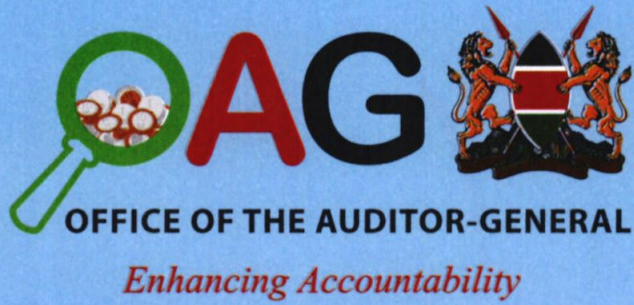
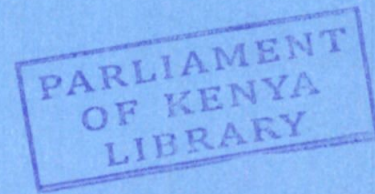


REPUBLIC OF KENYA



# REPORT



OF

**THE AUDITOR-GENERAL**

ON

**BUNGOMA COUNTY TRADE  
DEVELOPMENT LOANS FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

DATE	26.02.2025
TABLED BY	MAJORITY LEADER
COMMITTEE	
CLERK AT THE TABLE	BELINDA



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**BUNGOMA COUNTY TRADE DEVELOPMENT LOAN FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2024**

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

**BUNGOMA COUNTY TRADE DEVELOPMENT LOAN FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**1. Acronyms, Abbreviations, and Definition of Key Terms**

**A: Acronyms and Abbreviations**

CBK	Central Bank of Kenya
CECM	County Executive Committee Member
CEO	Chief Executive Officer
CO	Chief Officer
DG	Director General
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank

**B: Definition of Key Terms**

**Fiduciary Management-** Members of Management that are directly entrusted with the responsibility of financial resources of the organisation.

**Comparative Year-** Means the prior period.

***Bungoma County Trade Development Loan Fund***  
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**2. Key Bungoma County Trade Development Loan Fund Information and Management**

**(a) Background information**

The *Bungoma County Trade Development Loan Fund* was incorporated/ established under the Bungoma County Trade Development Fund Regulations on 25<sup>th</sup> September 2023. The Bungoma County Trade Development Loan Fund is domiciled in Kenya and administered in all the 45 Wards in the County

**(b) Principal Activities**

The mandate of the Bungoma County Trade Development Loan Fund is to ...

- (a) facilitate access to affordable credit to resident micro, small and medium scale entrepreneurs;
- (b) capacity build resident micro, small and medium scale entrepreneurs;
- (c) improve livelihood; and
- (d) Increase revenue collection.

**Guiding Principles of operating the Fund**

- i. Public participation and financial inclusiveness;
- ii. Protection of the interests of the marginalized, persons with disability, women and youth;
- iii. Local ownership and sustainability; and
- iv. Promotion of value addition.

**(c) Key Management**

The Bungoma County Trade Development Loan Fund's day-to-day management is under the following key organs:

No.	Details
1.	Fund Committee
2.	Fund Administrator
3.	Ward Management Committee
4.	Secretariat

**Bungoma County Trade Development Loan Fund  
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**Key Bungoma County Trade Development Loan Fund Information and Management (continued)**

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Fund Administrator	Sitati Stephen
2.	Chief Officer Trade	Reuben Wambwa
3.	Chief Officer Finance	Robert Simiyu
4.	Chair Person	Jane Mukholi
5.	County Legal Officer	Cynthia Nanyokia

**(e) Fiduciary Oversight Arrangement**

The key fiduciary oversight bodies at the Trade Fund for the year ended 30<sup>th</sup> June 2024 were:

**i. County Assembly of Bungoma**

The responsibilities of the County Assembly of Bungoma were as follows:

- To perform the roles set out under Article 185 of the Constitution;
- To approve the budget and expenditure of the county government in accordance with Article 207 of the Constitution, and the legislation contemplated in Article 220(2) of the Constitution, guided by Articles 201 and 203 of the Constitution;
- To approve the borrowing by the county government in accordance with Article 212 of the Constitution;
- To approve county development planning; and
- To perform any other role as may be set out under the Constitution or legislation

**ii. Audit Committee**

The functions and responsibilities of the audit committee were as follows:

- To obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably.
- To provide an independent review of the County Executive's reporting functions to ensure the integrity of financial reports.
- To monitor the effectiveness of the County Executive's performance management and performance information.
- To provide strong and effective oversight of County Executive's internal audit function.
- To provide effective liaison and facilitate communication between management and external audit.
- To provide oversight of the implementation of accepted audit recommendations.
- To ensure that the County Executive effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.

In FY 2023/24, the audit committee ensured implementation of audit recommendation in county MDAs.

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It effectively provided oversight of the internal audit function.

**iii. Public Accounts Committee**

The main function of the Public Accounts Committee is to invite the County Executive's Accounting Officer to appear before it to adduce evidence on the reports of the Auditor-General. In FY 2023/24, the committee deliberated on the quarterly financial reports from the County Trade fund.

**iv. Budget and Appropriations Committee**

Budget and Appropriations Committee approves expenditure budget of the County Executive for the execution of governance. During FY 2023/24, the committee deliberated on the 1st supplementary and 2nd supplementary budget and provided recommendations to the County Assembly for approval.

**(f) Bungoma County Trade Development Loan Fund Headquarters**

P.O. Box 437-50200

County Head Quarter

Moi Avenue Street

Bungoma, KENYA

**(g) Bungoma County Trade Development Loan Fund Contacts**

Telephone: (254) 055-30343

E-mail: [info@bungoma.go.ke](mailto:info@bungoma.go.ke)

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

**(h) Bungoma County Trade Development Loan Fund Bankers**

1. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

NAIROBI, KENYA

2. Equity Bank

P.O. Box 2450 - 50200

Bungoma, K

**(i) Independent Auditor**

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

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GPO 00100

Nairobi, Kenya

**(j) Principal Legal Adviser**

i) The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya




ii) County Attorney

P.O. Box 437





BUNGOMA

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**3. The Fund Committees**

Name	Details of qualifications and experience
 <p>Reuben Wambwa</p>	<p>Current Chief Officer Dept. of Trade/energy/industry with 15 years' experience in public service and private sector. MSC in Business administration, BSC Bachelors of applied business computing both from Sunderland United Kingdom</p>
 <p>Mr. Robert Juma Simiyu</p>	<p>He holds a Master's Degree in planning. He is the Current Chief Officer Finance. He has worked as chief officer for Agriculture, Health, Lands. He previously worked as Districts Land Officer in Uasin Gishu</p>
 <p>Cynthia Nanyokia</p>	<p>Representative to the County Attorney and Legal advisor to the county government with more than 10 years in the legal Profession</p>

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	<p>BCOM (Finance). Fund Administrator and secretary to the committee with 10 years' Experience in Sacco movement and microfinance.</p>
	<p>Representative Kenya Chamber of Commerce &amp; Industry with Diploma in Business Management and 15 years in Business in Manufactory Transport and supplies and Construction</p>
	<p>Representative Maendeleo ya Wanawake Organisation with Diploma in community development</p>
	<p>Representative Bungoma Contractors &amp; Suppliers CBO with Diploma in Business Management</p>

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 <p>Laura Sifuna –</p>	<p>Representative National Youth Council with a Bachelors of Science in Economics and Statistics. She has experience as a data analyst having worked at One Acre Fund and opportunity international as a data analyst Currently an Entrepreneur</p>
 <p>Mary Grace Werunga</p>	<p>Representative Disability Empowerment Network with Diploma in Business Education She has experience in finance and Banking having worked at Eco Bank .</p>

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4. Key Management Team

Chairperson	Jane Mukholi
Chief officer Trade	Reuben Wambwa
Secretary(Fund Administrator)	Sitati Stephen
County Attorney	Amos Makokha
Chief Finance	Robert Simiyu
Credit Officers	Community Empowerment Officers
Secretary(Ward Administrator)WARD LEVEL	45 WARD ADMINISTRATORS

## 5. Chairman's Statement

The County trade development loan fund was established by Bungoma County Government upon realization that a majority of the County entrepreneurs could not access affordable credit facility from our local and foreign mainstream banks due to high interest rates, lack of knowledge on loan processes, lack of collateral issues and the bureaucracies involved

The fund was thus established for 2 main objectives namely;

- (a) capacity building of the loan beneficiaries
- (b) offering affordable credit to the traders without the stringent bank requirements

### **Administration of the fund**

The fund is administered at 3 key units thus the County Trade Loan Committee, Ward Committees, and Secretariat. This has structure however at times poses challenge in administering the fund in an effective and efficient way in the loan management. This is due to the fact that although the fund is domiciled in trade it is being administered by the ward administrators who are from the department of public administration and not directly under the department of trade and neither are they required to report directly to the department of trade.

