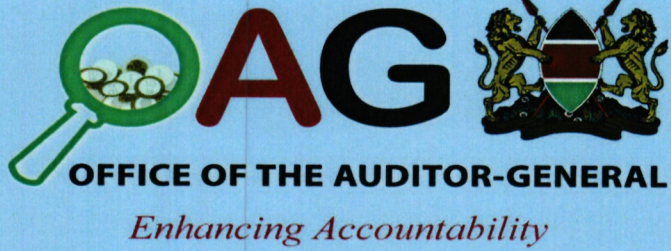


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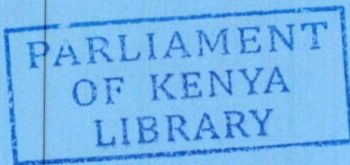


REPORT

PAPERS LAID	
DATE	23/3/22
TABLED BY	MCS
COMMITTEE	—
CLERK AT THE TABLE	Abdirahma

OF

THE AUDITOR-GENERAL



ON

KISUMU COUNTY TRADE FUND

**FOR THE YEAR ENDED
30 JUNE, 2020**



KISUMU COUNTY TRADE FUND

AMMENDED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

**Kisumu County Trade Fund
Reports and Financial Statements
For the year ended June 30, 2020**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Trade Fund is established by and derives its authority and accountability from Kisumu County Trade Fund Act on 30th May 2016. The Fund is wholly owned by the County Government of Kisumu and is domiciled in Kenya.

The fund's objective is to provide trade loan to traders for purposes of doing business within the county.

The Fund's principal activity is to boost the already existing business within Kisumu County for purposes of self-reliance.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to is to provide business within the county
-Enhancing and promoting entrepreneurship within County Government of Kisumu.

Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Joseph Oganga	Chairman
2	George Ondiek	Fund Administrator
3	Charles Mburu	Committee Member
4	George Ogundo	Committee Member
5	John Otieno Oyoo	Accountant

c) Key Management

Ref	Name	Position
1	Joseph Oganga	Chairman
2	George Ondiek	Fund Administrator
3	Charles Mburu	Committee Member
4	George Ogundo	Committee Member
5	John Otieno Oyoo	Accountant

(Include all positions regarded as top management for the Fund).

**Kisumu County Trade Fund
Reports and Financial Statements
For the year ended June 30, 2020**

d) Registered Offices

P.O. Box 2837
Prosperity House Building
Kisumu, KENYA

e) Fund Contacts

Telephone: (254) 0721985413
E-mail: gerald.ondiek@kisumu.go.ke
Website: www.xxx.go.ke

f) Fund Bankers

Kenya Commercial Bank
A/C 1175261955
Kisumu Branch

g) Independent Auditors

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

h) Principal Legal Adviser

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

2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)

Name	Details of qualifications and experience
1. Joseph Oganga	1.Date of Birth:21 st August 1961 2.Academic Qualification: Cert Leadership for change, Bcom Finance, MBA Finance, 3.Professional Qualification: CPA Part 3 Sec 5 4.Position:
2. Gerald Ondiek	1.Date of Birth:22 nd November 1972 2.Academic Qualification: Masters Business Administration, PHD Operations Management 3.Professional Qualification: 4.Position: Fund Administrator
3.Charles Mburu	1.Date of Birth:1 st January 1972 2.Academic Qualification: O-level 3.Professional Qualification: 4.Position:Board Secretary 5.Work Experience:
4.George Ogundoh	1.Date of Birth:15 th June 1974 2.Academic Qualification; Diploma in IT, Diploma in BA, 3.Professional Qualification 4.Position: Loans Officer 5.Work Experience: System Administrator in City of Kisumu, Administering the Trade office during its commencement.
5.John Otieno Oyoo	1.Date of Birth:4 th April 1974 2.Academic Qualification: O-Level 3.Professional Qualification: CPS Section 6 4.Position: Accountant

