NON-CURRENT ASSETS</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>
Loans to Beneficiaries	-	-	-	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditure</b>	<b>1,419,164</b>	<b>-</b>	<b>1,419,164</b>	<b>1,403,010</b>	<b>16,154</b>	<b>-</b>
<b>Surplus for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **17. Notes to the Financial Statements**

### **1. General Information**

The fund is established by Vihiga County Assembly and derives its authority and accountability from Vihiga County Trade and Enterprise Fund Act 2018. The fund is wholly owned by the County Government of Vihiga and is domiciled in Kenya. The principal activity of the fund is to provide affordable loans to eligible residents of Vihiga County.

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

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

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

#### **a) Relevant new standards and amendments to published standards effective for the period under review.**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2023:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>

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<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

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<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
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**b) New and amended standards and interpretations in issue but not yet effective in the period under review**

<b>Standard</b>	<b>Effective date and impact:</b>
<p><b>IPSAS 40: Public Sector Combinations</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p>

**c) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.

**1. Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii. Revenue from exchange transactions**

***Interest income***

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

**b) Budget information**

The Fund did not receive additional appropriations.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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 33 of the Vihiga county trade and enterprise fund Act 2018.

*Summary of significant accounting policies (continued)*

**c) Property, plant and equipment**

The Fund acquired computers and accessories worth Kes 1,140,800.00 in the FY 2020/2021. The cumulative property plant and equipment is 1,140,800.00 as captured (under note number 7) as at 30<sup>th</sup> June 2023.

**d) Intangible assets**

The Fund acquired a data management - software worth Kes 820,000.00 in the FY 2020/2021. Its book value stands at 820,000 as captured under note 7.

**e) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

*Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

*Impairment of financial assets*

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated

future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
  
- The probability that debtors will enter bankruptcy or other financial reorganization
  
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**f) Inventories**

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

Costs incurred in bringing each product to its present location and conditions are accounted for.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**g) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

***Contingent assets***

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**h) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

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

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

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

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**k) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency

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are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**l) Borrowing costs**

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

**m) Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the Fund Administrator and the Fund Accountant.

**n) Cash and cash equivalents**

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

**o) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. Since this is the first year of reporting, there were no comparative figures.

**p) Events after the reporting period**

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

**q) Ultimate and Holding Entity**

The entity is a County Public Fund established by Vihiga County Trade and Enterprise Act, 2018. The Fund is operationalized by the Vihiga County Trade and Enterprise Fund regulations, 2018. Its ultimate parent is the Vihiga County Executive.

**r) Currency**

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

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

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at

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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.

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

**b) Useful lives and residual values**

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

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

**3. NOTES TO THE FINANCIAL STATEMENTS**

**1. REVOLVING FUND.**

**Changes in the Revolving Fund.**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>KES</b>	<b>KES</b>
<b>Balance b/f</b>	<b>54,199,584.12</b>	<b>56,520,550.12</b>
Additions	-	-
Opening bal for the year	<b>54,199,584.12</b>	<b>56,520,550.12</b>
Recoveries	376,064.00	1,228,551.00
Interest income	82,400.00	256,884.00
Recovered principal	293,664.00	971,667.00
Revolving fund recovered	284,854.08	942,516.99
Other Incomes	8,809.92	29,150.01
Outstanding revolving fund	45,810,496.05	46,095,350.13
Utilized revolving fund	-	2,320,966.00
Recovered Revolving Fund balance	8,389,088.07	8,104,233.99
<b>Bal b/d</b>	<b>54,199,584.12</b>	<b>54,199,584.12</b>

**2. INCOME AND REVENUE**

**Proceeds from loan principal repayments during the period under review**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>KES</b>	<b>KES</b>
Recovered Loan Principal	293,664	992,560
Recovered Interest	82,400	256,884
<b>Total amount recovered</b>	<b>376,064</b>	<b>1,249,444</b>

**Revenue for the period under review**

<b>Description</b>	<b>2022-2023</b>	<b>2021/2022</b>
	<b>KES</b>	<b>KES</b>
Balance b/f Main Account Equity	60,164	76,984
Transfer From Recovery Account	59,000	3,128,520
Borrowing from JLB	1,300,000	-
<b>Total</b>	<b>1,419,164</b>	<b>3,205,504</b>

