

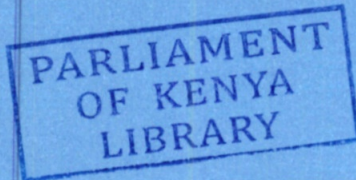
REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

**NYERI COUNTY ENTERPRISE  
DEVELOPMENT FUND**

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

PAPERS LAID	
DATE	27-02-24
TABLED BY	MAJORITY LEADER
COMMITTEE	FINANCE & BUDGET
CLERK AT THE TABLE	C. CHEROP



**NYERI COUNTY**  
**ENTERPRISE DEVELOPMENT**  
**FUND**

OFFICE OF THE AUDITOR GENERAL  
CENTRAL REGIONAL OFFICE  
★ 29 SEP 2023 ★  
RECEIVED  
P.O. Box 267 - 10100, NYERI.

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NYERI COUNTY ENTERPRISE DEVELOPMENT FUND

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

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

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*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**Table of Content**

1.	Acronyms and Glossary of Terms	iii
2.	Key Entity Information and Management	iv
3.	The Board	vii
4.	Management Team	xi
7.	Statement of Performance Against The County Fund's Predetermined Objectives	xvi
8.	Corporate Governance Statement	xvii
9.	MANAGEMENT DISCUSSION AND ANALYSIS	xxi
10.	Environmental and Sustainability Reporting	xxii
11.	Report of The Trustees	xxiii
12.	Statement of Management's Responsibilities	xxiv
14.	Statement of Financial Performance for the Year Ended 30 <sup>th</sup> 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 <sup>th</sup> 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 Period	6
19.	Notes to the Financial Statements	7
20.	Annexes	38

**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

## **2. Key Entity Information and Management**

### **a) Background information**

Nyeri County Enterprises Development Fund is established by and derives its authority and accountability from Nyeri County Enterprises Development Act 2018 on 29<sup>th</sup> March, 2018. The Fund is wholly owned by the County Government of Nyeri and is domiciled in Kenya.

The fund's objective is to:

- a) Provide affordable loans to applicants stipulated under section 20 operating in Nyeri county;
- b) support capacity building of the beneficiaries;
- c) provide training, mentorship and provision of business development services to beneficiaries;
- d) promote enterprise development in Nyeri County;
- e) support micro and small enterprises to develop linkages with large enterprises
- f) promote marketing of products and services for the enterprises;
- g) support technology acquisition, adoption and utilization by Micro and small enterprises and Cooperatives Societies; and
- h) Promote gainful employment through enterprise development.

### **b) Principal Activities**

The Fund's principal activity is to provide affordable loans to applicants operating in Nyeri County as stipulated under the Nyeri County Enterprise development Fund Act.

The fund issues loans that are currently attracting an interest rate of 5%.

**Nyeri County Enterprise Development Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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

Ref	Position	Name
1	Chairman of the Board	John Githinji Nduru
2	Chief Officer ( <i>Responsible department</i> )	George Mwangi
3	Chief Officer finance	John Ngugi
4	V. Chairman Board	Eunice Wangari Mwathi
5	PWLD Rep	Lydia Wanjiru Mwangi
6	Nyeri Business Community Rep	Jackson Githigi Kanyingi
7	Director Trade	Eva Ndiangui
8	Fund Administrator	Anne Githinji

**d) Key Management**

Ref	Position	Name
1	Fund Administrator	Anne Githinji
2	Fund Accountant	John Ngugi

**e) Registered Offices**

Nyeri County Enterprise Development Fund Board,  
P.O. Box 1112-10100  
Nyeri, KENYA  
Opposite Nyeri Golf Club along Kamakwa Road

**f) Fund Contacts**

Telephone: (254) 0207840588

E-mail: [nyericountyedf@gmail.com](mailto:nyericountyedf@gmail.com)

Website: [www.nyeri.go.ke](http://www.nyeri.go.ke)

**g) Fund Bankers**

KCB Bank Nyeri  
Nyeri Branch  
P.O. Box 192-10100  
Nyeri, Kenya



**h) Independent Auditors**



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



**i) Principal Legal Adviser**

The County Attorney  
Nyeri County  
P.O. Box 1112- 10100  
Nyeri

**3. The Board**

Name	Details of qualifications and experience
<p>1.</p>  <p>John Githinji Mburu                      Chairperson of the Board</p>	<p>Bachelor in Education</p> <p><i>Date Of Birth - 1967</i></p>
<p>2.</p>  <p>Eunice Mwathi                      Vice Chairperson of the Board                      Youth Rep</p>	<p>Diploma in Business Management</p> <p>Masters in progress</p> <p><i>Date Of Birth – 1<sup>st</sup> July 1991</i></p>

