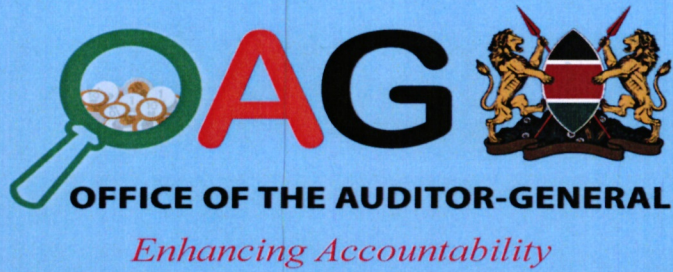


REPUBLIC OF KENYA



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DATE	31/5/2023
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COMMITTEE	—
REPORT MADE AT THE TABLE	Chania

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**VIHIGA COUNTY TRADE AND  
ENTERPRISE FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**





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## VIHIGA COUNTY TRADE AND ENTERPRISE FUND

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2022

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





***Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2022***

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

### **a) Background information**

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

The beneficiaries of the program comprise of residents, traders and entrepreneurs of Vihiga County.

### **b) Principal Activities**

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

#### **Vision**

“Powering Your Dream”

#### **Mission**

To provide affordable, accessible and sustainable credit to eligible resident, traders and entrepreneurs of Vihiga County

#### **Core Values**

The fund upholds the values of:

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

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



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

Ref	Position	Name
1	Chairman	Mr Franklin Muchile
2	Ag. Fund Administrator – Secretary	Mr Geoffrey Moller
3	Chief Officer Trade	Mr Gilbert E. Vidija
4	Board Member	Ms Everlyne Kisato
5	Board Member	Mr Morris Ayodi
6	Board Member	Mr Abisai Angote
7	Board Member	Mr Christopher Kwache
8	Board Member	Mr Franklin Muchile
9	Board Member	Ms Doris Anjawa
10	Board Member	Mr Hajj Amani
11	Board Member	Dr Billy Nyonje
12	Board Member	Ms Philice Mukhala Khimuli
13	Board Member	Ms Achungo Lillian Omumia

**d) Key Management**

Ref	Position	Name
1	Ag. Fund Administrator – Secretary	Mr Geoffrey Moller
2	Accountant	Lucy Gathoni
3	Secretariat	Josephine Abwao
4	Secretariat	Jotham Amutsama
5	Secretariat	Jenipher Mutuli
6	Secretariat	Aludah Vincent
7	Secretariat	Joyce Vutagwa
8	Secretariat	Mercy Toroitich
9	Secretariat	Iris Mudasia
10	Secretariat	Millicent Khalwala
11	Secretariat	Carol Kajaira
12	Secretariat	Fanuel Mulindi



***Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2022***

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**e) Registered Offices**

P.O. Box 344 – 50300,  
Maragoli.  
Kisumu-Busia Highway,  
Kenya.  
Email: [vihigatradeandenterprisefund@gmail.com](mailto:vihigatradeandenterprisefund@gmail.com)  
Cell Phone: +254-715838599 / +254-721254849

**f) Fund Bankers**

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

**g) Independent Auditors**








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

**h) Principal Legal Adviser**

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







**2. The Board of Trustees**

NO.	Name	Details of qualifications and experience
1	 Mr Boaz Indeje	Board Member in charge of most representative association i.e. The Kenya National Chamber of Commerce. Certificate in Corporate Governance.
2	 Mr Geoffrey Moller	Ag. Fund Administrator and Secretary of the Board of Trustee. Certified Public Accountant II
3	 Mr Gilbert E. Vidija	Chief Officer Trade Industry Tourism and Entrepreneurship and ex officio board member. Master's Degree
4	 Ms Everlyne Kisato	Board Member in charge of most representative business membership organization i.e. Small-Medium Enterprises. Diploma Business Management
5	 Mr. Morris Ayodi	Board member in charge of Sabatia sub-county Certificate in Corporate Governance
6	 Mr. Abisai Angote	Chairperson credit committee and a Board member in charge of Vihiga sub-county. Certificate in Corporate Governance
7	 Mr. Christopher Kwache	Board member in charge of Differently-Able persons. Certificate in Corporate Governance










**Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2022**

NO.	Name	Details of qualifications and experience
8	 Mr Franklin Muchile	Chairperson of the board of Board Trustee, Member of Human Resource Committee and member in charge of special interest groups i.e. Bodaboda sector. Certificate in Corporate Governance
9	 Ms Doris Anjawa	Chairlady Training Committee and Board member in charge of most representative association of women engaged in micro, small enterprises. Bachelor Degree
10	 Mr Hajj Amani	Board member in charge of youth engaged in micro and small enterprises. Diploma Communication
11	Dr Billy Nyonje	Chairperson Monitoring and Evaluation Committee and Board member in charge of Luanda Sub-county. PhD Theology
12	 Ms Philice Mukhala Khimuli	Board member in charge of Hamisi sub-county Certified public accountant
13	Achungo Lillian Omumia	Board member in charge of Emuhayasub-county. Certificate Education







**3. The Management Team**

NO.	Name	Details of qualifications and experience
1.	 Mr Geoffrey Moller	Ag. Fund Administrator and. Certified Public Accountant III D.o.b 10/8/1986 9 Years in public service
2.	 Ms Lucy Gathoni	Accountant Certified Public Accountant III D.o.b 22/8/1990 8 Years in public service
3.	 Mr Fanuel Mulindi	Accountant Certified Public Accountant III D.o.b 28/04/1985 7 Years in public service
4.	 Ms Josephine Abwao	Supply chain officer Bachelor Degree D.o.b 27/10/1986 6 Years in public service
5.	 Mr Jotham Amutsama	Accountant Certified Public Accountant II D.o.b 14/12/89 9 Years in public service
6.	 Ms Carol Kajaira	Accountant Certified Public Accountant II D.o.b 16/02/1991 11 Years in public service
7.	 Ms Joyce Vutagwa	Supply chain officer Bachelor Degree D.o.b 28/10/1992 6 Years in public service



**Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2022**

8.	 Ms Millicent Vuzingwa	Human Resource Diploma hr D.o.b 22/11/1973 7 Years in public service
9.	 Ms Iris Mudasia	Human Resource Diploma hr D.o.b 7/8/1982 7 Years in public service
10.	 Mr Vincent Aludah	Supply chain officer Bachelor Degree D.o.b 21/11/1995 6 Years in public service
11.	 Ms Mercy Toroitich	Credit officer Bachelor Degree D.o.b 26/03/1989 7 Years in public service



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

It is my pleasure to present, on behalf of entire board, the Vihiga County Trade and Enterprise Fund Annual Report and Financial Statement for the period ending 30<sup>th</sup> June 2022. The financial statement represents the financial performance of the Vihiga County Trade and Enterprise Fund over the FY 2021/2022.

##### **Sustainability**

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability of its investments, resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

##### **Board and Management Changes**

During financial year under review, there were key Board of Management changes. Dr Billy Nyonje was appointed by the County Executive Committee Member of Trade, Industry, Tourism and Entrepreneurship to represent Luanda Sub-county. This change was necessitated by the resignation of Mr Rameson Ongalo OGW, from his position as a board member following a successful end of his term. Ms Everlyne Kisato resigned as a board member following her ambition to venture into politics as a member of County Assembly.

##### **Review of performance**

###### **Income**

During the period under review, the fund had an opening balance of Kes76, 984 in the Main Account and Kes 1,907,276 in the recovery account. The Fund did not receive Kes 25,000,000 which was its budgetary allocation during the financial year 2021-2022 from the County Executive. The fund was able to recover Kes1, 249,4441 from the loan beneficiaries.

###### **Expenditure**

The Fund incurred an expenditure of Kes 3,145,340 during the period under review on administrative and general expenses.

###### **Future outlook**

The future outlook of the Fund for the FY 2022/2023 looks brighter. The fund hopes to expand its revenue sources so as to improve its capital base. The management is focused to build a robust and a sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in service delivery. The fund looks forward to continued support from the County Government and development partners in the realization of its objective.




***Vihiga County Trade and Enterprise Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2022***

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**Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the County Government, stakeholders, management, staff and fellow board members for their support. I look forward to your continued support with the Vihiga County Trade and Enterprise Fund.



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MR. Franklin Ford Muchile  
**BOARD CHAIRPESON**



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

It is my pleasure to present the Vihiga County Trade and Enterprise Fund annual report and financial statements for the year ended 30<sup>th</sup> June 2022. The financial statements represent the financial performance of the fund over the past financial year 2021/2022.

During the period under review the fund had an opening balance of Kes 1,984,260 in the Main Account and recovery account. The Fund did not receive its budgetary allocation from the County Executive. The fund was also able to recover Kes 1,249,444 from the beneficiaries of the loans issued.

### **Financial Performance**

#### **a) Revenue**

In the year ending 30<sup>th</sup> June, 2022 the fund had a closing balance of Kes. 60,164 in its main account and Kes28, 201 in its recovery account. The Fund is exploring other ways of increasing its capital base mostly through donors and strategic partnerships.

#### **b) Loans**

During the period under review the principal outstanding loans advanced amounted to Kes 54,355,212. The fund explored other mechanisms of encouraging beneficiaries to repay their loans on timely basis. For instance, this has been actualized through establishment of Safaricom pay bill number **247247** for loan recoveries, training, publicity campaigns and awareness.

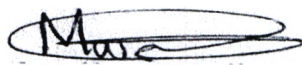
### **Cash flows**

During the period under review, the fund did not receive its budgetary allocation from the County Executive as captured in the approved budget.

#### **c) Conclusion**

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

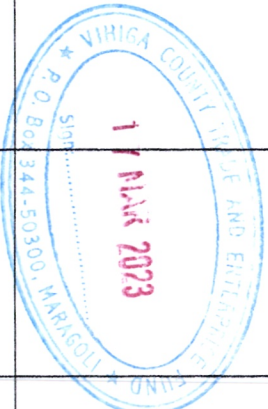
Signed: \_\_\_\_\_



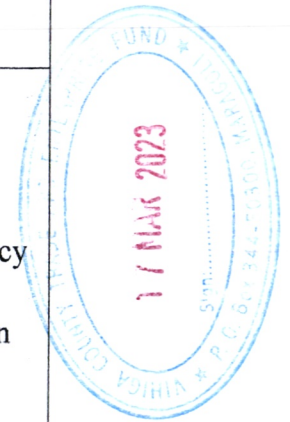
**Mr Geoffrey Moller**  
**AG FUND ADMINISTRATOR**



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

OBJECTIVES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><b>Overall objective:</b> Improved loan accessibility for SMEs, Co-operatives, Individuals, Differently Abled-Persons and organised groups promoting the socio-economic potential for the residents of Vihiga County</p>	<p>The number of groups, Co-operatives, Individuals, Differently Abled-Persons, SMEs being supported by VCTEF.</p>	<p>-Group's/Individuals transformation -Loan repayment performance</p>	
<p><b>Specific objective 1:</b> Assessment of loan demands from the interested groups and Individuals</p>	<p>Number of local groups, Differently Abled-Persons, individuals with established business ventures with growth and development attitude Number of groups with a business plan seeking to start the business venture</p>		
<p><b>Output 1.1:</b> Loan policy programme in place <i>Activities</i></p> <ul style="list-style-type: none"> <li>- Carry out Training Needs Assessment</li> <li>- Sensitisation of the groups, individuals over loan advancement scheme</li> <li>- Provision of open loan application forms to potential applicants</li> <li>- Vetting of the loan applicants</li> <li>- Evaluation of loan deficit</li> </ul> <p>Collaborate with development partners (charities and donor</p>	<p>The number of groups that have applied and enrolled in VCTEF.</p> <ul style="list-style-type: none"> <li>- Baseline survey conducted</li> <li>- Number of groups/individuals identified and sensitized</li> <li>- Number applicants enrolled in VCTEF pool</li> <li>- Number of successful applicants identified, trained and advanced loan</li> <li>- Amount of loan deficit identified</li> </ul> <p>Identified development partner to collaborate with VCTEF</p>	<ul style="list-style-type: none"> <li>- Baseline survey report</li> <li>- Fully filled application forms with attachments</li> <li>- The approved loan management plan</li> <li>- Project Reports</li> <li>- Participant's/training records</li> </ul> <p>Stakeholder mapping</p>	<p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>- Training policy in place</li> <li>- Loan policy in place</li> <li>- Monitoring and evaluation policy in place</li> </ul>