The key mandate of administering the fund is vested on the Fund Administrator who manages the day to day activity of the fund and reports quarterly to the county committee. The main task of the administrator is to ensure the fund is managed in prudent way and that the main objective of establishing the fund is achieved. He is also tasked to ensure he submits timely reports as required from time to time.

At the ward level the ward administrators are the secretaries to the ward committees tasked with the administration of the fund. Their main function is issuance of loan forms, vetting of the loan beneficiaries as well as safeguarding the loan documents and keeping up to date records of the loan beneficiaries.

### **Training & Capacity Building**

Capacity building is one of the key objective of the fund. This is due to the large number of traders who have opened business and do not have any prior knowledge in business it is to this effect that we have engaged with various partners such as the Kenya Institute of Business Training (KIBT, and Equity Bank to develop a model curriculum to offer elaborate trainings to the traders in the county. We have so far trained more than 8000 beneficiaries from the entire county and intend to capacity build at least 100 traders in every ward making 4500 traders in the current financial year.

### **Loan Default**

Loan default is one of the key challenge of the fund specifically for loans issued in 2014. This was contributed by the poor loan vetting processes and appraisal of loan beneficiaries, lack of proper training for both the vetting committee and the loan beneficiaries. Poor record keeping especially at the ward level making the identification of the loan defaulters very hard, constant political interference thus leading to influence the committee to issue loans to non-deserving beneficiaries and also hampering the efforts for us to enforce the recovery of the loans

We are however working hard to recover these loans through strategic loan recovery models such as constant follow up of defaulter's, sensitization of the public on importance of loan repayment and engaging the guarantors to recover the payments. Political involvement also played a key role both in the identification of the loan beneficiaries and follow up of defaulters since some of the beneficiaries are shielded by politicians making the enforcement of loan recovery very hard. We however hope that with gazettment of the regulations to establish a legal framework to enable partnership with other financial

***Bungoma County Trade Development Loan Fund***  
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organisations will not only instil professionalism given the experience they have in management of similar funds but will also diffuse politics in the administration of the fund.

**Human Resource**

The fund has a very lean team of staff at the county level with only the fund administrator and 2 clerical officers, this make the administration of fund to be a challenge given the magnitude of work involved in processing all the loans in the loan management system, disburse loans and also doing the follow up of the defaulters.

At the ward level the committee has placed its key mandate on the Ward Administrators and credit officers however these said officers are from the department of Public administration and Finance respectively with other core responsibilities. This has rendered the management of the fund at the ward level to be ineffective since the officers are not only involved in administration are also are not directly accountable to the fund administrator or the County Trade loan committee.

**Regulations**

The fund operates under the revised County Trade Development Regulation gazetted on the 25<sup>th</sup> September 2024 which we do hope will help up address most the challenges experienced in the initial loan disbursement which led to poor performance in terms of loan repayment leading to lack of sustainability of the fund since it is a revolving fund.



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**JANE MUKHOLI**  
**CHAIRPERSON COUNTY TRADE DEVELOPMENT LOAN FUND**

## **6. Report of the Fund Administrator**

### **INTRODUCTION**

The County Trade Development Fund was established as a revolving fund, upon realization that a majority of the County entrepreneurs could not access affordable credit facility from our local and foreign mainstream banks due to high interest rates, cumbersome loan procedures and documentation, lack of collateral to use as security for the loans and lack of information on how to access the loans

The fund was therefore established with the following key objectives

- capacity building the MSMEs through offering relevant trainings financial literacy, Entrepreneurship and loan management.
- Provides affordable credit facilities to traders through offering loans to them. This was in order to help the MSMEs which were not able to access the loans from Banks Sacco and Microfinance in the villages to access these funds by establishing a revolving fund at each of the 45 wards to enable them access both the knowledge and funds

These objectives were to help in uplifting the living standards of the residents of bungoma create additional employment opportunities, Spur economic growth in the county as well as and reduction of the over dependency/poverty levels

### **PERFORMANCE OF THE COUNTY AGAINST THE OBJECTIVE**

On performance of the county trade development fund against the objective for which they were formed

The Fund has largely has majorly fulfilled the objectives to which they were formed these is reference to the survey carried out by a research team of the County Assembly of Bungoma on behalf of the County Assembly Committee of Trade on the status of the County Trade Loan Fund. As part of their oversight role which had the following findings;

- a) An average of 65% percent of the traders interviewed acknowledged that they were trained pointing out on the achievement of the fund objective of Capacity Building Traders on Financial Literacy, Loan Management, Record Keeping and Marketing.
- b) An average of 65% of the traders indicated that they have repaid their loans
- c) 54 % acknowledged that the trade loan improved their livelihoods

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Our own independent review on the performance of the fund is as follows

**Training & Capacity Building**

Capacity building is one of the key objective of the fund. during the inception of the fund we were only training people on loan management before being issued with the loan but we realized this was not an effective way of capacity building traders. It was with this realisation that we established the need to do more elaborate trainings on loan management to both the committee members vetting loans as well as the loan beneficiaries. This would enable them to be equipped with knowledge on loan management & Record keeping, entrepreneurship, credit management, marketing, costing and general financial literacy to ensure they are more informed.

We therefore identified partners to collaborate to do continuous and elaborate training for traders in the various wards irrespective of whether they applied for a loan or not. We therefore engaged the services of the Trainers from the Kenya Institute of Business Training (KIBT) and our bankers Equity in collaboration with the department of trade to do an elaborate training. We have since trained 8000 traders against a target of 10,000 beneficiaries from all the 45 wards

There is however still a growing need for us for to continuously capacity build our vetting team and the traders to enable them acquire basic business knowledge or entrepreneurship and loan management.

**Loan Management**

The County Trade Development Loan Fund in has received the following allocations since its inception

**LOAN PORTFOLIO**

FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18	
Budgeted	Exchequer Release	Budgeted	Exchequer Release	Budgeted	Exchequer Release	Budgeted	Exchequer Release
100,000,000	100,000,000	50,000,000	9,380,000	36,000,000	9,357,863	30,000,000	Nil

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The loan portfolio of the fund is therefore Kshs 118, 737, 863 from the exchequer releases. We have however been unable to get any funding in the FY 2017/2018 and 2018/2019 due to the delay in gazettment of our regulation however in the last financial year we were able to gazette the regulation and were able to receive an allocation of Ksh10,000,000 as at the close of the financial year .This now makes the Total Loan Portfolio of the Fund Ksh 128,737,863

**LOAN DISBURSEMENTS**

The fund disbursed 1<sup>st</sup> and 2<sup>nd</sup> disbursement through an initial seed capital of Kshs 96,293,677 to all the Wards the 45 wards to 4,115 beneficiaries in the month of October 2014 and April 2015 for first and second disbursement respectively as tabulated

Wards	Beneficiaries	Amount Disbursed
45	1989	48,578,000.00
45	2126	47,715,677.00
	4115	96,293,677.00

The 1<sup>st</sup> disbursement of 50M was uniformly awarded to all the wards as seed capital to all the 45 wards however the 2<sup>nd</sup> 50M was awarded to the wards based on the performance of the loan repayments of the 1<sup>st</sup> loan phase.

The 3<sup>rd</sup> Disbursement was in FY2015/16 for Ksh. 9,380,000 for Khalaba and Township wards which were originally meant for fertilizer but transferred to Dept. of Trade to be issued as Loans since Khalaba and township are not agricultural areas

4<sup>th</sup> Disbursement was in FY 2016-2017 for Ksh 9,357,863 again for Khalaba and Township

**Revolving's**

We have so far recovered and revolved 89,094,316 in 21 revolving's to 3,486 beneficiaries .44 wards have revolved except for chepyuk ward.32 wards have so far revolved more than once with the leading wards having revolved 5 times. Namely Elgon South Bukusu, Khalaba, Chwele.