<p>3.</p>  <p>Anne Githinji Fund Administrator</p>	<p>Bachelor of Business Administration (accounts option) CPA K <i>Date Of Birth – 2<sup>nd</sup> June 1964</i></p>
<p>4.</p>  <p>Jackson Githigi Kanyingi Board Member Nyeri Business Community Rep</p>	<p>Diploma in Education Management <i>Date Of Birth – 27<sup>th</sup> September 1953</i></p>

<p>5.</p>  <p>George Mwangi</p> <p>Chief Officer Trade Tourism and Cooperative Development</p>	<p>Masters in Governance and Ethics</p> <p><i>Date Of Birth – 05<sup>th</sup> September 1970</i></p>
<p>6.</p>  <p>Evah Ndiangui</p> <p>Director - Trade Development</p>	<p>Bachelor Of International Business Administration – Finance</p> <p>Masters in Business Administration – Strategic Management</p> <p>CPA-K</p> <p><i>Date Of Birth – 30<sup>th</sup> January 1989</i></p>

7.



Diploma in Computerized Air Travel and  
Operations

*Date Of Birth – 1<sup>st</sup> July 1991*

Lydia Wanjiru Mwangi

Board Member

PWLD Rep

**4. Management Team**

<b>Name of the Staff</b>	<b>Responsibility</b>
George Mwangi	Chief Officer Trade, Tourism and Cooperative Development
Eva Nyawira Ndiangui	Director Trade
Anne .W. Githinji	Fund Administrator

## **5. Chairman's Statement**

I am honoured to present highlights for the financial year 2022/2023.

In the year, 2018/2019, the fund rollout kicked off with sensitization and training for the key stakeholders in the implementation. The County Government of Nyeri led by H.E Governor Mutahi Kahiga has been very supportive to SMEs, through providing them with the Enterprise Development Fund (EDF) which has revived stuck businesses enhancing their productivity, transforming them into success stories. This move has indeed enabled achievement of economic empowerment for the small-scale traders in Nyeri County.

In the current year, 2022/2023, sensitization conducted at the sub-county level, before call for application. Campaigns through various channels were employed like advertising in the County Government's Website and official social media pages inviting all interested individuals to submit their applications. The secretariat in conjunction with the Governors press have documented success stories on EDF.

*According to Njambi, the owner of Liz-Tech hardware in Mweiga, her business had been performing poorly due to transport constraints as she could have the stock but lack the means to reach it to her customers. However, she applied and received the EDF loan which she used to purchase a tuk-tuk that has since helped her business grow exponentially as she could now transport merchandise to her clients' homes. The tuk tuk has grown her business in bounds with Njambi gaining more customers from as far as Kanyagia, Solio villages, Amboni, Satima and Chaka areas.*

***Nyeri County Enterprise Development Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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*"I would like to express my gratitude for the funds provided as they indeed helped my business grow especially during this Covid-19 period. I have created employment through hiring a rider to do the deliveries, and with the proceeds gained, I have managed to purchase a lorry which has more capacity for deliveries," added Njambi.*

A total of 32 collected their cheques within the year amounting to Kenya Shillings Eleven million eight hundred and fifty (11,850,000) only. One of the applicants had the cheque written but had not picked from the office. The loans issued were therefore twelve million three hundred and fifty (12,350,000).

The fund lost one of its clients through a road accident. The secretariat is in liason with the insurer on how to get the loan cleared.

The secretariat has had aggressive follow-up on unpaid loans where businesses were visited and those in default reminded of their obligation. This has resulted in improved performance of the loan repayment rate. With several in watch list having cleared there loans and others moving to performing.

In the coming year, the board is committed to ensuring that the entire amount is disbursed to qualifying entrepreneurs within Nyeri County as this is the purpose of the fund. More product offerings will be launched. Sensitization and induction exercises will be conducted throughout the county to ensure the target groups are aware of the availability of the fund, requirements, process and procedure of applying for the loans as well as prudent management of the loan upon disbursement.

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

  
Chairman of the Board

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

It is with great pleasure on behalf of the Board Members to present Nyeri County Enterprise Development Fund for the 2022/2023 financial statements.

The Fund received Kenya shillings 30 Million as its seed capital late in the financial year 2017/2018. An amount of Kenya Shillings 10 million was added to the fund within the current year. The Board has received support from the County Government of Nyeri in rolling out the fund and have made significant milestones towards implementation of the fund.

We have however faced a few challenges within the fund. One major challenge within the year has been staffing. The key staff are engaged in the Cooperative directorate and the trade department. The fund had previously engaged the trade interns in supporting the secretariat. Due to unavailability of interns within the year the secretariat was greatly stretched by their other duties. This affected the running of the fund negatively. The fund was also not able to attain a system which was hoped to ease in its operations. We are positive that these two challenges will be addressed to help improve on efficiency.

The Board has been able to disburse loans amounting to Kenya shillings Sixty one million eight hundred and two thousand three hundred and eighty eight (61,802,388) to one Hundred and Sixty Two (201) loan applicants.

