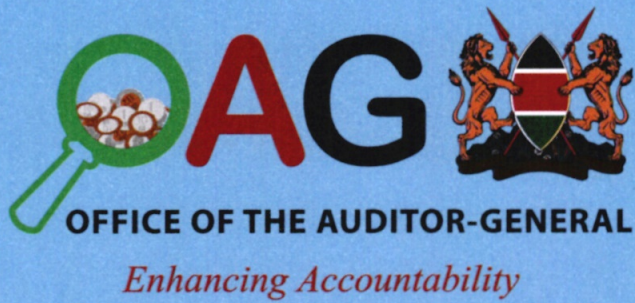


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REPORT

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THE AUDITOR-GENERAL

ON

**KAKAMEGA COUNTY MICROFINANCE
CORPORATION**

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

14 DEC 2023



COUNTY GOVERNMENT OF KAKAMEGA
KAKAMEGA COUNTY MICROFINANCE CORPORATION
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
JUNE 30TH, 2023

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

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

1. Acronyms.....	iii
2. Key Entity Information and Management.....	iv
3. Board of Trustees/ Fund Administration Committee (Or Any Other Corporate Governance Body for The Fund).....	vii
4. Management Team.....	x
6. Report of the Fund Administrator.....	xii
7. Statement of Performance against the County Fund's Predetermined Objectives.....	xiii
8. Corporate Governance Statement.....	xiv
9. Management Discussion and Analysis.....	xvi
10. Environmental and Sustainability Reporting.....	xvii
11. Report of the Trustees.....	xviii
12. Statement of Management's Responsibilities.....	xix
13. Report of the Auditor General on the Financial Statements of Kakamega County Microfinance Corporation Fund.....	xx
14. Statement of Financial Performance for the Year Ended 30 th June 2023.....	1
15. Statement of Financial Position as at 30 June 2023.....	2
16. Statement of Changes in Net Assets for the year ended 30 th June 2023.....	4
17. Statement of Cash Flows for the Year Ended 30 June 2023.....	5
18. Statement of Comparison of Budget and Actual Amounts For The year ended 30 th June 2023.....	7
19. Notes to the Financial Statements.....	9
20. Annexes.....	34

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

2. Key Entity Information and Management

a) Background information

The Kakamega County Microfinance Corporation was established by the County Government of Kakamega through the Kakamega County Microfinance Corporation Act, 2018 and commenced operations in the financial year 2019-2020. The Corporation is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

b) Principal Activities

The principal activity of the Corporation is to provide microfinance banking services to micro, small and medium enterprises in the County. This will in turn spur socio-economic development in the County

c) Board of Trustees/Fund Administration Committee

Sl. No	Name	Position
1	Hon.Silverse L. Anami	Chairman of the Board
2	Mr. Charles I Imbali	Member
3	Mr. Abel O M Nambwaya	Member
4	Mrs. Anne A Kataka	Member
5	Mr. Saul S Wasilwa	Member
6	Mr.Shakir Dahir Adan	Chief Officer Trade, Industrialization and Tourism
7	Dr.Jeophita June Mwajuma	Chief Officer finance
8	Vivianne Mmbaka Komwonyo	County Attorney
9	Mr.Charles Nathan Oranga	Fund Manager/ Administrator

d) Key Management Team

Sl. No	Name	Position
1	Mr.Charles Nathan Oranga	Fund Manager/ Administrator
2	Mr.Daniel Opiyo	Fund Accountant

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	County Assembly	Assembly Committees
2	Auditor General	Office of Auditor general
3	National Treasury	Directorate of Accounting Services
4	Controller of budget	Office of COB

f) Registered Offices

P.O. Box 36-50100, 056 31850/31852/31853

County Headquarters
Kisumu/Kitale Highway
Kakamega, KENYA

g) Fund Contacts

Telephone: 056 31850/31852/31853

E-mail: kcmfc@kakamega.go.ke

Website: kakamega.go.ke

h) Fund Bankers

KCB Bank-Kakamega branch

i) Independent Auditors

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

j) Principal Legal Adviser

The Attorney General

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

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

k) County Attorney




County Government of Kakamega

P.O Box 36-50100




Kakamega, Kenya

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023




3. Board of Trustees/ Fund Administration Committee

Name	Details of qualifications and experience
 <p data-bbox="277 949 561 983">Hon. Silverse L. Anami</p>	<p data-bbox="842 517 1066 551">Board Chairman</p> <p data-bbox="842 555 1437 972">Master's degree in executive administration, Bachelors degree in Education, Music, Dance and Cultural Studies, Degree in Executive Administration on Culture in Governance, Served as teacher in various institutions, KNEC test developer, Director Culture Ministry of Culture Sports and Social Services, Independent Expert for the UNESCO Convention ICH, Former Member of National Assembly 11th Parliament (Member, Budget & Appropriations, and Education Committees etc). Current Board Chairman.</p>
 <p data-bbox="292 1346 611 1379">Mr. Abel O M Nambwaya</p>	<p data-bbox="858 1003 1066 1037">Board Member</p> <p data-bbox="858 1048 1437 1350">Degree in Christian Leadership and Ministry, Diploma in County Administration and Governance, Certificate in County Governance. Chairman Democratic Action Party Kakamega and National Executive member. Former member of County Assembly of Kakamega Kholera ward, served as Majority leader and Deputy Majority leader.</p>
 <p data-bbox="308 1861 560 1895">Mr Charles I Imbali</p>	<p data-bbox="882 1395 1090 1429">Board Member</p> <p data-bbox="874 1440 1465 1697">Masters and Bachelor's Degree in Vocational Education, Former Member of County Assembly Idakho Central Ward in Ikolomani Constituency. Served as chairman Education Committee, worked as Chief Principal K TTC 12 years, worked as a visiting/part time lecturer in various universities.</p>