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REVOLVING	NO OF WARDS	NO OF BENEFICIARIES	AMOUNT REVOLVED
FIRST	17	519	11,167,456.00
SECOND	10	237	5,425,000.00
THIRD	12	433	10,274,700.00
FOURTH	16	492	11,077,000.00
FIFTH	11	279	5,655,000.00
SIXTH	15	338	8,143,160.00
SEVENTH	2	313	8,555,000.00
EIGHTH	7	45	2,145,000.00
NINETH	10	97	4,620,000.00
TENTH	8	36	1,575,000.00
ELEVENTH	5	41	1,540,000.00
TWELFTH	12	163	4,755,000.00
THIRTEENTH	5	59	2,175,000.00
FOURTEENTH	7	95	2,240,000.00
FIFTEENTH	11	53	1,640,000.00
SIXTEENTH	5	5	240,000.00
SEVENTEENTH	8	109	2,297,000.00
EIGHTEENTH	5	41	1,390,000.00
NINETEENTH	12	30	1,000,000.00
TWENTIETH	5	32	830,000.00
TWENTY FIRST	14	69	2,350,000.00
		3486	89,094,316.00

From these findings although there is great room for improvement our view is that these being the inaugural fund the objective of the fund will be met with strategic decision to be made from the recommendation made by the various stakeholders including Internal auditors, the controller of budget, external auditors from the Office of the Auditor General, and the report from the County Assembly Committees on Public Accounts Investment and Trade Energy Industrialization Committees

**BANK ACCOUNTS**

The funds main bank account is the Central Bank Special Purpose Account and the Collection Account with different signatories. This was in order to offer internal controls on the expenditures of the fund activities.

The Special Purpose Account is our main account which receives all the exchequers releases and makes payments for all the fund activities

The collection accounts contain all loan repayments and funds transferred from the Special Purpose Account for loan disbursement

## **EXPENDITURE OF THE FUND**

All the expenses of the fund are only incurred upon approval of the activity by both Chief officers for Trade and Finance and Concurrence from the Chairperson of the fund Committee as per the approved budget presented to the Committee since the 2 are the signatories to the collection account.

The fund administrator as is mandated by the PFM Act to be the Accounting Officer to incur expenses for administration of funds as approved and transferred to the administration account from the collection account by the Chief Officer Finance and Trade being the signatories to the Special Purpose Acc. Therefore, all the transactions by the Fund administrator are properly authorized before any withdrawal of funds from the operation account

### **Expenditure/Administrative Cost**

The PFM Regulations stipulates that the fund administrator should only use 3% of the budgeted amount for the administration of the fund. This has however proven to be difficult considering we have not received any exchequer releases since 2018 due to non gazettement of the trade loan regulations. This was even worsened by the stoppage of the loan disbursement with the view of the amalgamation of county empowerment funds and the covid pandemic which led to steady rise in loan default. This therefore left the fund without any resource to administer the fund since any activity carried would therefore be funded from the loan portfolio thus leading to risk of eroding the loan portfolio and constant audit queries.

The payments made from the fund accounts have purely been used for training of the loan beneficiaries, holding quarterly committee meetings and follow up of the loan defaulters and the general administration of the fund. Below is the breakdown of the fund receipts and payments as well as audited both by the internal and external auditors since inception

**Bungoma County Trade Development Loan Fund**  
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STATEMENT OF RECEIPTS AND PAYMENTS									
	Notes	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
		KSH	KSH	KSH	KSH	KSH	Kshs	Kshs	Kshs
<b>RECEIPTS</b>									
Transfers from the County Treasury/Eschequer Releases	1	-	-	-	-	9,357,863	-	13,828,000	100,000,000
Loan repayments	2	202,864.00	1,150,045.00	3,398,617.00	9,636,044.00	18,413,269	15,442,338	20,142,907	15,677,195
Interest	3	10,143.00	58,502.00	169,931.00	507,160.00	974,488	812,758	1,074,273	825,116
Loan Processing fee	4	-	-	-	834,350.00	897,250	508,655	-	-
<b>TOTAL RECEIPTS</b>		<b>213,007.00</b>	<b>1,208,547.00</b>	<b>3,568,548.00</b>	<b>10,977,554.00</b>	<b>29,644,870</b>	<b>16,763,751</b>	<b>35,045,180</b>	<b>116,502,310</b>
<b>PAYMENTS</b>									
Use of goods and services	4	718,900.00	956,190.00	993,660.00	2,392,630.60	2,590,450	3,200,200	4,261,000	9,376,900
Loans to members	5	-	-	2,232,500.00	16,637,000.00	18,655,500	24,895,160	26,867,156	98,263,867
Bank charges	6	600.00	3,790.00	660.00	18,090.00	13,970	53,163	67,373	45,735
<b>TOTAL PAYMENTS</b>		<b>719,500.00</b>	<b>959,980.00</b>	<b>3,226,820.00</b>	<b>19,047,710.60</b>	<b>21,259,920</b>	<b>28,150,523</b>	<b>31,195,531</b>	<b>107,686,502</b>
<b>(DEFICIT)/SURPLUS</b>		<b>-506,493.00</b>	<b>248,567.00</b>	<b>341,728.00</b>	<b>- 8,070,156.60</b>	<b>8,384,950</b>	<b>- 11,386,774</b>	<b>3,849,649</b>	<b>8,815,808</b>

The receipts and payments captured in the tables above is as per the audited accounts from Financial year 2014 to 2022 in summary

**CHALLENGES OF THE FUNDS**

The fund has had several challenges during the implementation of the programs which have not only made the administration difficult but also led to frequent audit queries

- Policy gap-The delayed gazettement of the county trade loan fund regulation has not only led to ineffective administration of the fund but also led to frequent audit queries on lack of a legal framework. This has however been addressed by the review and gazettement of the County Trade Development Loan Fund Regulation
- Knowledge gap- The high loan default was majorly occasioned by the lack of knowledge of both the ward committee who implemented the loan appraisal and approval of the loan officer but also the traders who never applied loans for the intended purpose or who thought the loans were grants
- Resource gaps – The fund has had challenges due to lack financial support for administration of the fund for some of the key activities of the fund such as capacity building and sensitization of the public on financial literacy, loan management, record keeping and need for loan for loan repayment, maintenances for motor vehicle for field activities, payment for the annual software assurance and field allowances for administration of the fund both at the county and ward levels


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- Political involvement -The administration of the fund has had challenges due to political engagement in the loan management through influencing loan allocation to some beneficiaries who do not qualify for loans and at times

**OUR RECOMMENDATIONS FOR IMPROVEMENT TO IMPROVE EFFICIENCY**

- Establishment of strategic plan to guide in accomplishment of the trade fund objective as guided by the PFM ACT and Regulation
- Establishment of a committee to do due diligence of the fund to establish the true loan portfolio to help us know how much of the current loan is recoverable. The segregating the data of all the loan beneficiaries including those still Active in business, Deceased cases, Relocated businesses and the ones closed or that are doubtful for recovery
- Capacity building of the various stakeholders through Improved training of beneficiaries, board members, fund staff and ward committees other stakeholders for proper administration of the funds
- Review the credit policy on loan application vetting & appraisal and loan recovery
- There is need for additional funds to cater for the growing need for affordable credit facilities
- Improve the organisation structure of the fund to enhance loan management
- Reconstitute the ward committees to enhance loan repayment to ensure we have institutional memory since all the other staffs are transferable apart from the locals.
- Increase of loan products to attract more beneficiaries such as LPO financing and Agribiz loans
- Cultivate a culture of good credit management and nurture a savings culture
- Need for mobilization of funds through Partnerships with other established financial institution for the administration of the fund to diffuse the political involvement

  
**Fund Administrator.**  
**County Trade Loan.**

7. **Statement of Performance against Predetermined Objectives for FY 2023/2024**

**Introduction**

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

The key development objectives of Bungoma County Government Trade Development Loan Fund

- a) **Provide Access to the affordable credit facilities**-The fund has a loan portfolio of Ksh 118,737,863 disbursed to more than 4,000 beneficiaries, and revolved Ksh 89,094,316. During the year we did budget for Ksh 25,000,000 that was to be disbursed as loans to traders did not absorb the funds as we were.  
We however linked the beneficiaries to other government lending institutions such as women fund uwezo and youth enterprise fund as well as other commercial lending institutions offering various subsidized credit facilities
- b) **Capacity Building** - is one of the key objective of the fund. We have thus partnered engaged the services of the Trainers from the Kenya Institute of Business Training (KIBT, Equity Bank and the other stakeholders in offering elaborate trainings to the traders in the county. We have so far trained more than 1000 beneficiaries from the entire county and intend to do more trainings in the next financial year to capacity build both the traders and loan beneficiaries. During the year we did not have physical trainings due to lack of budgetary allocation and poor loan repayments. we however did virtual trainings in collaboration with the other stakeholders like equity bank and chamber of commerce to offer continuous training activities to the traders on book keeping, costing, marketing and financial literacy

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Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Capacity Building	To offer financial literacy and other relevant training for MSMEs on entrepreneurship & Loan Management	Increased number of entrepreneurs accessing knowledge and skills on financial literacy in the County	No of entrepreneurs undertaking the trainings and seminars	In FY 22/23 we increased no of entrepreneurs attending trainings and seminars this was mainly online due to Covid pandemic
Program 2 Loan Disbursement	Objective To of Offer Access to affordable credit facilities to traders within the county	Outcome Increased no of businesses Improved living standards of the traders as well Growth of MSMEs doing businesses	Indicator No of entrepreneurs accessing affordable credit services	Performance In the FY 22/23 we did not disburse any finances we however linked several businesses to financial institutions offering covid funds.