An amount of Kenya shillings Five hundred thousand (500,000) was issued in the year 2018/2019. Kenya shillings Nine, million two hundred and fifty thousand (9,250,000) was issued in the year 2019/2020 Kenya shillings Twenty-three million one hundred and nine thousand, one hundred and fifty shillings (23,109,150) was issued in the year 2022/2023 Kenya shillings Seventeen Million ninety-three thousand two hundred and thirty-eight (17,093,238.00) was issued in the current year while Kenya shillings Eleven Million eight hundred and two thousand, three hundred eighty eight was issued.

The loan repayment in the year 2019/2020 amounted to Kenya shillings One million, eight hundred and twenty-two thousand, and six hundred and seventy-five shillings (1,822,675). Repayment in

***Nyeri County Enterprise Development Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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the year 2020/2021 amounted to Kenya shillings Ten million, five hundred and ninety-two thousand, seven hundred and sixty-four shillings (10,592,764) in the year 2021/2022 Kenya shillings Twelve Million nine hundred and fifty two thousand one hundred and six (12,952,106) was repaid in the current financial year. While Kenya shillings Eleven Million One hundred and twenty two thousand five hundred and seventy four (11,122,574) was repaid in the current financial year. Interest amounting to Kenya shillings nine hundred and one thousand, three hundred seventy one thousand (901,371) was earned on loans.

Inconsistent loan repayment has been a key challenge. The secretariat team has however relentlessly called the applicants reminding them of their obligations. This is a great milestone to where we are.

The Board looks forward to disbursing the loans out of the entire kitty of the fund and maintaining a healthy portfolio book. We are positive the fund will grow to compete with tier one financial institutions. This fund will promote the micro and small enterprises in Nyeri County.

The board members are committed to continually serve the citizenry of Nyeri in this Fund.

Our appreciation goes to the Management team and the secretariat for their immense support and selfless service that has seen this fund to where it is now. May the Almighty God bless you.

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



Anne Githinji.

**7. Statement of Performance Against The County Fund’s Predetermined Objectives**

**Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity’s performance against predetermined objectives.

The fund strategic plan development is on-going.

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Enterprise development fund	Provide affordable loans to applicants operating in Nyeri county as stipulated under section 20 of the Nyeri County Act of 2018.	Decreased number of loan uptake	50% decrease in loan uptake	<b>In FY 22/23 loan uptake decreased by 60% from 86 beneficiaries in FY 21/22 to 31 in FY 22/23</b>
	Provide training, mentorship and provision of business development services to entrepreneurs.	Increased Capacity building of at least 90 entrepreneurs	4% increase in entrepreneurs capacity build	<b>In FY 22/23 we increased capacity building of beneficiaries from 86 to 90</b>
	Support technology acquisition, adoption, and utilization by Micro and small enterprises and Cooperatives Societies;	No technology acquisition and adoption in micro and small entrepreneur.	No technology acquisition	<b>In FY 22/23 there was no technology acquisition</b>

## **8. Corporate Governance Statement**

The Board held two meetings in the financial year and all meetings had a quorum. A launching activity of the fund was also conducted within the year.

The secretariat has young technical people to ensure succession.

The Board charter has not been developed though the activities undertaken by the secretariat are included in the department's charter.

The nominations procedure was issued by the County Executive Committee Member for Trade as follows:

### **a. Representative of the Business Community**

- i. Two groups/associations with major representation of the Business Community
- ii. Each groups/associations to nominate two people of the opposite gender
- iii. The nominees should be residents of Nyeri County
- iv. The nominees should not be from the same Sub-County to ensure regional balance.
- v. One person will then be appointed to represent this particular category.

### **b. Youth**

- i. Two groups/associations with major representation of the youth in creative industry

Each groups/associations to nominate two people of the opposite gender

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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- iii. The nominees should be residents of Nyeri County
- iv. The nominees should not be from the same Sub-County to ensure regional balance
- v. One person will then be appointed to represent this particular category
- c. **Cooperative**
  - i. Two cooperatives with major of membership from Nyeri County
  - ii. Each cooperative to nominate two people of the opposite gender
  - iii. The nominees should be residents of Nyeri County
  - iv. The nominees should not be from the same Sub-County to ensure regional balance
  - v. One person will then be appointed to represent this particular category
- d. **Persons living with disability (PLWD)**
  - i. National Council for persons living with disability has been identified as the most representative association for PLWD involved in the county.
  - ii. Submit names of two Nominees who should be residents of Nyeri County
  - iii. The nominees should be running a micro and small enterprise development
  - iv. The nominees should not be from the same Sub-County to ensure regional balance
  - v. Only one will then be appointed from the two nominees.