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023



 <p>Mrs. Anne A Kataka</p>	<p>Board Member</p> <p>Diploma in County Governance, Certificate in County Governance Currently the chairperson- Mwiwila Mission Hospital Former Nominated Councillor Kisa Central Ward in Khwisero Sub-county</p>
 <p>Mr. Saul S Wasilwa</p>	<p>Board Member</p> <p>Bachelor of Laws(LLB) Post Graduate Diploma in Legal studies and Advocacy. Currently as a partner at BMS Advocates LLP</p>
 <p>Mr. Shakir Dahir Adan</p>	<p>Chief Officer, MTIT</p> <p>BSc Hons Financial mathematics Worked as customer assistant at nespreso central london UK Senior fiscal analyst mandera county government.</p>

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

 <p>Dr. Jeophita June Mwajuma</p>	<p>Chief Officer Finance</p> <p>Phd in Environmental Microbiology, Master of Science degree in Microbiology, Bachelor of Science degree (Botany/Zoology) from Kenyatta University.</p> <p>Laboratory Assistant at Mumias Sugar Company</p> <p>Mombasa Polytechnic University College as an Assistant Lecturer</p> <p>Served as Chief Officer County Government of Mombasa .</p>
 <p>Mrs Vianne M Komwonyo</p>	<p>County Attorney</p> <p>Doctor of philosophy in Law (PhD candidate) University of Nairobi, Masters of Law, and Post graduate Diploma in Law, and Bachelor Degree in Law. Certified secretary (CPS,K)</p> <p>Member of the chartered institute of certified arbitrators.</p> <p>An advocate of the high court of Kenya and a member of the law society of Kenya with over 14 years' experience in legal practice in both private and public spheres with a bias in public law and corporate governance</p>
 <p>Mr. Charles Nathan Oranga</p>	<p>Chief Executive Officer</p> <p>Holds MA (Project Planning and Management), BA (Economics). A certified Projects Manager and a practising Consultant with over 20 years' experience in managing, monitoring and evaluating development projects and programmes for local and international organizations. Has previously served as program Manager at FAO and Senior Technical Advisor at Cooperative League of USA. Currently the Chief Executive Officer of the Corporation.</p>

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

4. Management Team

Name	Details of qualifications and experience
<p>1. Mr.Charles Nathan Oranga</p> 	<p>Chief Executive Officer</p> <p>Holds MA (Project Planning and Management), BA (Economics). A certified Projects Manager and a practising Consultant with over 20 years' experience in managing, monitoring and evaluating development projects and programmes for local and international organizations. Has previously served as program Manager at FAO and Senior Technical Advisor at Cooperative League of USA. Currently the Chief Executive Officer of the Corporation.</p>
<p>2 Mr.Daniel Opiyo</p> 	<p>Fund Accountant</p> <p>Bachelor of Commerce (Finance), Diploma in Business Management.</p> <p>Worked in Municipal Council of Kakamega as an accountant as from 2002 to 2013.</p>

5. Board/Fund Chairperson's Report


Kakamega County Microfinance Corporation was established by an Act of the County Assembly in the year 2018 with the main mandate of providing financial solutions to micro, small and medium traders within the County. It began its operations in the financial year 2019/2020 but due to insufficient capitation, loaning which is its core mandate did not kick off immediately.

The Corporation began as a credit only micro-finance but the ultimate goal is to become a micro-finance bank as envisioned by the County leadership.

In view of the foregoing, the Corporation should endeavour to create a bigger impact on enterprise development in order to play its rightful role in the County and/or nation's development by rethinking its business model to reach more businesses efficiently, effectively and in a sustainable manner. The Corporation must also be an attractive partner in youth and women economic empowerment to attract funding from all potential sources and win the confidence and goodwill of all Kakamega business people. The Corporation's capacity to deliver on this strategy is critical. Its legal, policy, instructional, technological and competence frameworks shall be adequately strengthened over time and an environment conducive to attract and retain requisite skills created.

To remain sustainable in the long run and reduce its dependence on government funding, the Corporation shall expand and restructure its product portfolio, diversify its sources of funding and adopt a business approach in its overall operations.

In conclusion, I call upon all stakeholders to effectively play their part in supporting the Corporation to realize the prospects of its mandate. It will require a lot of dedication, success and hardworking on the part of all stakeholders to realise this big dream .


Hon. Silverse L. Anami

Board Chairperson

6. Report of the Fund Administrator

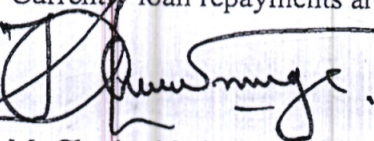
Kakamega County Microfinance Corporation was established by an Act of the County Assembly of Kakamega in 2018 with the mandate of giving affordable credit and financial banking services to the less privileged small scale traders in the County.