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



## **7. Corporate Governance Statement**

### **THE BOARD**

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

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

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

### **BOARD MEETINGS**

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

### **AUDIT AND RISK COMMITTEE**

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

### **STATEMENT OF COMPLIANCE**

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

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

#### **Internal Control**

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



**Statement of Corporate Governance (Continued)**

**Internal Control Framework**

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

**Management Team**

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

**Auditor**

The fund is audited by the Auditor General Kenya



## **8. Management Discussion and Analysis**

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 operating 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.

The management has ensured that we comply with statutory requirements relating to the functions of the fund.

### **BUSINESS PERFORMANCE**

#### **Revenue**

The fund received its budgetary allocation of Kshs.33Million from the County Executive in FY 2018/2019 and Kes 26,977,000.00 in FY 2019/2020, which has continued to sustain the Fund's objectives in the financial year under review. During FY under review the fund did not receive its budgetary allocation from the County Executive.

#### **Cash flow**

The cash and cash equivalents at the end of the period under review was Kes 88,365. Attributable to the bank balances in its main and recoveries account.

### **OPERATIONAL PERFORMANCE**

The fund's core operating activity is to offer affordable and accessible credit to the traders and entrepreneurs of Vihiga County.

#### **Employees**

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services. However, Vihiga County Trade and Enterprise Fund Staff Establishment has a variance of thirty positions against an authorised fifty-three positions. The employees of the Fund are staff seconded by the Department of Trade, Industry, Tourism and Entrepreneurship.

#### **Conclusion**

We appreciate the unrelenting support from the Board of Trustees, Management Staff, The County Government of Vihiga, partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the period to come.



## **9. Corporate Social Responsibility Statement**

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

During the financial year 2019/2020, the Vihiga County Trade and Enterprise Fund gave out face masks as a measure to contain the spread of Covid 19 to the residents of Vihiga County and the entire nation.

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



## **10. Report of the Trustees**

The Trustees submit their report and financial statements for the year ending 30<sup>th</sup> June 2022 which show the state of the Fund affairs during the financial year.

### **Principal activities**

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

### **Results**

The results of the Fund for the year ending 30<sup>th</sup> June 2022 are set out in the financial statements and report.

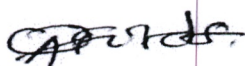
### **Trustees**

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

### **Auditors**

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

By Order of the Board



Franklin Ford Muchile  
**CHAIRPERSON**

Date: March 17, 2023



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

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


The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Vihiga County Trade and Enterprise Fund Act 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

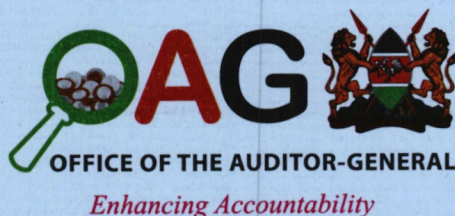
### **Approval of the financial statements**

The Fund's financial statements were approved by the Board on June 30, 2022 and signed on its behalf by:

Signed:   
\_\_\_\_\_  
**Geoffrey Moller**  
**AG FUND ADMINISTRATOR**



# 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 VIHIGA COUNTY TRADE AND ENTERPRISE FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Adverse Opinion**

I have audited the accompanying financial statements of Vihiga County Trade and Enterprise Fund set out on pages 1 to 20, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting

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*Report of the Auditor-General on Vihiga County Trade and Enterprise Fund for the year ended 30 June, 2022*

policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Vihiga County Trade and Enterprise Fund as at June 30, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Vihiga County Trade and Enterprise Fund Act, 2018 and the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1. Inaccuracy of the Trial Balance**

The statement of financial performance reflects use of goods and services expenditure of Kshs.1,900,615 which, as disclosed in Note 5(b) to the financial statements includes daily subsistence allowance amounting to Kshs.310,075 while the trial balance reflects an amount of Kshs.1,330,728 resulting to unexplained and unreconciled variance of Kshs.1,020,653. Further, the schedule provided in support of daily subsistence allowance reflected an amount of Kshs.1,197,000 resulting to a variance of Kshs.886,525 from the amount reported in these financial statements.

In the circumstances, the accuracy of use of goods and services expenditure of Kshs.1,900,615 could not be confirmed.

### **2. Unreported Penalties and Interest Receivable**

Note 2 to the financial statements reflects Kshs.3,966,025 as penalties due but the amount has not been reflected in the statement of financial performance. Further, Note 7 to the financial statements reflects interest receivable of Kshs.3,534,949 while the supporting schedule in support of the expenditure reflects an amount of Kshs.3,215,339 resulting to a variance of Kshs.319,610 which has not been explained or reconciled. In addition, the interest receivable has not been reflected in the statement of financial performance.

In the circumstances, the accuracy and completeness of total revenue of Kshs.2,705,504 could not be confirmed.