### 3. FUND EXPENSES

#### Administrative Expenses

Description	2022-2023	2021-2022
	KES	KES
Other operating expenses Bank charges	900	1,140
General Administrative Expenses	42,000	50,000
Postage and Telephone	-	39,200
Catering services	56,000	-
Advertisement, Awareness and Publicity Campaign	-	-
Maintenance and Repair of Motor Vehicle	-	-
Refined Fuel and Lubricants for Transport	-	-
<b>Sub-total Admin. Expns</b>	<b>98,900</b>	<b>90,340</b>

#### General Expenses

Description	2022/2023	2020/2021
	KES	KES
Production and prining of Training Materials	-	-
Training Cost	-	-
Board Allowance	526,000	788,000
General office supplies	-	-
Insurance	-	-
Fund Airtime Allowance	413,000	712,200
Daily Subsistence	365,110	310,075
<b>Sub-total Gen. Expns</b>	<b>1,304,110</b>	<b>1,810,275</b>
<b>Total Use of Goods and Services</b>	<b>1,403,010</b>	<b>1,900,615</b>

### 4. DEPRECIATION EXPENSE

Description	2022/2023	2021/2022
	KES	KES
Property Plant and Equipment	-	471,392
Intangible Assets	-	273,333
<b>Total</b>	<b>-</b>	<b>744,725</b>

**5. CASH AND CASH EQUIVALENTS**

		2022/2023	2021/2022
Financial institution	Account number	KES	KES
<b>Current account</b>			
Equity Bank - Recovery Account	960278742949	345,265	28,201
Equity Bank - Main Account	960278742925	16,154	60,164
KCB-Recovery Account	1166810348	-	-
KCB-Main Account	1166809986	-	-
<b>Total</b>		<b>361,419</b>	<b>88,365</b>

**6. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Description	2022/2023	2021/2022
	KES	KES
<b>Current Portion of Long- Term Receivables From Exchange Transactions</b>		
Current Interest Receivable	1,716,974.10	3,534,949
Current Loan Principal Receivable	25,462,004.16	-
Current Penalties Receivable	2,233,952.60	3,966,025
<b>Total Current Portion Receivables</b>	<b>29,412,930.86</b>	<b>7,500,974</b>
<b>Long Term Receivables from Exchange Transactions</b>		
Long-term Interest Receivable	1,438,396.89	
Long-term Loan Principal Receivable	19,766,162.34	46,854,238
Long-term Penalties Receivable	1,846,129.01	
<b>Total Long-term Receivables</b>	<b>23,050,688.24</b>	<b>46,854,238</b>
<b>Total Receivables From Exchange Transactions</b>	<b>52,463,619.10</b>	<b>54,355,212</b>

**7. PROPERTY, PLANT AND EQUIPMENT**

	<b>Computers and office equipment</b>	<b>Office Furniture</b>	<b>Total</b>
<b>Cost</b>	<b>KES</b>		<b>KES</b>
<b>At 1<sup>st</sup> July 2021</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
Additions	-		-
Disposals	-		-
Transfer/Adjustments	-		-
<b>At 30<sup>th</sup> June 2022</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
<b>At 1<sup>st</sup> July 2022</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
Additions	-		-
Disposals	-		-
Transfer/Adjustments	-		-
<b>At 30<sup>th</sup> June 2023</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
<b>Depreciation And Impairment</b>			
<b>At 1<sup>st</sup> July 2021</b>			
Depreciation	-		-
Disposals	-		-
Impairment	-		-
Transfer/Adjustment	-		-
<b>As At 30<sup>th</sup> June 2022</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
<b>As At 1<sup>st</sup> July 2022</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
Depreciation	-		-
Disposals			
Impairment			
Transfer/Adjustment			
<b>As At 30<sup>th</sup> June 2023</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
<b>Net Book Values</b>			
<b>At 30<sup>th</sup> June 2021</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
<b>At 30<sup>th</sup> June 2022</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>
<b>At 30<sup>th</sup> June 2023</b>	<b>1,140,800</b>	<b>729,900</b>	<b>1,870,700</b>