The Kakamega County Microfinance Corporation presents its financial statements for the period ended 30th June, 2023 in accordance with the format prescribed by the Public Sector Accounting Standards Board. The Corporation operates as a semi-autonomous agency controlled by the County Government of Kakamega. It will provide focused attention on traders' financial needs and also ensure that the disbursed loans are repaid on time in order to benefit as many enterprises as possible. It began its operations in the year financial year 2019/2020. The disbursement of loans started in the year 2020-2021.

Terms and conditions of loaning are negotiated and repayment schedules flexed. This way, adjustments are always in favour of the clientele. Products such as refinancing and loan top ups have also been introduced.

These interventions coupled with capacity building and personalized business mentor ship have gone a long way in helping small businesses to thrive and grow. Through these approaches, the traders' resilience has been built and confidence in the facility enhanced.

Currently loan repayments are positive at over 55%.



Mr. Charles Nathan Oranga
Chief Executive Officer

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

7. Statement of Performance against the County Fund's Predetermined Objectives

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government fund performance against predetermined objectives.

Kakamega County Microfinance Corporation has 2 strategic pillars and objectives within the current Strategic Plan for the financial year 2022-2023. These strategic pillars are as follows:

1: Provide micro banking services to micro, small and medium enterprises in the County

The fund develops its annual work plans based on the above 2 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The fund achieved its performance targets set for the FY 2022/2023 period for its two strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1:Provision of Loans to small traders within the County	Improve the livelihoods of residence in the county	Loans provided	Improving small trade businesses	Well performing businesses within the County

During the Period under review, the Corporation disbursed Loans to 659 traders spread all over the County. The main aim of the Corporation is to provide its services to all deserving traders in all areas of the County.

The Corporation developed a lending Manual/Credit Guidelines which guide its day to day loaning activities. There is an existing Draft Strategic Plan which is to be reviewed. This document provides direction of the Corporation.

8. Corporate Governance Statement

- a. **Number of Fund Administration Committee meetings held and the attendance to those meetings by members,**

The current Board was competitively recruited and sworn in, in the Financial Year 2022/2023 hence committees have been formed and ready to hold meetings starting Financial Year 2023/2024.

- b. **Succession plan,**

The Board of Directors are always competitively recruited and legally constituted after their term has ended.

- c. **Existence of a service charter,**

Currently there is no service charter, the management is in the process of preparing one to be approved by the board.

- d. **Process of appointment and removal of trustees/ Administration Committee members,**

Members are appointed by the CEC Ministry of Trade, industrialization and tourism and thereafter vetted by the county public service board. Member can be removed by the resolution of the full board and notification to the Appointing authority if he or she has not adhered to the regulations of the board.

- e. **Roles and functions of the Administration Committee members,**

The following are the roles and functions of the administration committee members

- Delegate tasks to Sub Committees
- Seek external advice
- Deals with administration matters

- f. **Induction and training, Administration Committee members and member's performance,**

Members are always inducted after engagement and are frequently trained on quarterly basis

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

g. Conflict of interest,

At the beginning of every Board meeting members are requested to declare if they had any conflict of interest issues on the agenda at hand.

No conflict of interests were raised during board meetings.

h. Board remuneration,

The Board Chairman is entitled to a monthly honorarium of Kshs. 50,000 and airtime allowance of Kshs. 5,000. Board members are paid sitting allowances of between Kes 4,000 and Kshs. 15,000 while attending Board meetings. Independent Board members are also reimbursed travel allowances.

i. Ethics and conduct as well as governance audit undertaken if any

No ethics and conduct as well as governance audit conducted.

9. Management Discussion and Analysis

a. On the operational and financial performance of the Fund/Board during the period,
The Corporation received a total of Ksh. 8m and a balance b/f of Ksh 7.2m for its recurrent, Ksh 168M was disbursed from County Treasury and 115M balance b/f from revolving fund.

b. Entity's key projects or investments decision implemented or on going,
The Corporation had envisaged opening of 3 regional offices in the 3 regions namely; northern, southern and central. We however endeavour to take our services closer to the citizens of this County.

c. Fund's compliance with statutory requirements,
The fund has complied with the required statutory requirements

d. Major risks facing the Fund, material arrears in statutory and other financial obligations
The delays in receiving of the funds slowed down loan disbursements. No enough capacity in enforcement of loan recoveries.

e. Any other information considered relevant to the users of the financial statements.
The fund is in operation and is still picking up gradually to reach its potential.

10. Environmental and Sustainability Reporting

1. Sustainability Strategy and Profile

The Corporation was established by an Act of the County Assembly. Its credit manual provides for 2% levy on all loans as processing fees and 8% per annum interest on reducing balance paid monthly. The processing fee is charged upfront on disbursement. This income revolves in the loaning kitty and the aim is to grow it for purposes of reaching as many traders as possible. The fees may be reviewed upwards in future depending on the strategic direction of the Corporation.

The County Treasury through the Corporation's parent Ministry continues to budget for funds to support the Corporation in achieving its mandate.

2 Environmental performance

The Fund is in the process of developing its strategic plan and its environmental policy which will also be captured in this plan. However the loans that have been issued to the business people have improved their living standards of within the County through expansion of their businesses.