### **3. Comparative Amounts**

The statement of financial performance reflects a nil comparative balance in respect to transfers from the county government while the prior year certified financial statements reflects an amount of Kshs.10,808,893 resulting to a variance of the same amount which has not been explained. Further, the statement reflects other income comparative amount of Kshs.10,831,192 while the prior year certified financial statements reflects a nil balance resulting to a variance of the same amount which has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

#### **4. Unsupported Other Income**

The statement financial performance reflects Kshs.2,705,504 in respect to other income and as disclosed in Note 4(c) to the financial statements. However, the disclosure note reflects administrative and general expenses instead of sources of other income. Further the supporting note has three columns contrary to the requirements of the reporting template.

In the circumstances, the accuracy of other income amounts of Kshs.2,705,504 could not be confirmed.

#### **5. Depreciation and Amortization**

The statement of financial performance reflects an amount of Kshs.744,725 under depreciation and amortization expense, which, as disclosed under Note 5(c) to the financial statements includes depreciation charge for furniture of Kshs.471,392 and an amortization of Kshs.273,333 on intangible assets. However, although the policies of the Fund stipulate that depreciation charge should be on a straight-line basis, it does not provide the rates for depreciation and therefore amount charged is not supported.

In the circumstances, the accuracy of the depreciation and amortization expense cannot be confirmed.

#### **6. Unsupported Long Term Receivables from Exchange Transactions**

The statement of financial position reflects an amount of Kshs.52,208,731 under long term receivables from exchange transactions, which, as disclosed under Note 7 to the financial statements comprises of current receivables of Kshs.3,534,949 and non-current receivables of Kshs.48,673,782. It is not clear, and Management has not explained how a current receivable can also be part of long-term receivable. In addition, the schedule of loans provided reflected an amount of Kshs.44,805,146, resulting to a variance of Kshs.7,403,585.

In the circumstances, the completeness and accuracy of the reported balances for loans cannot be confirmed.

#### **7. Issuance of Unsecured Loans**

The statement of financial position reflects Kshs.52,208,731 in respect to long term receivables from exchange transactions and as disclosed in Note 7 to the financial statements. Examination of loan documents provided for audit revealed that none of the loans issued had security to facilitate easy recovery. The non securing of loans was contrary to Section 19 (2) of the Vihiga County Trade and Enterprise Fund Act, 2018 which provides that in addition to the requirements under sub section (1) every eligible applicant shall (a) provide such security as may be specified.

In the circumstances, the accuracy and recoverability of the loans amounting to Kshs.52,208,731 is doubtful.

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

The statement of financial position reflects accumulated surplus amount of Kshs.60,164 which is equivalent to the surplus for the year under review. This is an indication that the amount does not include the accumulated surplus from the last financial year of

Kshs.54,685. Further, the statement of financial position and financial performance reflects comparative accumulated surplus and comparative surplus for the year of Kshs.76,984 respectively while the certified financial statements reflect an amount of Kshs.54,685 resulting to a variance of Kshs.22,299 which has not been explained or reconciled.

In the circumstances, the accuracy of accumulated surplus amount of Kshs.60,164 could not be confirmed.

#### **9. The Revolving Fund**

The statement of financial position and as disclosed under Note 4c to the financial statements reflects an amount of Kshs.53,437,282 under revolving fund. However, schedule provided in support of the balance reflected an amount of Kshs.46,093,861, resulting in a variance of Kshs.6,114,670 that has not been reconciled or explained.

Consequently, the accuracy of the revolving fund balance cannot be confirmed.

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

The statement of changes in net assets reflects an opening balance of Kshs.49,463,032 while the audited financial statements for the year ended 30 June, 2021 reflects a closing balance of Kshs.1,984,260 resulting in a variance of Kshs.47,478,772 which has not been explained or reconciled. Further, the statement reflects revaluation gain in the accumulated surplus column of Kshs.3,974,249 which has not been explained. Further, the amount has been reported under the accumulated surplus instead of the revolving fund column.

In the circumstances, the accuracy of accumulated surplus of Kshs.3,974,249 could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Prior Year Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Nairobi**

**12 April, 2023**

**Vihiga County Trade and Enterprise Fund  
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**13. Statement of Financial Performance for the Year Ended June 30th 2022**

	Note	2021-2022 KES	2020-2021 KES
<b>Revenue From Non-Exchange Transactions</b>			
Transfers From the County Government		-	-
Fines, Penalties and Other Levies		-	-
<b>Revenue From Exchange Transactions</b>		-	
<b>Interest Income</b>			
Other Income	4b	2,705,504	10,831,192
<b>TOTAL REVENUE</b>		<b>2,705,504</b>	<b>10,831,192</b>
<b>EXPENSES</b>			
Employee Costs		-	-
Use of goods and services	5ab	(1,900,615)	(10,009,483)
Depreciation and Amortization Expense	5c	(744,725)	(744,725)
Finance Costs		-	-
<b>TOTAL EXPENSES</b>		<b>(2,645,340)</b>	<b>(10,754,208)</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets		-	-
<b>Surplus/(Deficit) For The Period</b>		<b>60,164</b>	<b>76,984</b>

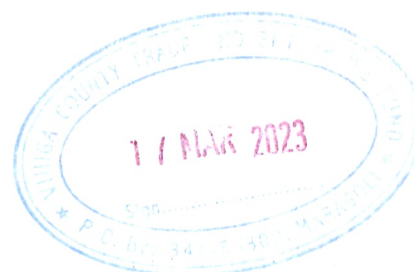
The accounting policies and explanatory notes to the end year financial statement form an integral part of this Comprehensive Income Statement. The Vihiga County Trade and Enterprise Fund Income Statement was approved on March 17, 2023 and signed by:



**Geoffrey Moller**  
**AG.FUND ADMINISTRATOR**



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




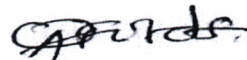
**Vihiga County Trade and Enterprise Fund  
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**14. Statement of Financial Position as At June 30 2022**