For a person to be eligible for appointment as a member the following criteria should be met -

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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- (a) is a Kenyan citizen;
- (b) holds a minimum of a diploma from a recognized institution in Kenya;
- (c) has operated a business which is a micro and small enterprise in the County for a period of three years;
- (d) Satisfies the requirements of Chapter Six of the Constitution.

The members of the Board may be removed from office for-

- (a) gross violation of the Constitution or any other law;
- (b) gross misconduct, whether in the performance of the member's functions or otherwise;
- (c) Physical or mental incapacity to perform the functions of office; or
- (d) Incompetence or neglect of duty.

The Nyeri County Enterprise Development Fund further provides that the County Executive Member responsible for Trade may, upon the recommendation of the Board, revoke the appointment of a member of the Board on any of the above mentioned grounds.

The following reasons may result in the ceasing to be a member of the Board: -

- (a) resignation in writing, to the County Executive Member for the time being responsible for Trade;

*Nyeri County Enterprise Development Fund*

**Annual Report and Financial Statements for the year ended June 30, 2023**

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(b) conviction of a criminal offence resulting in a sentence to a term of imprisonment of not less than six months;

(c) being declared bankrupt;

(d) being unable to perform the functions of his or her office by reason of mental or physical incapacity; or

(e) Dies.

Where a vacancy occurs in the membership of the Board, the County Executive Member for the time being responsible for Trade shall, if the vacancy relates to non-ex- officio members appoint a new member in accordance with the provisions of this Act.

## **9. MANAGEMENT DISCUSSION AND ANALYSIS**

In June 2018 the Nyeri county Enterprise development fund received Kenya shillings 30,000,000 from the Nyeri Government County treasury.

In the year 2018/2019 only a loan amounting to Kenya shillings 500,000 was issued. The low amounts issued were as a result of the delay occasioned by the procurement of a partnering financial institution that was withdrawn by the financial institution at an advanced stage.

In the year 2019/2020, loans approved amounted to Sixteen million, six hundred and ninety thousand (16,690,000). By the end of year only nine million, two hundred and fifty thousand (9,250,000) had been issued after security perfection. The remainder was still in the process of security perfection. An amount of Kenya shillings One million eight hundred twenty two thousand, six hundred seventy five (1,822,675) had been repaid. A fixed deposit of Kenya shillings six hundred and one thousand, one hundred and one shillings. (601,101) was earned within the year.

In the year 2020/2021 loans amounting to Nineteen million Eight hundred shillings were approved by the board. During the year loans amounting to Kenya shillings Twenty Three million, One Hundred and Nine Thousand, One Hundred and Fifty shillings (23,109,150) were issued. In the year 2021/2022 Kenya shillings Seventeen Million ninety three thousand two hundred and thirty eight (17,093,238). In the current year 2022/2023 Kenya shillings Twelve Million three hundred and fifty thousand two hundred and thirty eight (12,350,238). This amounted to a total of Kenya shillings Sixty two million three hundred and two thousand three hundred and eighty eight (62,302,388) loans issued since inception.

The fund has no outstanding debts to any institution or individual. However, the loan balance stood at Kenya shillings Twenty five million two hundred and thirty eight thousand seven hundred and ninety six (25,238,796).

The Fund has observed all statutory provisions and envisions to continue being compliant. The risks likely to face the Fund are default risk which has been mitigated by having all applicants provide security for their loans. Insurance against death and permanent disability will be undertaken for all borrowers.

**10. Environmental and Sustainability Reporting**

No CSR activities were carried out during the year

## **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 Fund continues to be provide affordable loans to applicants operating in Nyeri County as stipulated under the Nyeri County Enterprise development Fund Act.

### **Results**

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


### **Trustees**

The members of the Board of Trustees who served during the year are shown on page iii. There were no changes in the Board during the financial year.

### **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**

**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 Nyeri County Enterprise Development Fund Amendment Act 2018 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, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Nyeri County Enterprise Development Fund Amendment Act 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as

***Nyeri County Enterprise Development Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

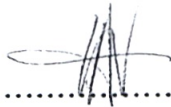
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at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal 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**

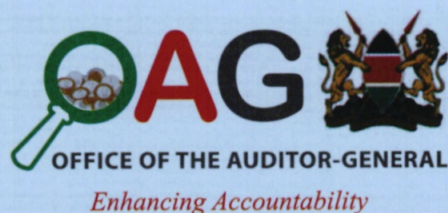
The Fund 's financial statements were approved by the Board on 20<sup>th</sup> September 2023 and signed on its behalf by:



.....  
**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 NYERI COUNTY ENTERPRISE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Nyeri County Enterprise Development Fund set out on pages 1 to 38, which comprise of 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

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*Report of the Auditor-General on Nyeri County Enterprise Development Fund for the year ended 30 June, 2023*

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 Nyeri County Enterprise Development Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Nyeri County Enterprise Development Fund (Amendment) Act, 2018.