3 Employee Welfare

The Corporation is currently relying on seconded staff from the parent Ministry of Trade, Industrialization and Tourism. It intends to develop its policies guiding staff hiring process, job descriptions, terms of references and performance contracting as it moves toward autonomy. The current staffs conform to Public Service hiring and appraisal policies.

The entity's management conducts weekly/monthly meetings with its staff allowing them to share their success stories and challenges while preparing monthly work plans. Where possible and when resources allow, the staffs are supported to attend short courses, professional development courses, workshops and seminars to improve their skills and work performance.

The entity is also in compliance with Occupational Safety and Health Act of 2007.

4 Market Place Practices

a) The Corporation being a County Corporation has trained its staff on Code of Conduct of public servants and the Ethics and Anti-corruption Act. It's funded by public funds and ensures high standards of corporate governance. Our products are fairly priced thus attracting traders from all sectors of the economy.

All Corporation staffs conform and adhere to the public service code of conduct and remain apolitical while delivering services to the public.

b) The Corporation being a public entity works within structures created by the National and County Governments that govern public procurement. It works within the confines of public procurement act and public finance management act and respects its suppliers and is open to scrutiny in the public procurement process. Our procurement officer is regularly allowed to attend trainings and workshops that help him improve skills in public procurement management.

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

11. Report of the Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activity of the Corporation is to provide microfinance banking services to micro, small and medium enterprises in the County. This will in turn spur socio-economic development in the County

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1 to 7

Trustees

The members of the Board of Trustees who served during the year are shown on pages vii to ix.

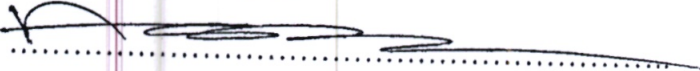
The Current board was constituted on June 2023. The previous board held office until May 2023. The following were the board members in the previous board.

Sl. No.	Position	Name
1	Chairman of the Board	Christopher Aleke Dondo
2	Chief Officer Trade, Industrialization and Tourism	Dr. Irene Ashioya
3	Chief Officer finance	Samson Otieno
4	Other trustees/Committee Member	Protas Inziani Khasiani
5	Other trustees/Committee Member	Benta Achieng Okoth
6	Other trustees/Committee Member	Gideon Olieki Kato
7	Other trustees/Committee Member	Gilbert Wafula Nyongesa
8	Ag. County Attorney	Vivianne Mmbaka Komwonyo
9	Fund Manager/ Administrator	Barasa Wangwe

Auditors

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

By Order of the Board



Chair of the Board/Fund Administration Committee

Date:

12. Statement of Management's Responsibilities

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

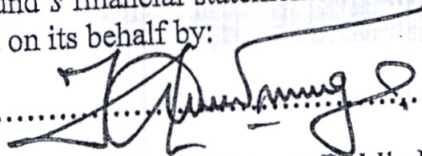
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the period ended on June 30th 2023. This responsibility includes: (i) maintaining 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 judgement and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. 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 period ended June 30th 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 28/9/ 2023 and signed on its behalf by:

.....


Administrator of the County Public Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY MICROFINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE, 2023

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 control, 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

Qualified Opinion

I have audited the accompanying financial statements of Kakamega County Microfinance Corporation set out on pages 1 to 37, which comprise the statement of financial 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kakamega County Microfinance Corporation 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 comply with the Kakamega County Microfinance Corporation Act, 2018.

Basis for Qualified Opinion

Unsupported Long-Term Receivables from Exchange Transactions Balance

The statement of financial position and Note 7 to the financial statements reflects a balance of Kshs.253,120,501 in respect of long-term receivables from exchange transactions. Included in this balance is Kshs.210,431,877 in respect of long-term portion of the receivables while the balance of Kshs.42,688,624 is in respect of current portion of these receivables. However, loan repayment schedules were not provided.

In the circumstances, the accuracy and completeness of long-term receivables from exchange transactions balance of Kshs.253,120,501 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.298,988,196 and Kshs.253,011,464 respectively, resulting to under-funding of Kshs.45,976,732 or 15% of the budget. Similarly, the statement reflects actual expenditure of Kshs.237,885,561 against approved budget of Kshs.298,988,196 resulting to under-performance of Kshs.61,102,635 or 20% of the budget. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 (Cash 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 control, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 Corporation's financial reporting process, reviewing the effectiveness of how the 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 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 appropriate 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 Corporation'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 Corporation 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 Corporation 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 to 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

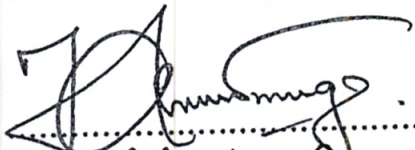
31 January, 2024

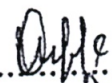
KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

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

	Note	2022-2023	2021-2022
		KShs	KShs
Revenue From Non-Exchange Transactions			
Transfers From the County Government	1	8,000,000	4,000,000
		8,000,000	4,000,000
Revenue From Exchange Transactions			
Interest Income	2	4,826,135	2,498,937
Other Income	3	5,176,734	1,494,300
		10,002,869	3,993,237
Total Revenue		18,002,869	7,993,237
Expenses			
Use of goods and services	4	13,953,356	11,232,754
Depreciation and Amortization Expense	5	1,642,504	493,692
Total Expenses		15,595,860	11,726,446
Other Gains/Losses			
Surplus/Deficit for the year		2,407,009	(3,733,209)