**Kisumu County Trade Fund
Reports and Financial Statements
For the year ended June 30, 2020**

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Joseph Oganga	1.Date of Birth: 21 st August 1961 2.Academic Qualification: Cert Leadership for change, B com Finance, MBA Finance, 3.Professional Qualification: CPA Part 3 Sec 5 4.Position: Chair: Chairperson
2. Gerald Ondiek	Date of Birth: 22 nd November 1972 2.Academic Qualification: Masters in Business Administration, PHD Operations Management, 0-Level 3.Professional Qualification 4.Position: Fund Administrator
3. Charles Mburu	1.Date of Birth:1 st January 1972 2.Academic Qualification: O-level 3.Professional Qualification: 4.Position:Board Secretary 5.Work Experience:
4. George Ogundoh	1.Date of Birth:15 th June 1974 2.Academic Qualification; Diploma in IT, Diploma in BA, 3.Professional Qualification 4.Position: Loans Officer 5.Work Experience: System Administrator in City of Kisumu, Administering the Trade office during its commencement.
5. John Otieno Oyoo	1.Date of Birth:4 th April 1974 2.Academic Qualification: O-Level 3.Professional Qualification: CPS Section 6 4.Position: Accountant

4. BOARD/FUND CHAIRPERSON'S REPORT

Put a forward note by the Chairperson of the corporate governance body responsible for the Public Fund. Where no such body exists, include a forward note by the CEC under whose department the Public Fund was established. May include information such as:

- Changes in the Fund during the year (in terms of the board or key management team)
- Review of the Fund's performance
- Future outlook of the Fund
- Any other matters deemed necessary
- A conclusion

Signed:  _____ -

Joseph Oganga

**Kisumu County Trade Fund
Reports and Financial Statements
For the year ended June 30, 2020**

5.REPORT OF THE FUND ADMINISTRATOR

The fund is managed by a four (4) member committee members

- 1) Chief officer business and enterprise development
- 2) Chief officer cooperatives and marketing
- 3) Chief officer for Gender, Youth, Sports, Culture and Social Services
- 4) Chief Officer Finance assisted by four secretariat members.

The fund was established vide ACT 2016 of Kisumu county assembly in pursuant to section 116(i) of the public finance management Act 2012. The objective of the fund is to provide trade loan to traders for purposes of doing business within the county. It is a revolving fund and traders are expected to pay it back.

The current county trade fund committee was set up in March 2020 and found out the following information in the records of trade fund books.

- 1) First loan issued to traders was on 19th July 2017 where 49 successful applicants got the loan. A total of Ksh. 2,120,000 was issued
- 2) The second loan disbursement was issued on the 27th March 2018 to 69 successful applicants where total amount disbursed was Ksh. 5,800,000
- 3) In the financial year 2019/2020, a total of Ksh. 8,980,000 was disbursed to 72 successful applicants.

Major achievements have been realised in the area of Kisumu county trade fund by helping traders to boost their businesses. What we have noticed is high default rate. The effect of Covid-19 has made it more difficult to enforce loan recoveries.

The Fund Administrator

Signed:  _____

Gerald Ondiek

6.MANAGEMENT DISCUSSION AND ANALYSIS

PREAMBLE

This Fund was established vide ACT 2014 of Kisumu County Assembly. The Fund, which has been in operation since 2016, is provided for by Kisumu County Trade Fund (Amendment) Act, 2016.

Management of the Fund

The Fund is managed by a committee of five (5) constituted in accordance with section 5 of Kisumu County Trade Fund (Amendment) Act, 2016. The present County Fund Committee was set up in January, 2018.

Review of the Fund's performance

For the FY 2019/2020, the Fund had a budget estimate of Ksh15, 000,000 million. However, Kshs, 5,000,000 was received during the year.

Challenges Experienced

- The applicants for funds are many in numbers therefore the fund allocation is inadequate
- Many loan applicants are disqualified from accessing the money due to security to lack of security.
- High loan default.

Future Outlook of the Fund

We are preparing bills that will enable this Fund address core devolved functions of trade covering the whole county. This will call for some amendment on the existing Act and the creation of other Fund by means of which the Act is operationalized.

Conclusion

The Fund plays a key role in achieving socio- economic equality as is evidenced by the many applicants and the deserving cases that take it up. It has vindicated the County Government's commitment and responsiveness to business needs of its residents. The Fund should therefore be maintained, sustained, improved and monitored to ensure return on investment.