	Note	2021-2022 KES	2020-2021 KES
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	6	88,365	1,984,260
Current Portion of Long- Term Receivables From Exchange Transactions	7	7,500,974	6,896,511
		<b>7,589,339</b>	<b>8,880,771</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	8	927,016	1,398,408
Intangible Assets	9	273,334	546,667
Long Term Receivables from Exchange Transactions	7	46,854,238	47,582,789
		<b>48,054,588</b>	<b>49,527,864</b>
<b>TOTAL ASSETS</b>		<b>55,643,927</b>	<b>58,408,635</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions		-	-
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation		-	-
Long Term Portion of Borrowings		-	-
<b>TOTAL LIABILITIES</b>		-	-
<b>NET ASSETS</b>			
Revolving Fund	1b	55,583,763	58,331,651
Accumulated Surplus		60,164	76,984
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>55,643,927</b>	<b>58,408,635</b>

The accounting policies and explanatory notes to the end year financial report form an integral part of this Statement of Financial Position. The Vihiga County Trade and Enterprise Fund Statement of Financial Position was approved on March 17, 2023 and signed by:

  
Mr Geoffrey Moller  
AG.FUND ADMINISTRATOR

  
MR. Franklin Ford Muchile  
CHAIRPERSON



**Vihiga County Trade and Enterprise Fund  
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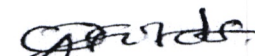
**15. Statement of Changes in Net Assets for the year ended June 30<sup>th</sup> 2022**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	KES	KES	KES	KES
<b>Balance As At 1 July 2019</b>	32,093,880	-	-	<b>32,093,880</b>
Surplus/(Deficit) For the Period	-	-	19,341,260	<b>19,341,260</b>
Funds Received During the Year		-	-	-
Transfers		-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2020</b>	-	-	-	<b>51,435,140</b>
		-		
<b>Balance As At 1 July 2020</b>	51,435,140	-	-	51,435,140
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Interest Accrued	3,345,381	-	-	3,345,381
Penalty Accrued	3,551,130	-	-	3,551,130
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2021</b>	-	-	-	<b>58,331,651</b>
		-		
<b>Balance As At 1 July 2021</b>	58,331,651	-	-	<b>58,331,651</b>
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Less Expenses	(2,747,888)	-	-	<b>(2,747,888)</b>
<b>Balance As At 30 June 2022</b>	-	-	-	<b>55,583,763</b>

The accounting policies and explanatory notes to the end year financial report form an integral part of this Statement of Changes in Net Assets. The Fund Statement of Changes in Net Assets was approved March 17, 2023 and signed by:



**Mr. Geoffrey Moller  
AG.FUND ADMINISTRATOR**



**MR. Franklin Ford Muchile  
CHAIRPERSON**




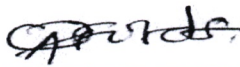
**Vihiga County Trade and Enterprise Fund  
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**16. Statement of Cash Flows for the Year Ended 30 June 2022**

	Note	2021-2022 KES	2020-2021 KES
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the county government		-	-
Interest received	3	256,884	625,805
Receipts from other operating activities	4c	-	4,544,000
<b>Total receipts</b>		<b>256,884</b>	<b>5,169,805</b>
<b>Payments</b>			
Fund administration expenses	5a	(90,340)	(1,014,931)
General expenses	5bc	(2,555,000)	(9,739,277)
<b>Net cash flows from operating activities</b>		<b>(2,645,340)</b>	<b>(10,754,208)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets	8	-	(1,140,800)
	9	-	(820,000)
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments	4a	992,560	6,249,471
Loan disbursements paid out	4c	(500,000)	(24,367,305)
<b>Net cash flows used in investing activities</b>		<b>492,560</b>	<b>(20,078,634)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>			
Cash and cash equivalents at July 1st 2021		1,984,260	27,647,297
<b>Cash and cash equivalents at 30 June 2022</b>		<b>88,364</b>	<b>1,984,260</b>

The accounting policies and explanatory notes to the end year financial report form an integral part of this Cash Flow Statement. The fund Cash Flow Statement was approved on March 17, 2023 and signed by:

  
Mr. Geoffrey Moller  
AG.FUND ADMINISTRATOR

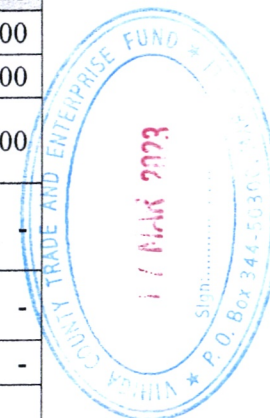
  
MR. Franklin Ford Muchile  
CHAIRPERSON



**Vihiga County Trade and Enterprise Fund  
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**17. Statement of Comparison of Budget and Actual Amounts for the Period**

Revenue	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022
	KES	KES	KES	KES	KES	KES
Public contributions and donations	-	-	-	-	-	-
Balance b/f Main a/c	76,984	-	76,984	76,984	-	-
Transfer from Recovery A/c	3,128,520	-	3,128,520	3,068,356	60,164	-
<b>Total income</b>	<b>3,205,504</b>		<b>3,205,504</b>	<b>3,145,340</b>	<b>60,164</b>	<b>-</b>
<b>Expenses</b>						
<b>ADMINISTRATIVE EXPENSES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>
Other Operating Expenses - bank charges	1,140	-	1,140	1,140	-	100
General administrative Expenses	100,000	(50,000)	50,000	50,000	-	100
Telephone, Telex, Facsimile and Mobile Phone Services	39,200	-	39,200	39,200	-	100
Catering Services (receptions), Accommodation, Gifts, Food and Drinks	314,000	(314,000)	-	-	-	-
Advertising, Awareness and Publicity Campaigns	-	-	-	-	-	-
Maintenance & Repair of Motor Vehicle	66,000	(66,000)	-	-	-	-
Refined Fuels and Lubricants for Transport	80,000	(80,000)	-	-	-	-
<b>Administrative Sub-Total</b>	<b>600,340</b>	<b>(510,000)</b>	<b>90,340</b>	<b>90,340</b>	<b>-</b>	<b>100</b>