### **8. Corporate Governance Statement**

The County Trade Development loan fund Regulation 2023 stipulates the establishment of the various committees to administer the fund, the composition, the qualifications for the committee members, their functions and how they will conduct the meetings under the First Schedule.

The regulations stipulate that:

10. (1) there is established a County Committee to be known as the Bungoma County Trade Development Loans Fund Committee, which shall consist of: -

- (a) The County Chief Officer in the County department for the time being responsible for matters relating to trade who shall be the Chairperson;
- (b) The County Chief Officer in the County department for the time being responsible for finance or a representative appointed in writing;

- (c) The County Attorney or a representative appointed in writing;

- (d) 5 persons, not being public officers, who shall be appointed by the County Executive Committee Member through a competitive and transparent recruitment process;

- (e) The Fund Administrator who shall be the secretary to the committee.

(2) The persons under sub- regulation (1) (d) shall hold office for a term of three years renewable for one further term.

(3) A person shall be qualified for appointment under sub- regulation (1) (d) if that person: -

- (a) holds at least a diploma from a recognized educational institution or college in Kenya;

- (b) Has at least five years senior management experience in—

- (i) Finance and banking;

- (ii) accounting and auditing;

- (iii) economics;

- (iv) entrepreneurship; or

- (v) any other relevant field; and

- (c) meets the requirements of leadership and integrity as provided for in Chapter 6 of the Constitution and any other relevant national legislation.

(4) In making the appointments under sub - regulation 1 (d) consideration has to be made to the two thirds gender rule, persons living with disability, women, youth and the provisions of Article 27 of the Constitution of Kenya.

**Terms and conditions of service of the County Committee**

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5. The members of the County Committee shall be paid such allowances as determined by the Salaries and Remuneration Commission guidelines.

**Vacation of office of member of County Committee**

6. (1) The office of a member of the County Committee appointed under Regulation 10 (1) (d) shall become vacant if the member: -

- (a) is adjudged bankrupt;
- (b) is convicted of a criminal offence and sentenced to a term of imprisonment of not less than six months;
- (c) is convicted of an offence involving fraud or dishonesty;
- (d) is absent, without reasonable cause, from three consecutive meetings of the Committee;
- (e) resigns in writing addressed to the County Executive Committee Member;
- (f) is removed from office by the County Executive Committee Member for:-
  - (i) being unable to perform the functions of his office by reason of mental or physical incapacitation;
- or
- (ii) failing to declare his interest in any matter being considered or to be considered by the Committee;
- (g) demonstrates gross misconduct;
- (h) office is abolished; and
- (i) dies.

**Functions of the County Committee**

7. The functions of the County Committee are to: -

- (a) formulate policies relating to the Fund including credit policy, liquidity policy, savings policy and any other relevant policies;
- (b) advise the County Government on the structure and operations of the Fund;
- (c) establish uniform standards for the operations of the fund;
- (d) mobilize resources for the enhancement of the Fund's mandate;
- (e) receive the names forwarded by the Ward Committee, approve and issue the disbursements to the successful applicants;
- (f) partner with financial institutions licensed to operate within the County for purposes of negotiating business stimulus packages meant to fulfill the objectives of the Fund.
- (g) keep disaggregated data by sex, age, region and other relevant regulations;
- (h) undertake periodic review of the legal framework;
- (i) formulate training, development and capacity building programmes for its employees;

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- (j) ensure compliance within the Fund operations, sound financial management regulation;
- (k) provide where necessary management support services to eligible persons;
- (l) protect the long term viability of the Fund;
- (m) collaborate with relevant institutions so as to promote access to credit and other financial services;
- (n) monitor and evaluate the performance of the Fund; and
- (o) perform any other functions assigned to it under these Regulations.

**First Schedule**

**Meetings**

1. (1) The Committees shall meet at such place within the County as the respective chairpersons may determine and the meetings shall be convened by the chairpersons.
- (2) The Committees shall have quarterly meetings in every financial year and not more than three months shall elapse between one meeting and the next meeting.
- (3) Unless three quarters of the members otherwise agree, at least seven days' notice in writing of a meeting shall be given to every member by the Fund Administrator for the County Committee and the Ward Administrator for the Ward Committee.
- (4) At the first meeting of the Ward Committee, the chairperson shall be the Ward Administrator, thereafter, the committee shall elect a chairperson from among the members appointed in Regulation 15 (2) (c).
- (5) The chairpersons may, at their discretion or at the written request made by at least half of the members of the Committees and within seven days of the request, convene an extraordinary meeting at such time and place as he/she may appoint.
- (6) Meetings shall be presided over by the chairpersons or in their absence the vice- chairpersons.
- (7) The members of a Committee shall elect a vice- chairperson from among themselves-
  - (a) at the first sitting of the Committee; and
  - (b) whenever it is necessary to fill the vacancy in the office of the vice-chairperson.
- (8) Where the chairperson or vice-chairperson is absent, the members shall appoint from among themselves, a person to chair the meeting of the Committee.
- (9) The Committees may invite any person to attend any of its meetings and to participate in its deliberations, but such person shall not have a vote in any decision of the Committee.

**Conflict of interest**

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2. (1) If any person has a personal or fiduciary interest in a project, proposed contract or any matter before the Committee, and is present at a meeting of the Committee at which any matter is the subject of consideration, that person shall as soon as is practicable after the commencement of the meeting, declare such interest and shall not take part in any consideration or discussion of, or vote on any question touching such matter.

(2) A disclosure of interest made under subparagraph (1) shall be recorded in the minutes of the meeting at which it is made.

**Quorum**

3. (1) Subject to subparagraph (2), the quorum of the meeting shall not be less than half of the appointed members of the Committee.

(2) Where the persons present at a meeting of the Committee do not constitute the quorum necessary to hold a meeting under these Regulations or where by reason of exclusion of a member from a meeting, the number of members present falls below the quorum necessary to hold a meeting, the Committee shall postpone the consideration of the matter in question until there is a quorum.

**Voting**

4. A question before the Committees shall be decided by simple majority of the members present and voting and the chairperson shall, in the case of an equality of votes, have a casting vote.

**Rules of Procedure and minutes**

5. The Committees shall; —

- a) determine rules of procedure for the conduct of their business; and
- b) keep minutes of their proceedings and decisions.

#### 9. Management Discussion and Analysis

The County Trade Development Fund was established as a revolving fund, upon realization that a majority of the County entrepreneurs could not access affordable credit facility from our local and foreign mainstream banks due to high interest rates, cumbersome loan procedures and documentation, lack of collateral to use as security for the loans and lack of information on how to access the loans

The fund was therefore established with the following key objectives

- capacity building the MSMEs through offering relevant trainings financial literacy, Entrepreneurship and loan management.
- Provides affordable credit facilities to traders through offering loans to them. This was in order to help the MSMEs which were not able to access the loans from Banks Sacco and Microfinance in the villages to access these funds by establishing a revolving fund at each of the 45 wards to enable them access both the knowledge and funds

These objectives were to help in uplifting the living standards of the residents of bungoma create additional employment opportunities, Spur economic growth in the county as well as and reduction of the over dependency/poverty levels

#### **PERFORMANCE OF THE COUNTY AGAINST THE OBJECTIVE**

On performance of the county trade development fund against the objective for which they were formed

The Fund has largely has majorly fulfilled the objectives to which they were formed these is reference to the survey carried out by a research team of the County Assembly of Bungoma on behalf of the County Assembly Committee of Trade on the status of the County Trade Loan Fund. As part of their oversight role which had the following findings;

- d) An average of 65% percent of the traders interviewed acknowledged that they were trained pointing out on the achievement of the fund objective of Capacity Building Traders on Financial Literacy, Loan Management, Record Keeping and Marketing.
- e) An average of 65% of the traders indicated that they have repaid their loans
- f) 54 % acknowledged that the trade loan improved their livelihoods

**Our own independent review on the performance of the fund is as follows**

#### **Training & Capacity Building**

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Capacity building is one of the key objective of the fund. during the inception of the fund we were only training people on loan management before being issued with the loan but we realized this was not an effective way of capacity building traders. It was with this realisation that we established the need to do more elaborate trainings on loan management to both the committee members vetting loans as well as the loan beneficiaries. This would enable them to be equipped with knowledge on loan management & Record keeping, entrepreneurship, credit management, marketing, costing and general financial literacy to ensure they are more informed.