**Kisumu County Trade Fund
Reports and Financial Statements
For the year ended June 30, 2020**

7. 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 Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *(quote the applicable legislation establishing the County Public Fund)*. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2020, 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 30th June, 2020 and signed on its behalf by:



Administrator of the County Trade Fund
(Chief Officer for Business, Cooperative and Marketing)

8. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to explore business opportunities within the County

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 13 to 48

Trustees

The members of the Board of Trustees who served during the year are shown on page 4. The changes in the Board during the financial year are as shown below:

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



Member of the Board

Date: 28/3/2021

**Kisumu County Trade Fund
Reports and Financial Statements
For the year ended June 30, 2020**

3. 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 Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

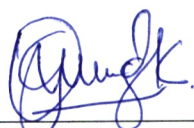
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *(quote the applicable legislation establishing the County Public Fund)*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, 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.

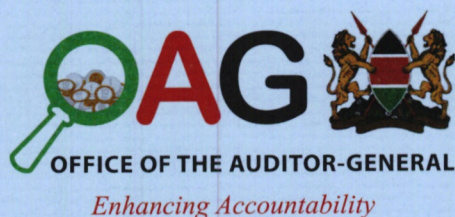
Approval of the financial statements

The Fund's financial statements were approved by the Board on _____ 2020 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 KISUMU COUNTY TRADE FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kisumu County Trade Fund set out on pages 13 to 47, which comprise of the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kisumu County Trade Fund as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Kisumu County Trade Fund (Amendment) Act, 2016 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

The annual report and financial statements presented for audit contained the following inaccuracies and misstatements:

- i. The statement of financial performance reflects comparative year figure under general expenses of Kshs.1,266,000 which is at variance with a Nil balance reflected in Note 8 to the financial statements resulting in an unreconciled variance of Kshs.1,266,000.
- ii. The total in Note 5 to the financial statements reflects a Nil balance as total other income instead of the correct sum of Kshs.4,164,405.

- iii. The statement of financial position reflects cash and cash equivalents comparative balance of Kshs.4,268,280 which differs from an amount of Kshs.4,164,406 reflected in Note 11 to the financial statements resulting to an unreconciled variance of Kshs.103,874.
- iv. Similarly, the statement of financial position reflects comparative figures of Kshs.856,000 and Kshs.4,455,803 in respect of current receivables and non-current receivables respectively which differs from balances of Kshs.312,553 and Kshs.4,143,250 reflected in Note 12 to the financial statements for the two items. The differences noted have not been reconciled or explained.
- v. Note 21 to the financial statements reflects the account receivables as at 1 July, 2019 of Kshs.14,638,086 and account receivables settled during the year of Kshs.1,395,044 which have not been supported by schedules and other documentary evidence.
- vi. The statement of comparison of budget and actual amounts reflects total performance difference of shs.4,770,387 while a recast of the figures revealed a total of Kshs.4,750,387 resulting to an unexplained and unreconciled difference of Kshs.20,000.
- vii. The statement of comparison of budget and actual amounts reflects nil final budget figures for expense items and percentages for utilization difference have not been disclosed as required by Public Sector Accounting Standards Board reporting template.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

2. Unsupported Income

The statement of financial performance reflects revenue totaling to Kshs.263,434 and Kshs.1,164,405 in respect of interest income and other income respectively. However, the revenue balances were not supported with schedules, statements and other documentary evidence. Consequently, the validity, accuracy, and completeness of the reported income for the year ended 30 June, 2020 could not be confirmed.

3. Inaccuracies in Net Assets and Liabilities

The statement of financial position and statement of changes in net assets and liabilities contained the following inaccuracies:

- (i) The statement of financial position reflects comparative total net assets and liabilities balance of Kshs.9,580,083, while a recast revealed a total of Kshs.8,282,567 resulting to an unexplained and unreconciled variance of Kshs.648,758.
- (ii) The statement of financial position reflects comparative revolving fund balance of Kshs.8,931,325 which is at variance with an amount of Kshs.10,000,000 reflected

in the statement of changes in net assets. The difference amounting to Kshs.1,068,675 between the two statements has not been reconciled.

- (iii) The revolving fund balance of Kshs.15,000,000 reflected in the statement of financial position as at 30 June, 2020 has not been supported with schedules.

Consequently, the accuracy and completeness of the net assets and liabilities as at 30 June, 2020 could not be confirmed.

4. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.305,074 as at 30 June, 2020 which differed with the cash book balance of Kshs.643,370 resulting to an unreconciled and unexplained variance of Kshs.338,296. Further, a review of the bank reconciliation statements revealed receipts in the cash book not yet credited in the bank amounting to Kshs.692,095 and receipts in the bank statement not recorded in the cash book of Kshs.562,384 which were not analyzed or explained.