### **Basis for Qualified Opinion**

#### **Defaulted Loans**

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.25,731,078 and as disclosed in Note 13 to the financial statements. Included in the balance is an amount of Kshs.2,488,639 owed by eight (8) loan beneficiaries who have since defaulted. No provision for bad and doubtful debts was made in the financial statements. Further, Management did not apply penalties on loans in default resulting to loss of revenue amounting to Kshs.513,319. This is contrary to County Executive Committee Member (CECM), Finance and Economic Planning Circular referenced CGN/FEP/3/24(11), dated 5 April, 2018 on guidelines in furtherance of the Nyeri County Enterprise Development Fund Act, 2018 requirements.

In the circumstances, the accuracy and recoverability of the long-term receivables balance of Kshs.2,488,639 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nyeri County Enterprise Development 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 qualified opinion.

#### **Emphasis of Matter**

##### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.419,140 and Kshs.318,373 respectively, resulting to an under expenditure of Kshs.100,737 or 24% of the budget.

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

My opinion is however not modified in respect of the above 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.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, various issues were raised under Report on Financial Statements and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues have not been resolved as indicated under annex 1 to the financial statements under progress on follow up of prior year auditor's recommendations. No explanation was provided for failure to resolve the issues.

## **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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else 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**

#### **Lack of Valuation Reports**

During the year under review, loans amounting to Kshs.12,350,000 were disbursed out of which Kshs.7,450,000 were loans secured by title deeds. However, valuation reports were not provided for audit to confirm the value of the land, contrary to Section 5b(a) of the Nyeri County Enterprise Development Fund Act, 2018 which states that the Fund should ensure that a security is given in the name of the County Government of Nyeri and Charge and hold securities with respect of the Fund.

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

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 comply, 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my

report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

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

The Fund's Management did not provide supporting documents, for audit review, as evidence of existence of a Risk Management Policy to guide the Management on risk assessment and formulation of risk mitigation strategies in the year under review. This is contrary to Section 158(1)(a) and (b) of the Public Finance Management Act (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

Further, the Fund did not have a Strategic Plan contrary to Section 10(4) (m) of the Nyeri County Enterprise Development Fund (Amendment) Act, 2018 which provides that the Fund Administrator shall prepare a strategic plan for the fund in conformity with the medium-term fiscal framework and financial objectives of the County Government.

In the absence of a risk management and a strategic plan, it has not been possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

### **2. Information Communication Technology Weaknesses**

A review of Information Communication Technology (ICT) control environment and records of the Fund revealed that, the Fund lacked adequate ICT equipment such as computers. Further, the Fund did not have an automated system for management of loans and there was no reliable data safety and backup system in place.

In the circumstances, adequacy and effectiveness of the Fund's ICT controls could not be confirmed.

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

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

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to 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 way.

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of noncompliance. 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

04 January, 2024

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**14. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2023**

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
		-	-
<b>Revenue From Exchange Transactions</b>		-	-
Interest Income	4	906,368	988,142
Other Income	5	-	-
		-	-
<b>Total Revenue</b>		<b>906,368</b>	<b>988,142</b>
<b>Expenses</b>			
Employee Costs	6	238,000	316,200
Use of goods and services	7	80,375	141,277
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
<b>Total Expenses</b>		<b>318,375</b>	<b>457,277</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
<b>Surplus/(Deficit) for the Period</b>		<b>587,993</b>	<b>530,865</b>

*(The notes set out on pages 1 to 5 form an integral part of these Financial Statements.)*

.....  
 Name:  
 Administrator of the Fund

.....  
 Name: J. Njagi  
 Fund Accountant  
 ICPAK Member Number:

2613

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**15. Statement of Financial Position As at 30 June 2023**

<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	12	17,644,139	7,864,664
Current Portion of Long- Term Receivables From Exchange Transactions	13		6,949,810
Prepayments	14	-	-
Inventories	15		-
Investments in financial assets	16	-	-
<b>Total current assets</b>		<b>17,644,139</b>	<b>14,814,474</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	17	-	-
Intangible Assets	18	-	-
Long Term Receivables from Exchange Transactions	13	25,731,078	17,614,845
Investment Property	19	-	-
<b>Total non- current assets</b>		<b>25,731,078</b>	<b>17,614,845</b>
<b>Total Assets</b>		<b>43,375,217</b>	<b>32,429,319</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	20	378,105	20,200
Current Portion of Borrowings	21	-	-
Employee Benefit Obligations	22	-	-
Social benefit liabilities	23	-	-
<b>Total current liabilities</b>		<b>378,105</b>	<b>20,200</b>
<b>Non-Current Liabilities</b>			
Long Term Portion of Borrowings	21	-	-
Non-Current Employee Benefit Obligation	22	-	-
Social benefit liabilities	23	-	-
<b>Total Liabilities</b>		<b>378,105</b>	<b>20,200</b>