*Vihiga County Trade and Enterprise Fund  
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Revenue	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022
<b>GENERAL EXPENSES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>
Daily Subsistence Allowance	1,330,728	(1,020,653)	310,075	310,075	-	100
Depreciation	-	744,725	744,725	744,725	-	100
Publishing & Printing Services	-	-	-	-	-	-
Production and printing of Training Materials	-	-	-	-	-	-
Training Expenses - Others (Bud	-	-	-	-	-	-
Board Allowances	358,667	429,333	788,000	788,000	-	100
General Office Supplies (papers, pencils, forms, small office equipment etc.)	234,605	(234,605)	-	-	-	-
Legal Dues, Insurance, Arbitration and compensation payments,	-	-	-	-	-	-
Fund Airtime Allowance	121,000	591,200	712,200	712,200	-	100
<b>General Expenses Sub-total</b>	<b>2,045,000</b>	<b>510,000</b>	<b>2,555,000</b>	<b>2,555,000</b>	<b>-</b>	<b>100</b>
<b>NON-CURRENT ASSETS</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>
Loans to Beneficiaries	500,000	-	500,000	500,000	-	100
<b>Non-Current Assets Sub-total</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>	<b>500,000</b>	<b>-</b>	<b>100</b>
					-	
<b>TOTAL EXPENDITURE</b>	<b>3,145,340</b>	<b>-</b>	<b>3,145,340</b>	<b>3,145,340</b>	<b>-</b>	
<b>SURPLUS FOR THE PERIOD</b>		<b>-</b>	<b>60,164</b>	<b>-</b>	<b>60,164</b>	



**18. Notes to the Financial Statements**

**1. General Information**

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

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

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

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

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

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

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

Standard	Effective date and impact
<b>IPSAS 41: Financial Instruments</b>	<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> <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>



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<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b>  The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:  (a) The nature of such social benefits provided by the Entity;  (b) The key features of the operation of those social benefit schemes; and  (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.  <i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b>  a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.  b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.  c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.  Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.  <i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b>  • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i>  Amendments to refer to the latest System of National Accounts (SNA 2008).  • <i>IPSAS 39: Employee Benefits</i>  Now deletes the term composite social security benefits as it is no longer defined in IPSAS.  • <b>IPSAS 29: Financial instruments: Recognition and Measurement</b>  Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.  <i>State the impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b>  The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.  The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.  <i>State the impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 44: Non-</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p>



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

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

**c) Early adoption of standards**

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



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**1. Significant Accounting Policies**

**a) Revenue recognition**

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

**Transfers from other government entities**

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

**ii. Revenue from exchange transactions**

***Interest income***

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

**b) Budget information**

The Fund did not receive additional appropriations.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 33 of the Vihiga county trade and enterprise fund Act 2018.



*Summary of significant accounting policies (continued)*

**c) Property, plant and equipment**

The Fund acquired computers and accessories worth Kes 1,140,800.00 in the FY 2020/2021. The cumulative property plant and equipment is Kes 1,869,800 as captured (under note number 7) as at 30<sup>th</sup> June 2021. The fund uses straight-line method of depreciation and during the period under review the accumulated depreciation on property plant and equipment was Kes 1,869,800 and the net book value was Kes 927,016.

**d) Intangible assets**

The Fund acquired a data management - software worth Kes 820,000.00 in the FY 2020/2021. The data management system had an accumulated impairment of Kes 546,667 and a net book value of Kes 273,334.

**e) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

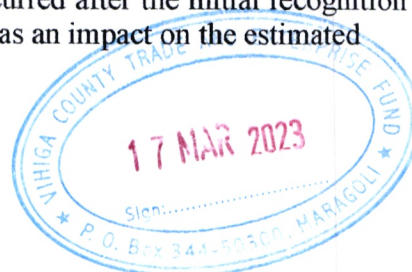
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated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

*Held-to-maturity*

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

*Impairment of financial assets*

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



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

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

### ***Financial liabilities***

#### ***Initial recognition and measurement***

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

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

#### ***Loans and borrowing***

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

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

#### **f) Inventories**

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

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

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

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

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



**g) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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

**h) Nature and purpose of reserves**

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

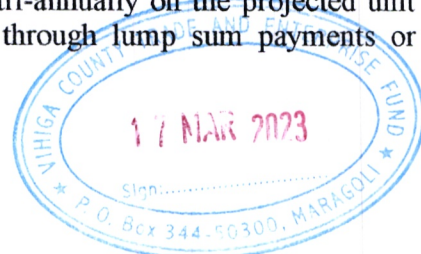
**i) Changes in accounting policies and estimates**

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

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

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or



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increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**k) Foreign currency transactions**

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

**l) Borrowing costs**

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

**m) Related parties**

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

**n) Cash and cash equivalents**

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

**o) Comparative figures**

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

**p) Events after the reporting period**

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

**q) Ultimate and Holding Entity**

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



**r) Currency**

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

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

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

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

**b) Useful lives and residual values**

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

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



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**3. NOTES TO THE FINANCIAL STATEMENTS**

**1a Transfers from Vihiga County Government**

**b) Changes in Fund Balance**

Description	2021-2022	2020-2021
	KES	KES
Balance b/f	58,331,651	51,435,140
Accrued Interest	-	3,345,381
Accrued Penalty	-	3,551,130
less expenses	(2,747,888)	
<b>Total funds</b>	<b>55,583,763</b>	<b>58,331,651</b>

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

Description	2021-2022	2020-2021
	KES	KES
Penalties due (accrued)	3,966,025	3,551,130
Fines	-	-
<b>Total</b>	<b>3,966,025</b>	<b>3,551,130</b>



**3. Interest income**

Description	2021-2022	2020-2021
	KES	KES
Interest Income on Loans issued	3,791,832	3,971,186
Accrued Interest Income on loans	(3,534,947)	(3,345,381)
Interest Income From Investments	-	-
<b>Total Interest Income paid</b>	<b>256,884</b>	<b>625,805</b>