The notes set out on pages 20 to 33 form an integral part of these Financial Statements


 Name: Charles Oranga
 Administrator of the Fund


 Name: Daniel Opiyo
 Fund Accountant
 ICPAK Member Number:

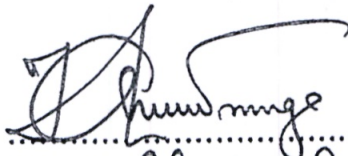
KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023


15. Statement of Financial Position as at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	6	13,250,057	26,815,364
Current Portion of Long - Term Receivables From Exchange Transactions	7	42,688,624	31,790,919
Total current assets		55,938,681	58,606,283
Non-Current Assets			
Property, Plant and Equipment	8	4,876,837	6,519,341
Intangible Assets	9	5,000,000	0
Long Term Receivables from Exchange Transactions	7	210,431,877	39,233,112
Total non- current assets		219,808,714	45,752,453
Total Assets		275,747,395	104,358,736
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	10	1,481,650	0
Total current liabilities		1,481,650	0
Non-Current Liabilities			
Long Term Portion of Borrowings	11	0	0
Total noncurrent liabilities		0	0
Total Liabilities		1,481,650	0
Net Assets		274,765,745	104,358,736
Revolving Fund		257,250,000	89,250,000
Reserves		0	0
Accumulated Surplus		17,515,745	15,108,736
Total Net Assets and Liabilities		274,765,745	104,358,736

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2023 and signed by:

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023


.....
Name: Charles Oranga
Administrator of the Fund


.....
Name: Daniel Opiyo
Fund Accountant
ICPAK Member Number:

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

16. Statement of Changes in Net Assets for the year ended 30th June 2023

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	89,250,000	0	18,841,945	108,091,945
Surplus/(Deficit) For the Period	0	0	(3,733,209)	(3,733,209)
	0	0	0	0
Funds Received During the Year	0	0	0	0
Transfers	0	0	0	0
Revaluation Gain	0	0	0	0
Balance As At 30 June 2022	89,250,000	0	15,108,736	104,358,736
Balance As At 1 July 2022	89,250,000	0	15,108,736	104,358,736
Surplus/(Deficit) For the Period	0	0	2,407,009	2,407,009
Funds Received During the Year	168,000,000	0	0	168,000,000
Revaluation Gain	0	0	0	0
Balance As At 30 th June 2023	257,250,000	0	17,515,745	274,765,745

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023


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

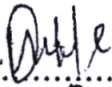
Description	Note	2022-2023	2021-2022
		KShs	UgShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		0	0
Transfers from the county government	1	8,000,000	4,000,000
Interest received	2	4,826,135	2,498,937
Receipts from other operating activities	3	5,176,734	1,494,300
Total receipts		18,002,869	7,993,237
Payments			
Fund administration expenses		0	0
Use of goods and services	4	(13,953,356)	(11,232,754)
Finance cost		0	0
Net cash flows from operating activities		4,049,513	(3,239,518)
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets	9	0	(6,127,000)
Intangible assets		(5,000,000)	0
Changes in Trade receivables		0	(34,948,299)
Proceeds from loan principal repayments		40,193,231	0
Loan disbursements paid out		(222,289,701)	0
Net cash flows used in investing activities		(187,096,470)	(41,075,299)
Cash flows from financing activities			
Proceeds from revolving fund receipts		168,000,000	0
Accounts Payables		1,481,650	0
Net cash flows used in financing activities		169,481,650	0
Net increase/(decrease) in cash & cash Equivalents		(13,565,307)	(44,314,816)
Cash and cash equivalents at 1 July 2022		26,815,364	71,130,180
Cash and cash equivalents at 30th June 2023		13,250,057	26,815,364

KAKAMEGA COUNTY MICROFINANCE CORPORATION

Annual Report and Financial Statements for the period ended June 30th, 2023

PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.


.....
Name: Charles Oanga
Administrator of the Fund


.....
Name: Daniel Ojoo
Fund Accountant
ICPAK Member Number:

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

18. Statement of Comparison of Budget and Actual Amounts For The year ended 30th June 2023.

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2023	2023	2023	2023	2023	2023
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Balance B/f	26,815,364	0	26,815,364	26,815,364	0	100%
Loan repayment	88,684,636	0	88,684,636	40,193,231	48,491,405	45%
Transfers From County Govt.	8,806,083	174,682,113	183,488,196	176,000,000	7,488,196	96%
Interest Income	0	0	0	4,826,135	(4,826,135)	0
Other Income	0	0	0	5,176,734	(5,176,734)	0
Total Income	124,306,083	174,682,113	298,988,196	253,011,464	45,976,732	85%
Expenses						
Use of goods and services	8,806,083	6,682,113	15,488,196	13,953,356	1,534,840	90
Depreciation				1,642,504	(1,642,504)	0
Development-Loans Issued	115,500,000	168,000,000	283,500,000	222,289,701	61,210,299	78
Total Expenditure	124,306,083	174,682,113	298,988,196	237,885,561	61,102,635	80
Surplus For The Period				15,125,903		

Budget notes

1. The budget performance has been executed well since both receipts and expenditure were above 80% performance

- Loan repayment-Most of the loans were issued towards the end of the financial year where by the repayment period was to start in July 2023 making it impossible to meet the anticipated budget of ksh 88,684,636.