We therefore identified partners to collaborate to do continuous and elaborate training for traders in the various wards irrespective of whether they applied for a loan or not. We therefore engaged the services of the Trainers from the Kenya Institute of Business Training (KIBT) and our bankers Equity in collaboration with the department of trade to do an elaborate training. We have since trained 8000 traders against a target of 10,000 beneficiaries from all the 45 wards

There is however still a growing need for us for to continuously capacity build our vetting team and the traders to enable them acquire basic business knowledge or entrepreneurship and loan management.

**Loan Management**

The County Trade Development Loan Fund in has received the following allocations since its inception

**LOAN PORTFOLIO**

FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18	
Budgeted	Exchequer Release	Budgeted	Exchequer Release	Budgeted	Exchequer Release	Budgeted	Exchequer Release
100,000,000	100,000,000	50,000,000	9,380,000	36,000,000	9,357,863	30,000,000	Nil

The loan portfolio of the fund is therefore Kshs 118, 737, 863 from the exchequer releases. We have however been unable to get any funding in the FY 2017/2018 and 2018/2019 due to the delay in gazettment of our regulation however in the last financial year we were able to gazette the regulation and were able to receive an allocation of Ksh10,000,000 as at the close of the financial year .This now makes the Total Loan Portfolio of the Fund Ksh 128,737,863

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**LOAN DISBURSEMENTS**

The fund disbursed 1<sup>st</sup> and 2<sup>nd</sup> disbursement through an initial seed capital of Kshs 96,293,677 to all the 45 wards to 4,115 beneficiaries in the month of October 2014 and April 2015 for first and second disbursement respectively as tabulated

Wards	Number of Wards	Number of Beneficiaries	Amount Disbursed (Kshs)
	45	1989	48,578,000.00
	45	2126	47,715,677.00
		4115	96,293,677.00

The 1<sup>st</sup> disbursement of 50M was uniformly awarded to all the wards as seed capital to all the 45 wards however the 2<sup>nd</sup> 50M was awarded to the wards based on the performance of the loan repayments of the 1<sup>st</sup> loan phase.

The 3<sup>rd</sup> Disbursement was in FY2015/16 for Ksh. 9,380,000 for Khalaba and Township wards which were originally meant for fertilizer but transferred to Dept. of Trade to be issued as Loans since Khalaba and township are not agricultural areas

4<sup>th</sup> Disbursement was in FY 2016-2017 for Ksh 9,357,863 again for Khalaba and Township

**Revolving's**

We have so far recovered and revolved 89,094,316 in 21 revolving's to 3,486 beneficiaries .44 wards have revolved except for chepyuk ward.32 wards have so far revolved more than once with the leading wards having revolved 5 times. Namely Elgon South Bukusu, Khalaba, Chwele.

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REVOLVING	NO OF WARDS	NO OF BENEFICIARIES	AMOUNT REVOLVED
FIRST	17	519	11,167,456.00
SECOND	10	237	5,425,000.00
THIRD	12	433	10,274,700.00
FOURTH	16	492	11,077,000.00
FIFTH	11	279	5,655,000.00
SIXTH	15	338	8,143,160.00
SEVENTH	2	313	8,555,000.00
EIGHTH	7	45	2,145,000.00
NINETH	10	97	4,620,000.00
TENTH	8	36	1,575,000.00
ELEVENTH	5	41	1,540,000.00
TWELFTH	12	163	4,755,000.00
THIRTEENTH	5	59	2,175,000.00
FORTEENTH	7	95	2,240,000.00
FIFTEENTH	11	53	1,640,000.00
SIXTEENTH	5	5	240,000.00
SEVENTEENTH	8	109	2,297,000.00
EIGHTEENTH	5	41	1,390,000.00
NINETEENTH	12	30	1,000,000.00
TWENTIETH	5	32	830,000.00
TWENTY FIRST	14	69	2,350,000.00
		3486	89,094,316.00

From these findings although there is great room for improvement our view is that these being the inaugural fund the objective of the fund will be met with strategic decision to be made from the recommendation made by the various stakeholders including Internal auditors, the controller of budget, external auditors from the Office of the Auditor General, and the report from the County Assembly Committees on Public Accounts Investment and Trade Energy Industrialization Committees

**BANK ACCOUNTS**

The funds main bank account is the Central Bank Special Purpose Account and the Collection Account with different signatories. This was in order to offer internal controls on the expenditures of the fund activities.

The Special Purpose Account is our main account which receives all the exchequers releases and makes payments for all the fund activities

The collection accounts contain all loan repayments and funds transferred from the Special Purpose Account for loan disbursement

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**EXPENDITURE OF THE FUND**

All the expenses of the fund are only incurred upon approval of the activity by both Chief officers for Trade and Finance and Concurrence from the Chairperson of the fund Committee as per the approved budget presented to the Committee since the 2 are the signatories to the collection account.

The fund administrator as is mandated by the PFM Act to be the Accounting Officer to incur expenses for administration of funds as approved and transferred to the administration account from the collection account by the Chief Officer Finance and Trade being the signatories to the Special Purpose Acc. Therefore, all the transactions by the Fund administrator are properly authorized before any withdrawal of funds from the operation account

**Expenditure/Administrative Cost**

The PFM Regulations stipulates that the fund administrator should only use 3% of the budgeted amount for the administration of the fund. This has however proven to be difficult considering we have not received any exchequer releases since 2018 due to non gazettement of the trade loan regulations. This was even worsened by the stoppage of the loan disbursement with the view of the amalgamation of county empowerment funds and the covid pandemic which led to steady rise in loan default. This therefore left the fund without any resource to administer the fund since any activity carried would therefore be funded from the loan portfolio thus leading to risk of eroding the loan portfolio and constant audit queries.

The payments made from the fund accounts have purely been used for training of the loan beneficiaries, holding quarterly committee meetings and follow up of the loan defaulters and the general administration of the fund. Below is the breakdown of the fund receipts and payments as well as audited both by the internal and external auditors since inception

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STATEMENT OF RECEIPTS AND PAYMENTS									
	Notes	2021-2022	2020-2021	2019-2020	2018 -2019	2017-2018	2016-2017	2015-2016	2014-2015
		KSH	KSH	KSH	KSH	KSH	Kshs	Kshs	Kshs
<b>RECEIPTS</b>									
Transfers from the County Treasury/Exchequer Releases	1	-	-	-	-	9,357,863	-	13,828,000	100,000,000
Loan repayments	2	202,864.00	1,150,045.00	3,398,617.00	9,636,044.00	18,415,269	15,442,338	20,142,907	15,677,195
Interest	3	10,143.00	58,502.00	169,931.00	507,160.00	974,488	812,758	1,074,273	825,116
Loan Processing fee	4	-	-	-	834,350.00	897,250	508,655	-	-
<b>TOTAL RECEIPTS</b>		<b>213,007.00</b>	<b>1,208,547.00</b>	<b>3,568,548.00</b>	<b>10,977,554.00</b>	<b>29,644,870</b>	<b>16,763,751</b>	<b>35,045,180</b>	<b>116,502,310</b>
<b>PAYMENTS</b>									
Use of goods and services	4	718,900.00	956,190.00	993,660.00	2,392,630.60	2,590,450	3,200,200	4,261,000	9,376,900
Loans to members	5	-	-	2,232,500.00	16,637,000.00	18,653,500	24,895,160	26,867,156	98,263,867
Bank charges	6	600.00	3,790.00	660.00	18,080.00	13,970	55,165	67,375	45,735
<b>TOTAL PAYMENTS</b>		<b>719,500.00</b>	<b>959,980.00</b>	<b>3,226,820.00</b>	<b>19,047,710.60</b>	<b>21,257,920</b>	<b>28,150,525</b>	<b>31,195,531</b>	<b>107,686,502</b>
<b>(DEFICIT)/SURPLUS</b>		<b>-506,493.00</b>	<b>248,567.00</b>	<b>341,728.00</b>	<b>- 8,070,156.60</b>	<b>8,386,950</b>	<b>- 11,386,774</b>	<b>3,849,649</b>	<b>8,815,808</b>

The receipts and payments captured in the tables above is as per the audited accounts from Financial year 2014 to 2022 in summary

**CHALLENGES OF THE FUNDS**

The fund has had several challenges during the implementation of the programs which have not only made the administration difficult but also led to frequent audit queries