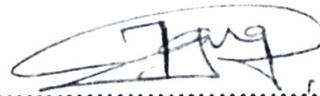
*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Net Assets		42,997,112	32,409,119
Revolving Fund		41,802,996	31,802,996
Reserves		-	-
Accumulated Surplus		1,194,116	606,123
<b>Total Net Assets and Liabilities</b>		<b>43,375,217</b>	<b>32,409,119</b>

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 20.9 2023 and signed by:



.....  
**Name:**  
**Administrator of the Fund**



.....  
**Name:**  
**Fund Accountant**

**ICPAK Member Number:**

2613

*Nyeri County Enterprise Development Fund*

**Annual Report and Financial Statements for the year ended June 30, 2023**

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

<b>Balance As At 1 July 2021</b>	31,802,996	-	75,258	31,878,254
Surplus/(Deficit) For the Period		-	530,865	530,865
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2022</b>	<b>31,802,996</b>	<b>-</b>	<b>606,123</b>	<b>32,409,119</b>
<b>Balance As At 1 July 2022</b>	31,802,996	-	606,123	32,409,119
Surplus/(Deficit) For the Period	-	-	587,993	587,993
Funds Received During the Year		-	-	-
Transfers (County Treasury)	10,000,000	-	-	10,000,000
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2023</b>	<b>41,802,996</b>	<b>-</b>	<b>1,194,116</b>	<b>42,997,112</b>

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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

Description			
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		-	-
Receipts from other operating activities		-	-
<b>Total receipts</b>		-	-
<b>Payments</b>			
Fund administration expenses		238,000	316,000
General expenses		80,375	141,277
Finance cost		-	-
Other payments		-	-
		318,375	457,277
<b>Net cash flows from operating activities</b>	24	<b>(318,375)</b>	<b>(457,277)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Unidentified deposits on loan repayment & interest		357,904	20,200
Proceeds from loan principal repayments		11,183,577	12,952,020
Loan disbursements paid out		(12,350,000)	(17,093,238)
<b>Net cash flows used in investing activities</b>		<b>(808,519)</b>	<b>(4,121,018)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		906,368	988,142
Additional cash ( Transfer from County Treasury)		10,000,000	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>10,906,368</b>	<b>988,142</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>9,779,475</b>	<b>(3,590,152)</b>
Cash and cash equivalents at 1 July		7,864,664	11,454,816
<b>Cash and cash equivalents at 30 June</b>		<b>17,644,139</b>	<b>7,864,664</b>

18. Statement Of Comparison Of Budget And Actual Amounts For The Period

	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Public Contributions and Donations	-	-	-	-		
Transfers From County Govt.	-	-	-		-	
Interest Income	-	-	-	-		
Other Income(3% of available funds)	420,000	-	420,000	420,000	-	100
<b>Total Income</b>	-	-	-	-	-	
<b>Expenses</b>	-	-	-	-	-	
Fund Administration Expenses	281,250	-	281,250	238,000	43,250	84.62
General Expenses	137,890	-	137,890	80,373	57,517	58.28
Finance Cost	-	-	-	-	-	
<b>Total Expenditure</b>	419,140	-	419,140	318,373	100,767	75.95
<b>Surplus For the Period</b>	860	-	860	101,627		
<b>Capital expenditure</b>	-	-	-	-	-	

**19. Notes to the Financial Statements**

**1. General Information**

Nyeri County Enterprise Development Fund is established by and derives its authority and accountability from Nyeri County Enterprises Development Act 2018. The entity is wholly owned by the Nyeri County Government and is domiciled in Kenya. The entity’s principal activity is to provide affordable loans to applicants operating in Nyeri County as stipulated under the Nyeri County Enterprise development Fund Act.

**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) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

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

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

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

<b>Standard</b>	<b>Effective date and impact</b>
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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.</p>

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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> <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>
Other improvements to IPSAS	<p><i>Applicable 1<sup>st</sup> January 2023</i></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>

*(iii) 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><i>Applicable 1<sup>st</sup> January 2025</i></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</p>

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact:
	<p>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>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></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 results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iv) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year.

**1. Significant Accounting Policies**

**a) Revenue recognition**

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

**Transfers from other government entities**

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

**ii. Revenue from exchange transactions**

**Interest income**

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

**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 2022/23 was approved by the County Assembly on April 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. Accordingly, the Fund recorded additional appropriations of 10,000,000 on the FY 2022/23 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.

**Summary of Significant Accounting Policies (Continued)**

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 n/a 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. 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 a year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. Investment properties 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.

**Summary of Significant Accounting Policies (Continued)**

**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 Nyeri County Enterprise Development Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Fund's financial statements. 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. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Notes.