In the circumstances, the accuracy and completeness of the cash and cash equivalents of Kshs.305,074 could not be confirmed.

5. Unconfirmed Receivables from Exchange Transactions

The statement of financial position reflects a current portion of receivables from exchange transactions and long-term receivables from exchange transactions balance of Kshs.6,187,837. However, the supporting schedules reflected a figure of Kshs.2,832,355 resulting to an unexplained variance of Kshs.3,355,482. Further, the statement of financial position reflects long-term receivables from exchange transactions of balance of Kshs.6,312,916 has not been supported with analysis or schedules.

Consequently, the accuracy and completeness of the receivables from exchange transactions as at 30 June, 2020 could not be confirmed.

6. Inaccuracies in Statement of Cash Flows

The statement of cash flows reflects a net decrease in accounts receivables of Kshs.22,223,042, which differs from the statement of financial position a net increase of Kshs.7,188,950 thus resulting to a variance of Kshs.29,411,992 that has not been explained or reconciled. Further, the proceeds from loan principal repayments and loan disbursements of Kshs.5,296,016 of Kshs.8,980,000 respectively reflected in the statement were not supported.

In addition, the reported net cash flows from operating activities balance of negative Kshs.18,239,221 differed with re-casted amount of negative Kshs.20,943,539. Similarly the discrepancy has not been reconciled or explained.

Consequently, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisumu County Trade Fund 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 adverse opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.15,300,000 and Kshs.5,253,434 respectively resulting to a revenue shortfall of Kshs.10,036,566 or 34% of the budget. Similarly, the Fund spent Kshs.10,259,613 against an approved budget of Kshs.15,010,000 resulting to an under-expenditure of Kshs.4,750,387 or 32% of the budget.

The underfunding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Approved Budget

However, the approved budget estimates in support of the revenue and expenditure were not provided for audit. During the year under review, the Fund Management did not prepare annual estimates for its revenue and expenditure for the year. This is contrary to Section 16 (3) of the Kisumu County Trade Fund (Amendment) Act 2016 which requires that the Committee Member in charge of trade shall approve at the commencement of the financial year the annual estimates of the Fund. The management is therefore in breach of the law.

2. Unsecured Loans

The statement of financial position reflects current portion of long term receivables and long term receivables from exchange transaction balances of Kshs.6,187,837 and Kshs.6,312,916 respectively. Review of records relating to loans revealed that the Fund Management did not cause a charge on properties acquired through loans amounting to Kshs.800,000 to five (5) beneficiaries. This is contrary to Section 25 of the Kisumu Trade Fund Regulations, 2016 which requires the committee to charge security on properties acquired through loans from the Fund to protect the interests of the Fund.

Further, Section 6 (a) and (b) of the Kisumu County Trade Fund Act, 2016 requires the Fund Management Committee to formulate sound policies for regulating the management of the Fund including setting of the criteria and conditions that govern the granting of loans and the determining of interest rate and loans recovery. However, no evidence was provided indicating that the loanees have been repaying the loans as per the agreements and the Act.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resource sections of my report, based on the audit procedures performed, I confirm 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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control.

In preparing the financial statements, Management is responsible for assessing the Funds 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 Fund or to cease operations.

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

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 February, 2022

9. REPORT OF THE INDEPENDENT AUDITOR

**Kisumu County Trade Fund
Reports and Financial Statements
For the year ended June 30, 2020**

10. FINANCIAL STATEMENTS

10.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1		
Transfers from the County Government	2	5,000,000.00	0.00
Fines, penalties and other levies	3		
Revenue from exchange transactions			
Interest income	4	263,434.00	349,805.00
Other income (loan repayments)	5	4,164,405.90	
Total revenue		9,427,839.90	349,805.00
Expenses			
Fund administration expenses	6	679,340	
General expenses	8	9,580,273	1,266,000
Finance costs	9		6,582.00
Total expenses		10,259,613	
Other gains/losses			
Gain/loss on disposal of assets	10		
Surplus/(deficit) for the period		(831,773.10)	(922,777)

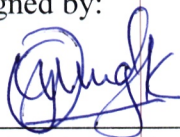
The notes set out on pages 34 to 48 form an integral part of these Financial Statements