**4. OTHER INCOME**

**4a. Proceeds from loan principal repayments during the period under review**

Description	2021-2022	2020-2021
	KES	KES
Recovered loans	992,560	6,249,471
Recovered Interest	256,884	625,805
<b>Total amount recovered</b>	<b>1,249,444</b>	<b>6,875,276</b>

**4b. Revenue for the period under review**

Description	2021/2022	2020/2021
	KES	KES
Balance b/f Main Account Equity	76,984	21,464,890
Transfer From Recovery Account	3,128,520	11,150,407
Transfers from VCCEF account	-	4,544,000
<b>Total</b>	<b>3,205,504</b>	<b>37,159,297</b>

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**4c. Additional information on Revenue for the period under review**

Description	2021/2022	2020/2021
	KES	KES
Balance b/f Main Account Equity	76,984	21,464,890
Transfer From Recovery Account	3,128,520	11,150,407
Transfers from VCCEF account	-	4,544,000
Net loans b/f	47,582,789	25,107,035
<b>Total</b>	<b>50,788,293</b>	<b>62,266,332</b>

**5 Use of Goods and Services**

**5a. Fund Administrative Expenses**

Description	2021/2022	2020/2021
	KES	KES
Other operating expenses Bank charges	1,140	70,090
General Administrative Expenses	50,000	229,310
Postage and Telephone	39,200	-
Catering services	-	366,900
Advertisement, Awareness and Publicity Campaign	-	48,000
Maintenance and Repair of Motor Vehicle	-	150,631
Refined Fuel and Lubricants for Transport	-	150,000
<b>Sub-total Admin. Expense</b>	<b>90,340</b>	<b>1,014,931</b>

**5b. Fund General Expenses**

Description	2021/2022	2020/2021
	KES	KES
Production and printing of Training Materials	-	-
Training Cost	-	2,036,130
Board Allowance	788,000	1,324,000
General office supplies	-	826,410
Insurance	-	-
Fund Airtime Allowance	712,200	1,314,000
Daily Subsistence	310,075	3,494,012
<b>Sub-total Gen. Expense</b>	<b>1,810,275</b>	<b>8,994,552</b>
<b>Total Use of Goods and Services</b>	<b>1,900,615</b>	<b>10,009,483</b>



**5c. Depreciation and Amortization Expense**

Description	2021/22	2020/21
	KES	KES
Property Plant and Equipment	471,392	471,392
Intangible Assets	273,333	273,333
<b>Total</b>	<b>744,725</b>	<b>744,725</b>

**6. Cash and cash equivalents**

Description	2021/2022	2020/2021
	KES	KES
Current account	88,365	1,984,260
Others	-	-
<b>Total cash and cash equivalents</b>	<b>88,365</b>	<b>1,984,260</b>

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

Financial institution	Account number	2021/2022	2020/2021
		KES	KES
<b>Current account</b>			
Equity Bank - Recovery Account	960278742949	28,201	1,907,276
Equity Bank - Main Account	960278742925	60,164	76,984
KCB-Recovery Account	1166810348	-	-
KCB-Main Account	1166809986	-	-
<b>Grand total</b>		<b>88,365</b>	<b>1,984,260</b>

**7. Receivables from exchange transactions**

Description	2021-2022	2020-2021
	KES	KES
<b>Current Receivables</b>		
Interest Receivable	3,534,949	3,345,381
Current Loan Repayments Due	-	-
Other Exchange Debtors (penalties)	3,966,025	3,551,130
Less: Impairment Allowance	-	-
<b>Total Current Receivables</b>	<b>7,500,974</b>	<b>6,896,511</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	46,854,238	47,582,789
<b>Total Non- Current Receivables</b>	<b>46,854,238</b>	<b>47,582,789</b>
<b>Total Receivables From Exchange Transactions</b>	<b>54,355,212</b>	<b>54,479,300</b>



## 8. Property, Plant and Equipment

	Furniture and fittings	Computers and office equipment	Total
Cost	KES	KES	KES
At 1 <sup>st</sup> July 2021	637,875	760,533	1,398,408
Additions	-	-	-
Disposals	-	-	-
Transfer/Adjustments			
At 30 <sup>th</sup> June 2022	637,875	760,533	1,398,408
<b>Depreciation And Impairment</b>			
At 1 <sup>st</sup> July 2021			
Depreciation	(91,125)	380,267	(471,392)
Disposals	-	-	-
Impairment	-	-	-
Transfer/Adjustment	-	-	-
At 30 <sup>th</sup> June 2022	(91,125)	380,267	(471,392)
<b>Net Book Values</b>			
At 30 <sup>th</sup> June 2021	637,875	760,533	1,398,408
At 30 <sup>th</sup> June 2022	546,750	380,266	927,016

## 9. Intangible assets-software

Description	2021-2022	2020-2021
	KES	KES
<b>Cost</b>		
At Beginning Of The Year	546,667	-
Additions	-	820,000
At End Of The Year	546,667	820,000
<b>Amortization And Impairment</b>		
At Beginning Of The Year	-	-
Amortization	(273,333)	(273,333)
At End Of The Year	(273,333)	273,333
Impairment Loss	-	-
At End Of The Year	-	-
<b>NBV</b>	<b>273,334</b>	<b>546,667</b>