- Policy gap-The delayed gazettement of the county trade loan fund regulation has not only led to ineffective administration of the fund but also led to frequent audit queries on lack of a legal framework. This has however been addressed by the review and gazettement of the County Trade Development Loan Fund Regulation
- Knowledge gap- The high loan default was majorly occasioned by the lack of knowledge of both the ward committee who implemented the loan appraisal and approval of the loan officer but also the traders who never applied loans for the intended purpose or who thought the loans were grants
- Resource gaps – The fund has had challenges due to lack financial support for administration of the fund for some of the key activities of the fund such as capacity building and sensitization of the public on financial literacy, loan management, record keeping and need for loan for loan repayment, maintenances for motor vehicle for field activities, payment for the annual software assurance and field allowances for administration of the fund both at the county and ward levels

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- Political involvement –The administration of the fund has had challenges due to political engagement in the loan management through influencing loan allocation to some beneficiaries who do not qualify for loans and at times

**OUR RECOMMENDATIONS FOR IMPROVEMENT TO IMPROVE EFFICIENCY**

- Establishment of strategic plan to guide in accomplishment of the trade fund objective as guided by the PFM ACT and Regulation
- Establishment of a committee to do due diligence of the fund to establish the true loan portfolio to help us know how much of the current loan is recoverable. The segregating the data of all the loan beneficiaries including those still Active in business, Deceased cases, Relocated businesses and the ones closed or that are doubtful for recovery
- Capacity building of the various stakeholders through Improved training of beneficiaries, board members, fund staff and ward committees other stakeholders for proper administration of the funds
- Review the credit policy on loan application vetting & appraisal and loan recovery
- There is need for additional funds to cater for the growing need for affordable credit facilities
- Improve the organisation structure of the fund to enhance loan management
- Reconstitute the ward committees to enhance loan repayment to ensure we have institutional memory since all the other staffs are transferable apart from the locals.
- Increase of loan products to attract more beneficiaries such as LPO financing and Agribiz loans
- Cultivate a culture of good credit management and nurture a savings culture
- Need for mobilization of funds through Partnerships with other established financial institution for the administration of the fund to diffuse the political involvement

**10. Environmental and Sustainability Reporting**

**i) Sustainability strategy and profile**

The fund management has made strategic decisions to ensure the sustainability of the fund such as the review and the gazettelement of the regulation, the reconstitution of the ward committee to not only ensure that there is institutional memory for record purposes but also to ensure there is continuous self-regulation amongst the loan beneficiaries and community through appointing of the committee members from the various villages .This will not only reduce the cost of the follow up of the defaulters but to also depoliticise the loan management process.

**ii) Environmental performance**

The fund unit has not put up an environmental policy however being a government unit its implementing both the national and county environmental policies as well as the climate change policy through controlled usage of water, power and proper disposal of waste in the office

**iii) Employee welfare**

The employment of the staff, secondment of the staff as well as the appointment of the committee members is as per the Article 27 of the constitution that bears regard to non-discrimination on the base of age gender and ability /disability both the County and Ward Committee is balanced with inclusion of the youth, women and people living with Disability

The staff of the fund are remunerated as per the SRC guidelines and guided by the county human resources manual. The staff undergo regular short trainings but there is still need for more trainings to be done for our ward committees

**iv) Marketplace practices-**

The organization should outline its efforts to:

**a) Responsible competition practice.**

The fund being a government entity adheres to fair completion practice through operating open and transparent loan vetting process in all the wards and as well offering

**b) Responsible Supply chain and supplier relations**

The fund being a county government entity adheres to PPAD ACT 2015 and ensures the welfare of the suppliers is taken into consideration through prompt of suppliers

**c) Responsible marketing and advertisement**

The fund unit has continuously ensured good and ethical marketing and advertisement by packaging their products and carrying out public announcements and sensitizations in a good manner

**d) Product stewardship**

The fund management takes key interest in the rights of the traders through safeguarding the Customers rights and interest by frequently organising the sensitization meetings of the traders and capacity building of the traders to ensure they are well equipped with the relevant business skill

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**ii. Fund Committee**

The Fund Committee submits their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the *Bungoma County Trade Development Loan Fund's* affairs.

**i) Principal activities**

The principal activities of the *Bungoma County Trade Development Loan Fund* are

**ii) Results**

The results of the *Bungoma County Trade Development Loan Fund* for the year ended June 30, 2024, are set out on page ....


**iii) Fund Committee**

The members of the Fund Committee who served during the year are shown on page vi, vii, viii. During the year, 2024 fund committee was appointed with effect from xxx date.

**iv) Auditors**

The Auditor-General is responsible for the statutory audit of the *Bungoma County Trade Development Loan Fund* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 were nominated by the Auditor General to carry out the audit of the *Bungoma County Trade Development Loan Fund* for the year ended June 30, 2024, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

  
.....  
Name **SITU STEPHEN**  
Secretary to the Committee

**12. Statement of Fund Committee Responsibilities**

Section 81 or 164 of the Public Finance Management Act, 2012 and Bungoma County Trade Development Loan Fund Regulation 2023 require the Fund Committee to prepare financial statements in respect of that Bungoma County Trade Development Fund which give a true and fair view of the state of affairs of the Bungoma County Trade Development Loan Fund at the end of the financial year and the operating results of the Bungoma County Trade Development Loan Fund for that year/period. The Fund Committee are also required to ensure that the Bungoma County Trade Development Loan Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Bungoma County Trade Development Loan Fund. The Fund Committee is also responsible for safeguarding the assets of the Bungoma County Trade Development Loan Fund.

The Fund Committee are responsible for the preparation and presentation of the Bungoma County Trade Development Loan Fund's financial statements, which give a true and fair view of the state of affairs of the Bungoma County Trade Development Loan Fund for and as at the end of the financial year ended on June 30, 2024. 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 Bungoma County Trade Development Loan 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 Bungoma County Trade Development Loan Fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Fund Committee accept responsibility for the Bungoma County Trade Development Loan Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Bungoma County Trade Loan Regulation 2023. The Fund Committee are of the opinion that the Bungoma County Trade Development Loan Fund's financial statements give a true and fair view of the state of the Bungoma County Trade Development Loan Fund's transactions during the financial year ended June 30, 2024 and of the Bungoma County Trade Development Loan Fund's financial position as at that date. The Fund Committee further confirms the completeness of the accounting records maintained for the Bungoma County Trade Development Loan Fund, which have been relied upon in the preparation of the Bungoma

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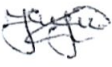
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County Trade Development Loan Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Fund Committee have assessed the Bungoma County Trade Development Loan Fund's ability to continue as a going concern in terms of the fund liquidity based on the loan repayment operational cost and the loan disbursement and that nothing has come to the attention of the Fund Committee to indicate that the Bungoma County Trade Development Loan 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 Bungoma County Trade Development Loan Fund's financial statements were approved by the Board on 19/9/24 2024 and signed on its behalf by:

  
.....  
JANE HARWIRE MWIKHOLI

Name

Fund Committee

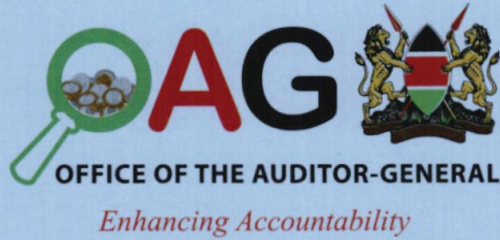
.....  
SIRATI STEPHEN

Name 

Fund Administrator

# REPUBLIC OF KENYA

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HEADQUARTERS  
Anniversary Towers  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON BUNGOMA COUNTY TRADE DEVELOPMENT LOANS FUND FOR THE YEAR ENDED 30 JUNE, 2024**

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### **PREAMBLE**

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

- A. Report on 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 the 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 the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Bungoma County Trade Development Loans Fund set out on pages 1 to 35, which comprise of the statement of

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*Report of the Auditor-General on Bungoma County Trade Development Loans Fund for the year ended 30 June, 2024*

financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bungoma County Trade Development Loans Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management (Bungoma County Trade Development Loans Fund) Regulations, 2023 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Non-Disclosure of Interest Income**

The statement of cash flows indicates interest on loans amounting to Kshs.183,449 while the statement of financial performance does not reflect interest income for the year under review.

In the circumstances, the accuracy and completeness of interest on loans cash inflow amounting to Kshs.183,449 could not be confirmed.

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

The statement of financial position reflects current portion of long term receivables from exchange transactions balance of Kshs.113,229,079 and Kshs.115,413,669 for the current and previous years respectively. The receivables include Interest receivable of Kshs.13,680,699 and current loan repayment due of Kshs.99,548,380. However, the Management did not provide detailed loan supporting schedules for audit verification.