**Kisumu County Trade Fund
Reports and Financial Statements
For the year ended June 30, 2020**

10.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020 KShs	2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	11	305,073.90	4,268,279.90
Current portion of long- term receivables from exchange transactions	12	6,187,837.27	856,000.80
Non-current assets			
Long term receivables from exchange transactions	12	6,312,916.67	4,455,803.00
Total assets		12,805,827.84	9,580,083.70
Net assets			
Revolving Fund		15,000,000	8,931,325.40
Reserves			
Accumulated Surplus		(2,194,172.16)	(648,758.30)
Total net assets and liabilities		12,805,827.84	9,580,083.70

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 26th March 2020 and signed by:



Administrator of the Fund
Name: Gerald Ondiek



Head of Treasury Accounting
Name: Kezia Okoth
ICPAK:4499

**Kisumu County Trade Fund
Reports and Financial Statements
For the year ended June 30, 2020**

10.3.STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revalu- ation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	10,000,000		(1,589,191.66)	8,410,808.34
Surplus/(deficit) for the period	-	-	226,792.60	226,792.60
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	10,000,000	-	(1,362,399.06)	8,637,600.94
Balance as at 1 July 2019	10,000,000	-	(1,362,399.06)	8,637,600.94
Surplus/(deficit) for the period	-	-	(831,773.10)	(831,773.10)
Funds received during the year	5,000,000	-	-	5,000,000.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	15,000,000.	-	(2,194,172.16)	12,805,827.84

**10.4.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE
 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		00	
Transfers from the County Government	2	5,000,000.00	00
Interest received	4	263,434.00	345,805.00
Total Receipts		5,263,434.00	349,805.00
Payments			
Fund administration expenses	6	679,340.00	1,266,000.00
General expenses	8	593,450.00	
Finance cost	8	6,823.00	6,582.00
		1,279,613.00	1,272,582.00
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21	(22,223,042.90)	0
Net cash flows from operating activities		(18,239,221.90)	(922,777)
Cash flows from investing activities			
Proceeds from loan principal repayments		5,296,015.90	2,598,293.00
Loan disbursements paid out		8,980,000.00	-
Net cash flows used in investing activities		14,276,015.90	
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		(3,963,206.00)	00
Cash and cash equivalents at 1 JULY	11	4,268,279.90	2,592,763.90
Cash and cash equivalents at 30 JUNE	11	305,073.90	4,268,279.90

10.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	00	(00)	00	00	00	
Transfers from County Govt.	15,000,000.00	00	15,000,000	5,000,000.00	10,000,000.00	
Interest income	300,000.00	-	300,000	263,434.00	36,566.00.00	
Other income	00	-	00.00	00	00	
Total income	15,300,000.00	(00)	15,300,000.00	5,263,434.00	10,036,566.00	
Expenses						
Fund administration expenses	2,000,000.00	-	00	679,340.00	1,320,660.00	
General expenses	13,000,000.00	(00)	00	9,573,450.00	3,426,550.00	
Finance cost	10,000.00	(00)	00	6,823.00	3,177.00	
Total expenditure	15,010,000.00	(00)	00	10,239,613.00	4,770,387.00	
Surplus for the period	290,000.00	00	00	(4,976,179.00)		

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

3. *Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.*
-
-
-

10.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

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

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

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Standard	Effective date and impact:
	<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><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</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><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</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 were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <p>Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time</p>

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Standard	Effective date and impact:
	<p>Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations.</p> <p>Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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.

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on Kisumu. 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. Accordingly, the Fund recorded additional appropriations on the FY 2019/2020 budget following the governing body's approval.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. 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.

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. 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.

9. 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

10. 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.*

11. 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.

12. 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.

13. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. 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.

15. 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.

16. 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Kisumu County Trade Fund Act (*state the legislation establishing the Fund*) under the Ministry of Business, Cooperatives and Marketing. Its ultimate parent is the County Government of Kisumu.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. 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

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.

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

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.