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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
OAG/KSM/2020-2021-2-01-0038-21-VCTEF/1	A review of operations during the year indicated that the Fund operated without any insurance services. This is contrary to regulation 26(4) of the public finance management (county government) Regulations, 2015 which requires every loan granted to be insured for the benefit of the borrower and the premium in respect thereof debited to the account of the borrower. It further states that in case of the death of a loanee, when the loan amount remains in arrears, the County Committee shall file a claim with the insurance firm for settlement of the outstanding amount.	<p>At the time of audit for six months period ended 30<sup>th</sup> June, 2019, the loans had not been issued out to successful applicants. The vetting and appraisal of the applicants was on-going. Therefore, it was not possible to determine the sum assured for purposes of procuring insurance services.</p> <p>The fund received its first allocation from the county executive on 14<sup>th</sup> June 2019 and the tendering process for the insurance services required at least 21 days before awarding the successful bidder.</p> <p>The fund finally managed to procure insurance services for the issued loans during the financial year 2019/2020.</p>	<p>CPA,CS ALLOSSAH B. OMUKUTI</p> <p>FUND ADMINISTRATOR</p>	NOT RESOLVED	FY 2021/2022



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



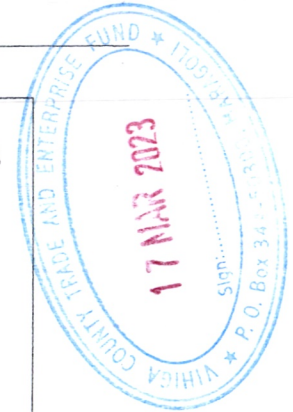
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
OAG/KSM/2020-2021-2-01-0038-21-VCTEF/1	Further, the statement reflects fund administrative expenses and fund general expenses of Ksh 1,014,931 and Ksh 9,739,277 respectively. According to the guidelines in the financial reporting template (revised 30 June, 2021) issued by the Public Sector Accounting Standards Board, the fund administrative expenses as reflected in Note 4 to the financial statements relate to fund general expenses. Similarly, fund general expenses totalling to Ksh 8,168,142 reflected in Note 5 to the financial statements were in respect of fund administrative expenses. In the circumstances, the expenses were misclassified.	The fund administrative expenses and fund general expenses of Kes 1,014,931 and Kes 9,739,277 respectively have now been classified as use of goods and services in the amended financial statement.	GEOFFREY MOLLER  FUND ADMINISTRATOR	NOT RESOLVED	FY 2022/2023



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<p>OAG/KSM/ 2020-2021- 2-01-0038- 21- VCTEF/1</p>	<p><b>1.3 Statement of Changes in Net Assets</b></p> <p>The statement of changes in net assets reflects an opening balance of Ksh 27,647 297 while the audited financial statements for the year ended 30 June 2020 reflect a closing balance of Ksh 21,330,890 resulting in an unexplained and un-reconciled variance of Ksh 6,307 407. Further, the statement reflects a nil balance for the revolving fund yet the statement reflects funds received from the County Government during the previous year and the year under review. In addition, the statement reflects an unsupported</p>	<p>The closing balance of statement of changes in Net Assets as at June 30 2021 has been adjusted to reflect Kes 58,331,651. This was arrived at after amended to capture Current Receivables from exchange transactions.</p>	<p>GEOFFREY MOLLER</p> <p>FUND ADMINISTRATOR</p>	<p>NOT RESOLVED</p>	<p>FY 2022/2023</p>
<p>OAG/KSM/ 2020-2021- 2-01-0038- 21- VCTEF/1</p>	<p><b>1.4 Statement of Cash Flows</b></p> <p>The statement of cash flows reflects the prior year's amount in respect of proceeds from revolving fund receipts of Ksh 6, 875,276 while the audited financial statements for the 2019/2020 financial year reflect a balance of Ksh 6, 307,407 resulting in an unexplained and un-reconciled variance of Ksh 567, 869.</p>	<p>The statement of cash flow for the period ended 2019/2020 has been adjusted to reflect 6,307,407.</p>	<p>GEOFFREY MOLLER</p> <p>FUND ADMINISTRATOR</p>	<p>NOT RESOLVED</p>	<p>FY 2022/2023</p>



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
OAG/KSM/2020-2021-2-01-0038-21-VCTEF/2	<p><b>Unsupported Transfers from County Government.</b></p> <p>The statement of financial performance reflects Ksh 10,808,893 in respect of transfers from County Government while the supporting Note 3 to the financial statements reflects revenue allocation analysis for the Fund during the year under review. The relevant supporting Note 1 to the financial statements reflects transfers from Vihiga County Government of Kshs.59, 070,880 as a brought forward amount from the previous year resulting to an unexplained and reconciled variance of Ksh 48,261,987. In the circumstances, the accuracy of transfers from the County Government of Ksh 10,808,893 could not be confirmed.</p>	<p>The Vihiga County Trade and Enterprise Fund did not receive transfers from the County Executive during the financial year 2020–2021; as a result, the statement of financial performance has been amended to include Kes 10,808,893 as other incomes during the period under review.</p>	<p>CPA,CS ALLOSSAH B. OMUKUTI</p> <p>FUND ADMINISTRATOR</p>	<p>NOT RESOLVED</p>	<p>FY 2021/2022</p>



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OAG/KSM/2020-2021-2-01-0038-21-VCTEF/3	<p><b>Outstanding Loans Advanced to Beneficiaries</b></p> <p>The statement of financial position and as disclosed in Note 9 to the financial statements reflects outstanding loan advanced to beneficiaries' balance of Ksh 45,533,697. However, the balance was not analyzed to disclose separately the current and long-term portion of the receivables. Further, no disclosure was made in the financial statements in regard to loan defaulters, interest accrued, and penalties charged to defaulters. In the circumstances, the accuracy of outstanding loans advanced to beneficiaries' balance of Kshs.45,533,697 could not be confirmed.</p>	<p>The Long Term Receivables from Exchange transactions on the Statement of Financial Position has been adjusted to Kes 47,582,789.</p> <p>The Current Portion of Long-Term Receivables from Exchange Transactions has now been captured as Kes 6 896 511 which comprise of interest accrued and penalty accrued of Kes 3,534,949 and Kes 3,551,130 respectively.</p>	<p>CPA,CS ALLOSSAH B. OMUKUTI</p> <p>FUND ADMINISTRATOR</p>	NOT RESOLVED	FY 2021/2022