**8. INTANGIBLE ASSETS-SOFTWARE**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>KES</b>	<b>KES</b>
<b>Cost</b>		
<b>At Beginning Of The Year</b>	<b>820,000</b>	<b>546,667</b>
Additions	-	-
<b>At End Of The Year</b>	<b>820,000</b>	<b>546,667</b>
<b>Amortization</b>		
<b>At Beginning Of The Year</b>		-
Amortization	-	(273,333)
<b>At End Of The Year</b>	-	<b>(273,333)</b>
Impairment Loss	-	-
<b>At End Of The Year</b>	-	-
<b>NBV</b>	<b>820,000</b>	<b>273,334</b>

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**9. BORROWINGS**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>KES</b>	<b>KES</b>
<b>Balance at 1<sup>st</sup> July 2022</b>	<b>1,300,000</b>	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	1,300,000
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
<b>Balance at 30<sup>th</sup> June 2023</b>	<b>1,300,000</b>	<b>1,300,000</b>

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**18. Progress on Follow up of Prior Year Auditor's Recommendations**

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)
OAG/KSM/2020-2021-2-01-0038-21-VCTEF/1	A review of operations during the year indicated that the Fund operated without any insurance services. This is contrary to regulation 26(4) of the public finance management (county government) Regulations, 2015 which requires every loan granted to be insured for the benefit of the borrower and the premium in respect thereof debited to the account of the borrower. It further states that in case of the death of a loanee, when the loan amount remains in arrears, the County Committee shall file a claim with the insurance firm for settlement of the outstanding amount.	<p>At the time of audit for six months period ended 30<sup>th</sup> June, 2019, the loans had not been issued out to successful applicants. The vetting and appraisal of the applicants was on-going. Therefore, it was not possible to determine the sum assured for purposes of procuring insurance services.</p> <p>The fund received its first allocation from the county executive on 14<sup>th</sup> June 2019 and the tendering process for the insurance services required at least 21 days before awarding the successful bidder.</p> <p>The fund finally managed to procure insurance services for the issued loans during the financial year 2019/2020.</p>	<p>CPA,CS ALLOSSAH B. OMUKUTI</p> <p>FUND ADMINISTRATOR</p>	NOT RESOLVED	FY 2021/2022

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
OAG/KSM/2020-2021-2-01-0038-21-VCTEF/1	<p><b>Inaccuracies in the Financial Statements</b></p> <p><b>1.1 Statement of Financial Position</b></p> <p>The statement of financial position reflects net assets of Kshs.49, 463,032 However; the statement of changes in net assets reflects a balance of Ksh 1,984,200 for the same component resulting to an unexplained and unreconciled variance of Kshs 47,478,772</p>	<p>The net assets as at June 30 2021 have been adjusted to reflect Kes 58,331,651. This was arrived at after amended to capture Current Receivables from exchange transactions.</p>	<p>GEOFFREY MOLLER</p> <p>FUND ADMINISTRATOR</p>	NOT RESOLVED	FY 2022/2023
OAG/KSM/2020-2021-2-01-0038-21-VCTEF/1	<p><b>1.2 Statement of Financial Performance.</b></p> <p>The statement of financial performance and as disclosed in Note 5 to the financial statements, reflects general expenses of Ksh 9, 739,277 which includes Ksh 744,725 in respect of depreciation of assets. Although the Management explained that the straight- We method of depreciation was applied in computation of depreciation charge, the Fund did not have a depreciation policy in place.</p>	<p>The fund depreciates its tangible and intangible assets using the straight line depreciation technique.</p> <p>The county executive has commenced the drafting of the depreciation policy which was to be submitted to the County Assembly for adoption.</p>	<p>GEOFFREY MOLLER</p> <p>FUND ADMINISTRATOR</p>	NOT RESOLVED	FY 2022/2023

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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)
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)
OAG/KSM/2020-2021-2-01-0038-21-VCTEF/1	Further, the statement reflects fund administrative expenses and fund general expenses of Ksh 1,014,931 and Ksh 9,739,277 respectively. According to the guidelines in the financial reporting template (revised 30 June, 2021) issued by the Public Sector Accounting Standards Board, the fund administrative expenses as reflected in Note 4 to the financial statements relate to fund general expenses. Similarly, fund general expenses totalling to Ksh 8,168,142 reflected in Note 5 to the financial statements were in respect of fund administrative expenses. In the circumstances, the expenses were misclassified.	The fund administrative expenses and fund general expenses of Kes 1,014,931 and Kes 9,739,277 respectively have now been classified as use of goods and services in the amended financial statement.	GEOFFREY MOLLER  FUND ADMINISTRATOR	NOT RESOLVED	FY 2022/2023