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. 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:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	00	00	00	00
Receivables from non exchange transactions	00	00	00	00
Bank balances	00	00	00	00
Total	00	00	00	00
At 30 June 2018				
Receivables from exchange transactions	00	00	00	00
Receivables from non exchange transactions	00	00	00	00
Bank balances	00	00	00	00
Total	00	00	00	00

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 entity has significant concentration of credit risk on amounts due from xxxx

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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:

10.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020	2018/2019
	KShs	KShs
Donation from development partners	00	00
Contributions from the public	00	00
Total	00	00

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	5,000,000.00	00
Payments by County on behalf of the entity	00	00
Loan repayments	00	
Total	5,000,000.00	00

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties	00	00
Fines	00	00
Total	00	00

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from loans	263,434.00	349,805.00
Interest income from car loans	00	00
Interest income from investments	00	00
Interest income on bank deposits	00	00
Total interest income	263,434.00	349,805.00

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5. Other income

Description	2019/2020	2018/2019
	KShs	KShs
Loan repayment	4,164,405.90	00
Income from sale of tender documents	00	00
Miscellaneous income	00	00
Total other income	00	00

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)	00	00
Loan processing costs	00	1,266,000.00
Professional services costs	00	00
Administration fees	679,340.00	00
Total	679,340.00	1,266,000.00

7. Staff costs

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages	00	00
Staff gratuity	00	00
Staff training expenses	00	00
Social security contribution	00	00
Other staff costs	00	00
Total	00	00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	00	00
Electricity and water expenses	00	00
Fuel and oil costs	00	00
Insurance costs	00	00
Postage	00	00
Printing and stationery	00	00
Rental costs	00	00
Security costs	00	00
Telecommunication	00	00
Bank Charges	6,823.00	00
Hospitality	593,450.00	00
Depreciation and amortization costs	00	00
Other expenses-loans Advanced	8,980,000.00	00
Total	9,580,273.00	00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2019/2020	2018/2019
	KShs	KShs
Interest on Bank overdrafts	00	00
Interest on loans from banks	00	6,582.00
Total	00	6,582.00

10. Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
	KShs	KShs
Property, plant and equipment	00	00
Intangible assets	00	00
Total	00	00

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	Kshs	Kshs
Loan account	00	00
Fixed deposits account	00	00
On – call deposits	00	00
Current account	305,073.90	4,164,405.90
Others	00	00
Total cash and cash equivalents	305,073.90	4,164,405.90

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2019/2020	2018/2019
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		00	00
Equity Bank, etc		00	00
Sub- total		00	00
b) On - call deposits			
Kenya Commercial bank		00	00
Equity Bank - etc		00	00
Sub- total		00	00
c) Current account			
Kenya Commercial bank		305,073.90	4,164,405.90
a/c no.			00
Sub- total		305,073.90	4,164,405.90
d) Others(specify)			
Cash in transit		00	00
Cash in hand		00	00
M Pesa		00	00
Sub- total		00	00
Grand total		305,073.90	4,164,405.90

12. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	212,033.33	312,553.00
Current loan repayments due	5,975,803.94	00
Other exchange debtors	00	00
Less: impairment allowance	(00)	(00)
Total Current receivables	6,187,837.27	312,553.00
Non-Current receivables		
Long term loan repayments due	6,312,916.67	4,143,250.00
Total Non- current receivables	00	4,143,250.00
Total receivables from exchange transactions	12,500,753.94	4,455,803.00

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Additional disclosure on interest receivable

Description	2019/2020		2018/2019
	KShs		KShs
Interest receivable			
Interest receivable from current portion of long-term loans of previous years			
Accrued interest receivable from of long-term loans of previous years			
Interest receivable from current portion of long-term loans issued in the current year			
Current loan repayments due			
Current portion of long-term loans from previous years			
Accrued principal from long-terms loans from previous periods			00
Current portion of long-term loans issued in the current year	8,980,000.00		

13. Revenue from Non-Exchange transaction

Description	2019/2020		KShs 2018/2019
	KShs		KShs
Transfer to County Executive	00		00
Transfer to Kisumu County Trade Fund	00		00
Total receivables from non-exchange transactions	00		00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

Description	2019/2020	2018/2019
	KShs	KShs
Prepaid rent	00	00
Prepaid insurance	00	00
Prepaid electricity costs	00	00
Other prepayments(specify)	00	00
Total	00	00