In the circumstances, the accuracy and completeness of receivables from exchange transaction balance of Kshs.113,229,079 as at 30 June, 2024 could not be confirmed.

#### **3. Unconfirmed Intangible Assets Balance**

The statement of financial position indicates intangible assets balance of Kshs.8,484,228 and as disclosed in Note 11 to the financial statements. The fair value of the asset could not be established since it had not been subjected for amortization since acquisition. Further, the ownership of the assets could not be verified.

In the circumstances, the ownership status, accuracy and valuation of intangible assets balance of Kshs.8,484,228 could not be confirmed.

#### **4. Undisclosed Material Uncertainty Relating to Going Concern**

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.113,229,079 and Kshs.115,413,669 for the current and previous years respectively, in respect of loan disbursements to beneficiaries since 2014 when the fund was established. Verification of documents provided for audit revealed that the last time loans were issued was in 2019.

During the year under review, loan principal repayments amounting to Kshs.2,001,141 was received. This indicates that the Fund is having challenges in effecting recoveries and there is no clear way of enforcing the recoveries. This has not been disclosed in the financial statements.

In the circumstances, continued sustainability of the Fund is doubtful and its future existence is uncertain unless it is otherwise supported by the County Government.

#### **5. Anomalies in Presentation and Disclosure of Annual Report and Financial Statements**

Review of the annual report and financial statements revealed the following anomalies:

- i. The profiles of Key Management Team were not included in the annual report.
- ii. The statement of performance against predetermined objectives for the year 2023/2024 was not completed. The information in this section relates to 2022/2023 financial year.
- iii. Environmental and sustainability reporting does not include Corporate Social Responsibility or community engagements.
- iv. The guiding notes were not removed and are appearing in many sections of the financial statements.
- v. The ageing analysis for receivables were not analyzed in the respective note to the financial statements.
- vi. Appendix I on progress on follow-up of prior year auditor's recommendations shows the title of issues raised and does not include the actual audit query raised in the previous financial year and the Fund Administrator did not sign this section of the report.

In the circumstances, the annual report and financial statements do not comply with the prescribed reporting template issued by the Public Sector Accounting Standards Board.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Bungoma County Trade Development Loans Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with

other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the previous year audit report, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the issues had not been resolved and Management did not provide satisfactory reasons for the delay in resolving the issues.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Lack of Budget for the Fund**

During the year under review, Management did not provide a budget for the Fund to support the balances in the statement of comparison of budget and actual amounts. Consequently, the source of the balances reflected in the statement of comparison of budget and actual amounts could not be confirmed. This was contrary to Section 149(2)(h) of the Public Finance Management Act, 2012, which requires an Accounting Officer to prepare a budget for the entity.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern

them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Lack of an Information Technology Internal Controls**

Bungoma Trade Development Loans Fund operates a Trade Loan Management system which is required to indicate all the loans disbursed during the year and the repayments made from the loans on the agreed timelines. However, the system was unable to generate the required data of the loan status report on all loans disbursed from inception of the fund, the repayments made and the balances due to date. The security of the system and the data could also not be confirmed.

In the circumstances, the proper management of the loan data could not be confirmed

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 the 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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


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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/>. This description forms part of my auditor's report.

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

**Nairobi**


**19 December, 2024**

**Bungoma County Trade Development Loan Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**


**14. Statement of Financial Performance for the year ended 30 June 2024**

		2024	2023
Revenue from exchange transactions		-	-
Transfer from county government (operational Fund)	6	300,000	-
<b>Total Revenue</b>		<b>300,000</b>	<b>-</b>
Expenses			
Fund Administration cost	7	1,322,755	511,500
Board Expenses	8	1,006,000	-
<b>Total expenses</b>		<b>2,328,755</b>	<b>511,500</b>
<b>Deficit for the period</b>		<b>- 2,028,755</b>	<b>- 511,500</b>

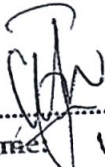
The notes set out on pages 1 to 7 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 7 were signed on behalf of Fund committee by:

  
 Name: JANE NAMBIRE MUKHOLI  
 Chairman Fund

Date 25/11/2024

  
 Name: SITATI STEPHEN  
 Accounting Officer

Date 25/11/2024

  
 Name: W.W. Emand  
 Head of Finance  
 ICPAK M/No: 27202  
 Date

**Bungoma County Trade Development Loan Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**15 Statement of Financial Position as at 30 June 2024**

	Note	2023/2024 KShs	2022/2023 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	12,695,361	2,839,526
Current portion of long term receivables from exchange transactions	10	113,229,079	115,413,669
		125,924,440	118,253,195
<b>Non-current assets</b>			
Intangible assets	11	8,484,228	8,484,228
<b>Total assets</b>		<b>134,408,668</b>	<b>126,737,423</b>
<b>Net assets</b>			
Revolving Fund		129,190,287	119,490,287
Accumulated surplus		5,218,381	7,247,136
<b>Total net assets and liabilities</b>		<b>134,408,668</b>	<b>126,737,423</b>

The financial statements set out on pages 1 to 7 were signed on behalf of the Fund Committee by:

.....  
 Name: JANE NABWIRE  
 MUKHTHI  
 Chairman Fund

Date 25/11/2024.

.....  
 Name: SITATI STEPHEN  
 Accounting Officer

Date 25/11/2024.

.....  
 Name: W.W. Emmanuel  
 Head of Finance

ICPAK M/No: 27202  
 Date

**Bungoma County Trade Development Loan Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**16. Statement of Changes in Net Assets for the year ended 30 June 2024**

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance as at the beginning of Previous period	119,490,287	-	8,099,353	127,589,640
Surplus/(Deficit) For the Period	-	-	511,500	511,500
Prior year Adjustments	-	-	340,717	340,717
Balance as at the end of Previous period	119,490,287	-	7,247,136	126,737,423
Balance as at the beginning of current period	119,490,287	-	7,247,136	126,737,423
Surplus/(Deficit) For the Period	-	-	2,028,755	2,028,755
Fund Received during the period	9,700,000	-	-	9,700,000
Balance as at the end of Current period	129,190,287	-	5,218,381	134,408,668

**Note:**

- For items that are not common in the financial statements, the Bungoma County Trade Development Loan Fund should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
- Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

*Bungoma County Trade Development Loan Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**17. Statement of Cash Flows for the year ended 30 June 2024**

	Note	2023/2024 KShs	2022/2023 KShs
<b>Cashflows from operating activities</b>			
<b>Receipts</b>			
Transfer from County Government	6	10,000,000	-
Interest on loans	13	183,449	13,306
<b>Total Receipts</b>		<b>10,183,449</b>	<b>13,306</b>
<b>Payments</b>			
Fund Administration cost	7	1,322,755	511,500
Board Expense	8	1,006,000	-
<b>Total Payments</b>		<b>2,328,755</b>	<b>511,500</b>
<b>Net cashflows from operating activities</b>		<b>7,854,694</b>	<b>- 498,194</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments	12	2,001,141	252,815
<b>Net cashflows used in investing activities</b>		<b>2,001,141</b>	<b>252,815</b>
<b>Net cashflows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9,855,835</b>	<b>- 245,379</b>
Cash and cash equivalents at 1st July 2023	9	2,839,526	3,084,905
<b>Cash and cash equivalents at 30th June 2024</b>		<b>12,695,361</b>	<b>2,839,526</b>

*Bungoma County Trade Development Loan Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>					-	100
Transfers from County Govt.	10,000,000	-	10,000,000	10,000,000	183,449	-
Interest income	183,449	-	183,449	-	183,449	98
<b>Total income</b>	<b>10,183,449</b>		<b>10,183,449</b>	<b>10,000,000</b>	-	-
					-	-
<b>Expenses</b>					-	
Fund administration expenses	1,322,755	-	1,322,755	2,330,568	1,007,813	176
<b>Total expenditure</b>	<b>1,322,755</b>		<b>1,322,755</b>	<b>2,330,568</b>	<b>1,007,813</b>	<b>176</b>
<b>Surplus for the period</b>	<b>8,860,694</b>		<b>8,860,694</b>	<b>2,330,568</b>	<b>11,191,262</b>	
<b>Capital Expenditure</b>	<b>8,860,694</b>		<b>8,860,694</b>		<b>8,860,694</b>	<b>-</b>

**19. Notes to the Financial Statements**

**1. General Information**

Bungoma County Trade Development Loan Fund is established by and derives its authority and accountability from Bungoma County Trade Development Loan Fund Regulation. The Bungoma County Trade Development Loan Fund is wholly owned by the Government of Kenya/County Government of Bungoma and is domiciled in Kenya. The Bungoma County Trade Development Loan Fund's principal activity is Capacity Building of the Traders and Offering affordable credit facilities to the traders.