**Significant Accounting Policies (Continued)**

**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. 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.

**l) 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)*

**m) 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.

**n) 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.

**o) 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.

**p) 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.

**q) 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 21.

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.

**6. Notes To The Financial Statements**

**1. Public contributions and donations**

Description	2022-2023	2021-2022
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
<b>Total</b>	-	-

**2. Transfers from County Government**

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
Unconditional Development grants	-	-
<b>Total</b>	-	-

**3. Fines, penalties and other levies**

Description	2022-2023	2021-2022
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
<b>Total</b>	-	-

**4. Interest income**

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income from Mortgage Loans	-	-
Interest Income From Car Loans	-	-
Interest Income From Investments in financial assets (Interest on Loans)	906,368	988,142
Interest Income On Bank Deposits	-	-
<b>Total Interest Income</b>	906,368	988,142

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements Continued**

**5. Other income**

Description	2022/23 KSh	2021/22 KSh
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	-
<b>Total Other Income</b>	<b>-</b>	<b>-</b>

**6. Employee Costs**

Description	2022/23 KSh	2021/22 KSh
Salaries And Wages (staff costs)	179,000	148,000
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other ( <i>Board allowances</i> )	59,000	168,000
<b>Total</b>	<b>238,000</b>	<b>316,000</b>

**7. Use of Goods and Services**

Description	2022/23 KSh	2021/22 KSh
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	-	-
Bank Charges	-	-
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	9,000
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	23,400	38,425
Rental Costs (Conference Facilities)	21,600	31,950

**Nyeri County Enterprise Development Fund**

**Annual Report and Financial Statements for the year ended June 30, 2023**

Security Costs	-	-
Telephone And Communication Expenses	26,500	25,200
Bank Charges	2,875	3,465
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other Expenses( Media briefing)	6,000	33,237
Social benefit expenses*		
<b>Total</b>	<b>80,375</b>	<b>141,277</b>

**8. Depreciation and Amortization Expense**

Description	2022-2023	2021-2022
Property Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**9. Finance costs**

Description	2022-2023	2021-2022
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**10. Gain/(loss) on disposal of assets**

Description	2022-2023	2021-2022
Property, Plant and Equipment	-	-
Intangible Assets	-	20,356
<b>Total</b>	<b>-</b>	<b>-</b>

**11. Gain/ (loss) on Fair Value Investments**

Description	2022-2023	2021-2022
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

<b>Total Gain</b>	-	-
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**12. Cash and cash equivalents**

	2022/2023	2021/2022
Car Loan Account	-	-
County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	17,644,139	7,864,664
Others	-	-
<b>Total Cash And Cash Equivalents</b>	<b>17,644,139</b>	<b>7,864,664</b>

Notes to the Financial Statements Continued

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

Financial Institution	Account number	2022/2023	2021/2022
		KES	KES
<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
<b>Sub- Total</b>		-	-
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
<b>Sub- Total</b>		-	-
<b>c) Current Account</b>			
Kenya Commercial Bank		17,644,139	7,864,664
Bank B		-	-
<b>Sub- Total</b>		17,644,139	7,864,664
<b>d) Others(Specify)</b>			
Cash In Transit		-	-
Cash In Hand		-	-
<b>Sub- Total</b>		-	-
<b>Grand Total</b>		17,644,139	7,864,664

13. Receivables from exchange transactions

<b>Current Receivables</b>		
Interest Receivable	-	-
Current Loan Repayments Due	-	6,949,810
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
<b>Total Current Receivables</b>		<b>6,949,810</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	25,731,078	17,614,845
<b>Total Non- Current Receivables</b>	<b>25,731,078</b>	<b>17,614,845</b>
<b>Total Receivables From Exchange Transactions</b>	<b>25,731,078</b>	<b>24,564,655</b>

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements Continued**

**Additional disclosure on interest receivable**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	-	257,113
Accrued interest receivable from of long-term loans of previous years	-	74,222
Interest receivable from current portion of long-term loans issued in the current year	-	37,268
<b>Current loan repayments due</b>	-	-
Current portion of long-term loans from previous years	-	9,832,242
Accrued principal from long-terms loans from previous periods	-	3,503,660
Current portion of long-term loans issued in the current year	-	14,732,413

**14. Prepayments**

Description	2022-2023	2021-2022
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments ( <i>Specify</i> )	-	-
<b>Total</b>	-	-

**15. Inventories**

Description	2022-2023	2021-2022
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories ( <i>Specify</i> )	-	-
<b>Total Inventories at The Lower of Cost and Net Realizable Value</b>	-	-

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**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
<b>At 1<sup>st</sup> July (2021)</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June (2022)</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July (2022)</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June (2023)</b>	-	-	-	-	-
<b>Depreciation And Impairment</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July (2021)</b>	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
<b>At 30<sup>th</sup> June (2022)</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July (2022)</b>	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
<b>At 30<sup>th</sup> June (2023)</b>	-	-	-	-	-
<b>Net Book Values</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June (2022)</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June (2023)</b>	-	-	-	-	-