15. Inventories

Description	2019/2020	2018/2019
	KShs	KShs
Consumable stores	00	00
Spare parts and meters	00	00
Catering	00	00
Other inventories(specify)	00	00
Total inventories at the lower of cost and net realizable value	00	00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2018	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfers/adjustments	0.00	0.00	0.00	0.00	0.00
At 30th June 2019	0.00	0.00	0.00	0.00	0.00
At 1st July 2019					
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfer/adjustments	0.00	0.00	0.00	0.00	0.00
At 30th June 2020	0.00	0.00	0.00	0.00	0.00
Depreciation and impairment					
At 1 st July 2018	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
At 30th June 2019	0.00	0.00	0.00	0.00	0.00
At 1st July 2019					
Depreciation	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
Transfer/adjustment	0.00	0.00	0.00	0.00	0.00
At 30th June 2020	0.00	0.00	0.00	0.00	0.00
Net book values					
At 30th June 2019	0.00	0.00	0.00	0.00	0.00
At 30th June 2020	0.00	0.00	0.00	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

Description	2019/2020	2018/2019
	KShs	KShs
Cost	0.00	0.00
At beginning of the year	0.00	0.00
Additions	0.00	0.00
At end of the year	0.00	0.00
Amortization and impairment	0.00	0.00
At beginning of the year	0.00	0.00
Amortization	0.00	0.00
At end of the year	0.00	0.00
Impairment loss	0.00	0.00
At end of the year	0.00	0.00
NBV	0.00	0.00

18. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Trade payables	00	00
Refundable deposits	00	00
Accrued expenses	00	00
Other payables	00	00
Total trade and other payables	00	00

19. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)	00	00	00	00
Additional Provisions	00	00	00	00
Provision utilised	(00)	(00)	(00)	(00)
Change due to discount and time value for money	(00)	(00)	(00)	(00)
Transfers from non -current provisions	00	00	00	00
Balance at the end of the year (30.06.2019)	00	00	00	00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

Description	2019/2020	2018/2019
	KShs	KShs
Balance at beginning of the period	00	00
External borrowings during the year	00	00
Domestic borrowings during the year	00	00
Repayments of external borrowings during the period	(00)	(00)
Repayments of domestics borrowings during the period	(00)	(00)
Balance at end of the period	00	00

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

	2019/2020	2018/2019
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	00	00
Sterling Pound denominated loan from 'yyy organisation'	00	00
Euro denominated loan from zzz organisation'	00	00
Domestic Borrowings		
Kenya Shilling loan from KCB	00	00
Kenya Shilling loan from Barclays Bank	00	00
Kenya Shilling loan from Consolidated Bank	00	00
Borrowings from other government institutions	00	00
Total balance at end of the year	00	00

The table below shows the classification of borrowings long-term and current borrowings:

Description	2019/2020	2018/2019
	KShs	KShs
Short term borrowings(current portion)	00	00
Long term borrowings	00	00
Total	00	00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	14,638,086.90	6,576,785.50
Account receivable issued during the year (B)	8,980,000.00	5,800,000
Account receivable settled during the Year (C)	(1,395,044.00)	
Net changes in account receivables D= A+B-C	22,223,042.90	4,143,250.00

22. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 st July 2019 (A)	00	00
Accounts Payable held during the year (B)	00	00
Accounts Payable paid during the Year (C)	00	00
Net changes in account receivables D= A+B-C	00	00

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	00	00	00	00
Non-current benefit obligation	00	00	00	00
Total employee benefits obligation	00	00	00	00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Cash generated from operations

	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax		
Adjusted for:		
Depreciation		
Amortisation		
Gains/ losses on disposal of assets	0	0
Interest income	0	0
Finance cost	0	
Working Capital adjustments		
Increase in inventory	0	0
Increase in receivables	0	0
Increase in payables		
Net cash flow from operating activities	0	0

25. 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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	00	00
Transfers to related parties	00	00

c) Key management remuneration

	2019/2020	2018/2019
	KShs	KShs
Board of Trustees	00	00
Key Management Compensation	00	00
Total	00	00

d) Due from related parties

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry	00	00
Due from County Government	00	00
Total	00	00

e) Due to related parties

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry	00	00
Due to County Government	00	00
Due to Key management personnel	00	00
Total	00	00

26. Contingent assets and contingent liabilities

Contingent liabilities	2019/2020	2018/2019
	KShs	KShs
Court case against the Fund	00	00
Bank guarantees	00	00
Total	00	00

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11. 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.