➤ Interest income and other income was not budgeted for in the fy 2022/2023 but in the subsequent years it has been budget for

2. The supplementary budget was done to include the members of county assembly Loans.
3. Budget appropriation statement does not agree with the statement of financial performance because of the differences in accounting. Reconciliation has been provided as follows.

Reconciliation statement on the differences between the statement of financial performance and statement of comparison of budget and actuals.

Classification	Statement of Comparison of Budget and Actual Amounts	Statement of Financial Performance	Comments
Revenue	Kshs		
Balance B/f	26,815,364	0	Bal b/f not recognized in the statement of financial performance
Loan repayment	40,193,231	0	Loan repayments recognized in the statement of financial position
Transfers From County Govt.	176,000,000	8,000,000	Ksh 168,000,000 mend for Loans was capitalized and recognized in the statement of changes in net assets.
Interest Income	4,826,135	4,826,135	Balanced
Other Income	5,176,734	5,176,734	Balanced
Total Income	253,011,464	18,002,869	
Expenses			
Use of goods and services	13,953,356	13,953,356	Balanced
Depreciation	1,642,504	1,642,504	Balanced
Development-Loans Issued	222,289,701		Loans issued were recognized in the statement of Cash flows and statement of financial position.
Total Expenditure	237,885,561	15,595,860	
Surplus For The Period	15,125,903	2,407,009	

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

19. Notes to the Financial Statements

1. General Information

Kakamega County Microfinance Corporation is established by and derives its authority and accountability from Kakamega County Microfinance Corporation act 2018. The Corporation is wholly owned by the Kakamega County Government and is domiciled in Kenya. The Corporation principal activity is to provide microfinance banking services to micro, small and medium enterprises in the County. This will in turn spur socio-economic development in the 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

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

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

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

	<p>cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>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:</p> <ul style="list-style-type: none"> (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>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> 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. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which</p>

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

	were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<p>• Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). • IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

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

Standard	Effective date and impact
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the</p>

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

results of discontinued operations to be presented separately in the statement of financial performance.
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(iii) Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder’s or the Entity’s right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022-2023 was approved by the County Assembly on 30th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Corporation 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

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

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 of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly, Motor vehicles are depreciated at 25%, Furniture and fittings at 12.5% and Computers and office equipment's at 25% all on straight line method. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible Assets

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

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

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over one year period or investment property is measured at fair value with gains and losses recognized through surplus or deficit.(entity to amend appropriately) Investment properties

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (Amend as appropriate). A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) Inventories

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

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

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

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

h) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) 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.

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

l) 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.

m) Employee benefits – Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Cash and cash equivalents

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

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made e.g.

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

6. Notes to the Financial Statements

1. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	8,000,000	4,000,000
Total	8,000,000	4,000,000

2. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest income from Loans	4,826,135	2,498,937
Total Interest Income	4,826,135	2,498,937

3. Other income

Description	2022-2023	2021-2022
	Kshs	Kshs
Loan processing Fees	4,485,440	1,334,100
Income for CRB Retention	147,598	160,200
Income for insurance retention	543,696	0
Total Other Income	5,176,734	1,494,300

4. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs	Kshs
General Office Expenses	140,750	565,068
Domestic Travel	6,134,965	5,695,178
Committee Allowances	165,000	2,867,405
Hospitality	3,667,117	926,251
Electricity And Water Expenses	111,091	35,970
Fuel And Oil Costs	897,413	700,000
Insurance Costs	543,696	80,000
Printing And Stationery	605,924	0

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Training	120,640	0
Maintenance of other Assets	51,900	0
Maintenance of Motor Vehicle	153,937	0
Other operating expenses	809,324	0
Telephone And Communication Expenses	474,840	312,000
Bank Charges	76,760	50,883
Total	13,953,356	11,232,754

5. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs	Kshs
Property Plant and Equipment	1,642,504	493,692
Intangible Assets	0	0
Total	1,642,504	493,692

6. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Account	13,250,057	26,815,364
Others	0	0
Total Cash And Cash Equivalents	13,250,057	26,815,364

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

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Current Account			
Kenya Commercial Bank			
1. Bank KCB Operation account	1258591545	13,650	3,273,511
2. KCB Loan Interest account	1281337595	5	178,190
3. KCB loan repayment Account	1258591944	13,236,402	23,363,663
Sub- Total		13,250,057	26,815,364

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Notes to the Financial Statements Continued

7. Receivables from exchange transactions

Description	2022-2023	2021-2022
	KShs	KShs
Current Receivables		
Interest Receivable	27,262	687,719
Current Loan Repayments Due	23,688,163	7,810,000
Other Exchange Debtors	18,973,200	23,293,200
Total Current Receivables	42,688,625	31,790,920
Non-Current Receivables		
Long Term Loan Repayments Due	210,431,877	39,233,112
Total Non- Current Receivables	210,431,877	39,233,112
Total Receivables From Exchange Transactions	253,120,501	71,024,031