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes To The Financial Statements (Continued)**

**17. Intangible assets**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Cost</b>		
At Beginning of The Year	-	-
Additions	-	-
At End of The Year	-	-
<b>Amortization And Impairment</b>		
At Beginning of The Year	-	-
Amortization	-	-
At End of The Year	-	-
Impairment Loss	-	-
At End of The Year	-	-
<b>NBV</b>	-	-

**18. Investment Property**

Description	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-
At end of the year	-	-

**Notes To The Financial Statements (Continued)**

**19. Trade and other payables from exchange transactions**

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Trade Payables	-		-	
Refundable Deposits	-		-	
Accrued Expenses	-		-	
Other Payables (unidentified deposits)	378,105		20,200	
<b>Total Trade and Other Payables</b>	<b>378,105</b>		<b>20,200</b>	
<b>Ageing analysis (Trade and other payables)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (tie to above total)</b>	<b>-</b>		<b>-</b>	

**20. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning Of The Year	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
<b>Balance At The End of The Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes To The Financial Statements (Continued)**

**21. Borrowings**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Balance At Beginning of The Period</b>	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
<b>Balance At End of The Period</b>	-	-

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

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>External Borrowings</b>		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z Organization'	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
<b>Total Balance at End of The Year</b>	-	-

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

Description	2022-2023	2021-2023
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
<b>Total</b>	-	-

**Notes To The Financial Statements (Continued)**

**22. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**23. Social Benefit Liabilities**

Description	2022-2023	2021-2023
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
<b>Total</b>	-	-
	-	-
Current social benefits	-	-
Non- current social benefits	-	-
<b>Total (tie to totals above)</b>	-	-

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements (Continued)**

**24. Cash generated from operations**

Description	2023	2022
<b>Surplus/ (Deficit) For the Year Before Tax</b>	(318,375)	(457,277)
<b>Adjusted For:</b>	-	-
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
<b>Working Capital Adjustments</b>	-	-
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
<b>Net Cash Flow From Operating Activities</b>	<b>(318,375)</b>	<b>(457,277)</b>

**Notes To The Financial Statements (Continued)**

**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.

**b) Related party transactions**

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

**c) Key management remuneration**

Description	2022-2023	2021-2022
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

Description	2022-2023	2021-2022
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
<b>Total</b>	-	-

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**Other Disclosures Continued**

**e) Due to related parties**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
<b>Total</b>	-	-

**26. Contingent assets and contingent liabilities**

<b>Contingent Liabilities</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Court Case Against the Fund	-	-
Bank Guarantees	-	-
<b>Total</b>	-	-

**Notes To The Financial Statements (Continued)**

**27. 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:

<b>Description</b>	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2023</b>				
Receivables From Exchange Transactions	25,731,078	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>	<b>25,731,078</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions	20,423,438	754,804	1,888,037	694,894
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>	<b>20,423,438</b>	<b>754,804</b>	<b>1,888,037</b>	<b>694,894</b>

**Notes to The Financial Statements (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 2019.

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 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June (Current FY)</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June (Comparative FY)</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**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
	Kshs	Kshs	Kshs
<b>At 30 June (Current FY)</b>			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
<b>Liabilities</b>			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	-	-	-

**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 currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
<b>(Current FY)</b>			
Euro	10%	-	-
USD	10%	-	-
<b>(Comparative FY)</b>			
Euro	10%	-	-
USD	10%	-	-

**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. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 0 (2022: Kshs 0 ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 0 (2021 – Kshs 0).

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 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	Current FY	Comparative FY
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
<b>Total funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	-	-

**28. Events after the reporting period**

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

**29. Ultimate and Holding Entity**

The entity is a County Public Fund established by Nyeri County Enterprise Development Fund Act 2017 Amended in 2018, under the Department of Trade ,Cooperative, Culture and Tourism. Its ultimate parent is the County Government of Nyeri.

**30. Currency**

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

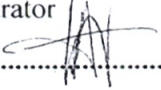
*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
4.1	Asset Insurance and Tracking Services	Fund will liaise with Department of Finance for prequalified service providers	Not resolved	Not specified
4.2	Failure to effect Debt collection mechanism	Have aggressive loan recovery by staff. Engage debt recovery agents and auctioneers	Resolved Not resolved.	Not specified
4.3	Lack of risk management policy	Fund will develop one	Not resolved.	By November 2023
4.4	Weakness of Information technology	A loan management system to be put in place within the year.	Not resolved	Not specified
4.5	Failure to apply penalties on loans in default	To be effected once the fund acquires a loan management system and information technology.	Not resolved.	Not specified

Fund Administrator  
 Date.....

*Nyeri County Enterprise Development Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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