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<p>OAG/KSM/ 2020-2021- 2-01-0038- 21- VCTEF/1</p>	<p><b>1.3 Statement of Changes in Net Assets</b></p> <p>The statement of changes in net assets reflects an opening balance of Ksh 27,647 297 while the audited financial statements for the year ended 30 June 2020 reflect a closing balance of Ksh 21,330,890 resulting in an unexplained and un-reconciled variance of Ksh 6,307 407. Further, the statement reflects a nil balance for the revolving fund yet the statement reflects funds received from the County Government during the previous year and the year under review. In addition, the statement reflects an unsupported</p>	<p>The closing balance of statement of changes in Net Assets as at June 30 2021 has been adjusted to reflect Kes 58,331,651. This was arrived at after amended to capture Current Receivables from exchange transactions.</p>	<p>GEOFFREY MOLLER  FUND ADMINISTRATOR</p>	<p>NOT RESOLVED</p>	<p>FY 2022/2023</p>
<p>OAG/KSM/ 2020-2021- 2-01-0038-</p>	<p><b>1.4 Statement of Cash Flows</b></p> <p>The statement of cash flows reflects the prior year's amount in respect of proceeds from revolving fund receipts</p>	<p>The statement of cash flow for the period ended 2019/2020 has been adjusted to reflect 6,307,407.</p>	<p>GEOFFREY MOLLER</p>	<p>NOT RESOLVED</p>	<p>FY 2022/2023</p>

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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)
21-VCTEF/1	of Ksh 6, 875,276 while the audited financial statements for the 2019/2020 financial year reflect a balance of Ksh 6, 307,407 resulting in an unexplained and un-reconciled variance of Ksh 567, 869.	FUND ADMINISTRATOR			
OAG/KSM/2020-2021-2-01-0038-21-VCTEF/2	<b>Unsupported Transfers from County Government.</b> The statement of financial performance reflects Ksh 10,808,893 in respect of transfers from County Government while the supporting Note 3 to the financial statements reflects revenue allocation analysis for the Fund during the year under review. The relevant supporting Note 1 to the financial statements reflects transfers from Vihiga County Government of Kshs.59, 070,880 as a brought forward amount from the previous year resulting to an unexplained and reconciled variance of Ksh 48,261,987. In the	The Vihiga County Trade and Enterprise Fund did not receive transfers from the County Executive during the financial year 2020-2021; as a result, the statement of financial performance has been amended to include Kes 10,808,893 as other incomes during the period under review.	CPA,CS ALLOSSAH B. OMUKUTI FUND ADMINISTRATOR	NOT RESOLVED	FY 2021/2022

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	circumstances, the accuracy of transfers from the County Government of Ksh 10,808,893 could not be confirmed.				

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OAG/KSM/2020-2021-2-01-0038-21-VCTEF/3	<b>Outstanding Loans Advanced to Beneficiaries</b> The statement of financial position and as disclosed in Note 9 to the financial statements reflects outstanding loan advanced to beneficiaries' balance of Ksh 45,533,697. However, the balance was not analyzed to disclose separately the current and long-term portion of the receivables. Further, no disclosure was made in the financial statements in regard	The Long Term Receivables from Exchange transactions on the Statement of Financial Position has been adjusted to Kes 47,582,789.  The Current Portion of Long-Term Receivables from Exchange Transactions has now been captured as Kes 6 896 511 which comprise of interest accrued and penalty accrued of	CPA,CS ALLOSSAH B. OMUKUTI  FUND ADMINISTRATOR	NOT RESOLVED	FY 2021/2022

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	to loan defaulters, interest accrued, and penalties charged to defaulters. In the circumstances, the accuracy of outstanding loans advanced to beneficiaries' balance of Kshs.45,533,697 could not be confirmed.	Kes 3,534,949 and Kes 3,551,130 respectively.			