Additional disclosure on interest receivable

Description	Period ended June 30 th , 2023	2021-2022
	KShs	KShs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	0	0
Accrued interest receivable from of long-term loans of previous years	0	0
Interest receivable from current portion of long-term loans issued in the current year	0	0
Current loan repayments due		
Current portion of long-term loans from previous years	0	0
Accrued principal from long-terms loans from previous periods	0	0
Current portion of long-term loans issued in the current year	0	0

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Notes To The Financial Statements (Continued)

8. Property, plant and equipment

Cost	Land	Buildings	Motor vehicles	Furniture and fittings	Computers and Office Equipments	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2021	-	-	-	886,033	-	886,033
Additions	-	-	4,920,000	-	1,207,000	6,127,000
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-
As at 30 th June 2022	-	-	4,920,000	886,033	1,207,000	7,013,033
As at 1 st July 2022	-	-	4,920,000	886,033	1,207,000	7,013,033
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-
As at 30 th June 2023	-	-	4,920,000	886,033	1,207,000	7,013,033
Depreciation and Impairment						
At 1 July 2021	-	-	-	-	-	-
Depreciation	-	-	307,500	110,754	75,438	493,692
Impairment	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As at 30 th June 2022	-	-	307,500	110,754	75,438	493,692
Depreciation	-	-	1,230,000	110,754	301,750	1,642,504
Disposals	-	-	-	-	-	-

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Impairment	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-
As at 30th June 2023	-	-	1,537,500	221,508	377,188	2,136,196
Net Book Values						
As at 30th June 2022	0	0	4,612,500	775,279	1,131,562	6,519,341
As at 30th June 2023	0	-	3,382,500	664,525	829,812	4,876,837
		0.03	0.25	0.13	0.25	

Depreciation rate is applied at 3% for buildings, motor vehicles at 25%, furniture and fittings at 12.5% and computers at 25% on straight line method

KAKAMEGA COUNTY MICROFINANCE CORPORATION
 Annual Report and Financial Statements for the period ended June 30th, 2023

Notes To The Financial Statements (Continued)

9. Intangible assets

Description	Period ended June 30 th	
	2023	2022
	Kshs	KShs
Cost		
At Beginning Of The Year 2022	0	0
Additions	5,000,000	0
At End Of The Year	5,000,000	0
Amortization And Impairment		
At Beginning Of The Year	0	0
Amortization	0	0
At End Of The Year	0	0
Impairment Loss	0	0
At End Of The Year	0	0
NBV	5,000,000	0

The intangible assets were acquired at the end of financial year therefore there was no amortisation

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023
Notes To The Financial Statements (Continued)

10. Trade and other payables from exchange transactions

Description	Period ended June 30 th , 2023		2021-2022	
	KShs		KShs	
Trade Payables	1,481,650		0	
Total Trade and Other Payables	1,481,650		0	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	1,481,650	%	0	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (tie to above total)	1,481,650		0	

11. Borrowings

Description	Period ended June 30 th , 2023		2021-2022	
	KShs		KShs	
Balance At Beginning of The Period	0		0	
External Borrowings During the Year	0		0	
Balance At End of The Period	0		0	

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

12. Cash generated from operations

	Period ended June 30 th , 2023		2021-2022	
	KShs		KShs	
Surplus/ (Deficit) For the Year Before Tax	2,407,009		(4,001,247)	
Adjusted For:	0		0	
Depreciation	1,642,504		493,692	
Amortisation	0		0	
Gains/ Losses On Disposal Of Assets	0		0	
Interest Income	(4,826,135)		(2,391,099)	

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Finance Cost	0	0
Working Capital Adjustments		
Increase In Inventory	0	0
Increase In Receivables	(182,096,470)	(34,680,261)
Increase In Payables	981,650	0
Net Cash Flow From Operating Activities	(181,891,442)	(40,578,915.00)

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Notes to the Financial Statements (Continued)

13. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

	Period ended June 30 th , 2023	2021-2022
	KShs	KShs
Transfers From Related Parties'	8,000,000	4,000,000
Transfers To Related Parties	8,000,000	4,000,000

c) Key management remuneration

	Period ended June 30 th , 2023	2021-2022
	KShs	KShs
Board Of Trustees	0	0
Key Management Compensation	0	0
Total	0	0

d) Due from related parties

	Period ended June 30 th , 2023	2021-2022
	KShs	KShs
Due From Parent Ministry	0	0
Due From County Assembly	18,973,200	23,293,200
Total	18,973,200	23,293,200

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Other Disclosures Continued

e) Due to related parties

	Period ended June 30 th , 2023	2021-2022
	KSh	KSh
Due To Parent Ministry	0	0
Total	0	0

14. Financial risk management

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

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

a) Credit risk

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

Description	Total amount KSh	Fully performing KSh	Basic KSh	Impaired KSh
At 30 June 2022				
Receivables From Exchange Transactions	0	0	0	0
Receivables From Non-Exchange Transactions	0	0	0	0
Bank Balances	0	0	0	0
Total	0	0	0	0
At 30 June 2021				
Receivables From Exchange	0	0	0	0

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Transactions				
Receivables From Non-Exchange Transactions	0	0	0	0
Bank Balances	0	0	0	0
Total	0	0	0	0

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

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 12 months	Between 1-3 months	Over 3 months	Total
	KShs	KShs	KShs	KShs
At 30 June (Current FY)				
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	0	0
At 30 June (Comparative FY)				
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	0	0

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Notes to the Financial Statements (Continued)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

Description	Other currencies		Total
	KSh	KSh	
At 30 June (Current FY)			
Financial Assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	0	0	0
Borrowings	0	0	0
Net Foreign Currency Asset/(Liability)	0	0	0

Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

Description	Change in	Effect on surplus/	Effect on
	exchange rate	deficit	equity
	KShs	KShs	KShs
(Current FY)			
Euro	10%	0	0
USD	10%	0	0
(Comparative FY)			
Euro	10%	0	0
USD	10%	0	0

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Notes To The Financial Statements (Continued)

d) Capital risk management.

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

Description	Period ended June	
	30 th , 2023	2021-2022
	KSh	KSh
Revaluation reserve	0	0
Revolving fund	0	0
Accumulated surplus	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
Gearing	0	0

15. Events after the reporting period

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

16. Ultimate and Holding Entity

Kakamega County Microfinance Corporation is the County Public Fund established by the Act of County Assembly –Kakamega County Microfinance Corporation Act 2018 under the Ministry of Trade industrialisation and Tourism. Its ultimate parent is the County Government of Kakamega.

17. Currency

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

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

20. Annexes

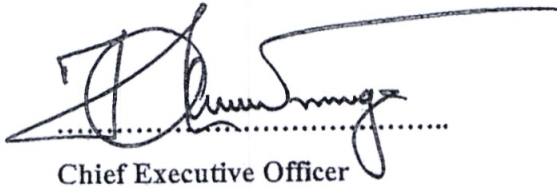
Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations

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

	Observations from Auditor	Management comments	Status (Resolved/Not Resolved)	Timeliness (If not resolved, when you expect the issue to be resolved)
1	<p>Receivables from Exchange transactions The statement of financial position and as disclosed under Notes 12 to the financial statements reflects balance of Kshs. 31,790,919 and Kshs. 39,233,112 in respect of current portion of long term receivables from exchange transactions and long term receivables from exchange transactions respectively, totalling Kshs. 71,024,031. However, the Corporation did not provide an ageing analysis to confirm when the loans were issued and for how long they have remained outstanding. In the circumstances, the validity and completeness of the loan balances could not be confirmed.</p>	<p>The Corporation has installed an IT loan management system that have come in handy in the management of the loan portfolio. The cooperation is now maintaining an ageing analysis report.</p>	Resolved	N/A
2	<p>Inaccuracies in the Financial Statements. The statement of financial performance and as disclosed under notes 4 and 5 to the financial statements reflects amounts of Kshs. 2,498,937 and Kshs. 1,494,300 in respect of interest income and other income respectively, While the corresponding income in the statement of comparison of budget and actual amounts reflects amounts of Kshs. 2,391,099 and Kshs. 1,334,100 resulting to unreconciled variances of kshs 107,838 and kshs 160,200. Further the statement of financial performance reflects a deficit for the year of ksh 3,733,209 while the statement of comparison of budget and actual amounts reflects deficit of ksh 4,001,247</p>	<p>Management noted the normally and the errors has been corrected in the financial statements of the subsequent years.</p>	Resolved	N/A

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

	<p>the powers of the County Public Service Board under Section 6 of the Kakamega County Public Service Board Act, 2017 and who shall serve for a period of four (4) years which may be renewed once upon satisfactory performance. Further, it was not explained how the acting Chief Executive Officer was being remunerated since his salary and emoluments were not disclosed in the financial statements of the Corporation for the year ended 30 June, 2022.</p>			
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Chief Executive Officer

Date.....11-12-2023.....

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Confirmation of amounts received by Kakamega County Microfinance Corporation as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by County government of Kakamega County Treasury as at 30 th June 2023			Total (D)=(A+B+C)	Amount Received by [beneficiary Fund] (KShs) as at 30 th June 2023	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)			

Annex II: Inter-Fund Confirmation Letter

REPUBLIC OF KENYA
COUNTY GOVERNMENT OF KAKAMEGA



Ministry of Finance and Economic Planning

Telephone: 056 -31850/1852/31853
 Email: kcmfc@kakamega.go.ke
 Website: www.kakamega.go.ke

CEC Finance
 P.O. BOX 36-50100
 KAKAMEGA

When replying please quote:
Ref No: CGKK/KCMFC/CEO/VOL.5 (11)

26th Sep, 2023

Kakamega County Microfinance Corporation

Kakamega County Government wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

						(E)	
		8,000,000	168,000,000	0	176,000,000	176,000,000	0
Total		8,000,000	168,000,000	0	176,000,000	176,000,000	0

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

Head of Accountants department of beneficiary Fund:

Name Daniel Opiyo Sign [Signature] Date 28/9/2022

Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objective	Project Activities	Quarterly Expenditures				Source of Funds	Implementation Status
				Q1	Q2	Q3	Q4		

KAKAMEGA COUNTY MICROFINANCE CORPORATION
Annual Report and Financial Statements for the period ended June 30th, 2023

Annex IV: Reporting on Disaster Management Expenditure

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