**2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *Bungoma County Trade Development Loan Fund's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Bungoma County Trade Development Loan Fund*. The financial statements have been prepared in accordance with the PFM Act 2012, the Bungoma County Trade Development Loan Fund regulation, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**Bungoma County Trade Development Loan Fund**  
**Annual Reports and Financial Statements for the year ended June 30, 2024.**

**3. Adoption of New and Revised Standards**

**i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.**

Standard	Effective date and impact:
<p>IPSAS 43: Leases</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 Bungoma County Trade Development Loan Fund. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b>                      The Standard requires,                      Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:                      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>IPSAS 45: Property Plant and Equipment</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b>                      The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46: Measurement</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b>                      The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called</p>

**Bungoma County Trade Development Loan Fund  
Annual Reports and Financial Statements for the year ended June 30, 2024.**

	the current operational value.
IPSAS 47: Revenue	<b>Applicable 1<sup>st</sup> January 2026</b> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an Bungoma County Trade Development Loan Fund shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48: Transfer Expenses	<b>Applicable 1<sup>st</sup> January 2026</b> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49: Retirement Benefit Plans	<b>Applicable 1<sup>st</sup> January 2026</b> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

**ii. Early adoption of standards**

The Bungoma County Trade Development Loan Fund did not early – adopt any new or amended standards in the financial year.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

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

**Fees and other charges**

The *Bungoma County Trade Development Loan Fund* recognizes revenues from fees and other charges when the event occurs, and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the *Bungoma County Trade Development Loan Fund* and the fair value of the asset can be measured reliably.

**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 *Bungoma County Trade Development Loan Fund* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

**ii) Revenue from exchange transactions**

**Rendering of services**

The *Bungoma County Trade Development Loan Fund* recognizes revenue from the rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**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.

**Rental income**

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

**b) Budget information**

The original budget for the Current FY was approved by the County Assembly on xxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Bungoma County Trade Development Loan Fund upon receiving the respective approvals to conclude the final budget. The Bungoma County Trade Development Loan Fund recorded additional appropriations of xxx on the 20xx budget following the governing body's approval. The *Bungoma County Trade Development Loan Fund'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 an accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the *Bungoma County Trade Development Loan Fund* operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates, and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits, and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively

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enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *Bungoma County Trade Development Loan Fund* and the same taxation authority.

**Sales tax**

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant, and equipment**

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

**f) Leases**

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the *Bungoma County Trade Development Loan Fund*. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *Bungoma County Trade Development Loan Fund* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *Bungoma County Trade Development Loan Fund* will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the *Bungoma County Trade Development Loan Fund*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) Intangible assets**

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

**h) Research and development costs**

The *Bungoma County Trade Development Loan Fund* expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the *Bungoma County Trade Development Loan Fund* can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

### **Financial instruments**

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

#### **a) Financial assets**

##### **Classification of financial assets**

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

### **Subsequent measurement**

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

### **Amortized cost**

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

### **Fair value through net assets/ equity**

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

### **Trade and other receivables**

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

### **Fair value through surplus or deficit**

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

### **Impairment**

The Bungoma County Trade Development Loan Fund assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Bungoma County Trade Development Loan Fund recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out

### **b) Financial liabilities**

#### **Classification**

The Bungoma County Trade Development Loan Fund classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

#### **i) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

**j) Provisions**

Provisions are recognized when the *Bungoma County Trade Development Loan Fund* 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 *Bungoma County Trade Development Loan Fund* 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.

**k) Contingent liabilities**

The Bungoma County Trade Development Loan Fund 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.

**l) Contingent assets**

The Bungoma County Trade Development Loan Fund 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 Bungoma County Trade Development Loan Fund 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.

**m) Nature and purpose of reserves**

The Bungoma County Trade Development Loan Fund creates and maintains reserves in terms of specific requirements.

**Changes in accounting policies and estimates**

The Bungoma County Trade Development Loan Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**n) Employee benefits**

**Retirement benefit plans**

The *Bungoma County Trade Development Loan Fund* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Bungoma County Trade Development Loan Fund pays fixed contributions into a separate *Bungoma County Trade Development Loan Fund* (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**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.

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**o) Borrowing costs**

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

**p) Related parties**

The *Bungoma County Trade Development Loan Fund* regards a related party as a person or an *Bungoma County Trade Development Loan Fund* with the ability to exert control individually or jointly or to exercise significant influence over the *Bungoma County Trade Development Loan Fund*, or vice versa. Members of key management are regarded as related parties and comprise *the Fund Committees, the Fund Administrator, and senior managers*.

**q) Service concession arrangements**

The *Bungoma County Trade Development Loan Fund* analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Bungoma County Trade Development Loan Fund* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement, or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Bungoma County Trade Development Loan Fund* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**r) 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 an insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and various commercial banks at the end of the financial year.

**s) Comparative figures**

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

**t) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20xx.

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**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**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 *Bungoma County Trade Development Loan Fund* 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 *Bungoma County Trade Development Loan Fund*. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual value**

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

- a) The condition of the asset is based on the assessment of experts employed by the Bungoma County Trade Development Loan Fund.
- b) The nature of the asset, its susceptibility, and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 37. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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6. Transfers from Other Government entities

Name of The Entity Sending the Grant	Amount recognized to Statement of Financial performance. *	Amount recognized in capital fund.	2023/2024	2022/2023
			Kshs	Kshs
Transfer from County Government	300,000	9,700,000	10,000,000	
<b>Total</b>	<b>300,000</b>	<b>9,700,000</b>	<b>10,000,000</b>	<b>-</b>

*This being the exchequer release for loan disbursement and the administration of the loan*

7. Use of Goods and Services

Description	2023/2024	2022/2023
	KShs	KShs
Telephone & Communication	5,000	50,000
Printing & Stationery	95,000	25,380
conferences	350,000	-
Travel and Accommodation	708,455	435,400
Loan Processing cost	162,300	-
Bank Charges	2,000	720
<b>Total</b>	<b>1,322,755</b>	<b>511,500</b>

8. Board Expenses

Description	2023/2024	2022/2023
	Kshs	Kshs
Sitting Allowances	98,000	-
Induction and Training	908,000	-
<b>Total</b>	<b>1,006,000</b>	<b>-</b>

9. Cash and Cash Equivalents

Description	2023/2024	FY2022/2023
	KShs	KShs
Current account	12,695,361.20	2,839,526.00
Others	-	-
<b>Total cash and cash equivalents</b>	<b>12,695,361.20</b>	<b>2,839,526.00</b>

During the financial year we closed the operation account 0480272137974 and opened the Central bank special purpose account 10000715038

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**Detailed Analysis of the Cash and Cash Equivalents**

		2023/2024	2022/2023
Financial institution	Account number	KShs	KShs
a) Current account			
Central Bank Acc	10000715038	10,740,295	-
Equity Bank -Collection ACC	0480262513336	1,955,066	2,836,403
Equity Bank -Operation ACC	0480272137974	-	3,123
Sub- total	-	12,695,361	2,839,526
Grand total		12,695,361	2,839,526

**10. Receivables from Exchange Transactions**

Description	2023/2024	2022/2023
	KShs	KShs
Current Receivables		
Interest receivable	13,680,699	13,864,148
Current loan repayments due	99,548,380	101,549,521
Total Current receivables	113,229,079	115,413,669
Total receivables from exchange transactions	113,229,079	115,413,669

**11. Intangible Assets**

Description	2023/2024	2022/2023
	KShs	KShs
ICT SOFTWARE		
Cost		
At beginning of the year	8,484,228	8,484,228
Additions	-	-
At end of the year	8,484,228	8,484,228
Amortization and impairment		
At beginning of the year	8,484,228	3,054,322
Amortization	-	-
Prior year adjustments	-	3,054,322
At end of the year	-	-
NBV	8,484,228	8,484,228

**12. PRINCIPAL LOAN REPAYMENT**

Description	FY 2023/2024	FY 2022/2023
	KSH	KSH
Proceeds from loan principal repayments	2,001,141	252,815
Total	2,001,141	252,815

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13. Interest on Loan		
Description	FY 2023/2024	FY 2022/2023
	KSH	KSH
Proceeds from loan interest on loan	183,449	13,306
	183,449	13,306

14. Revolving Fund	Amount Received	Rate %	FY 2022/2023
Transfer from county government 2014/2015	100,000,000	97	97,000,000
Transfer from county government 2015/2016	13,828,200	97	13,413,160
Transfer from county government 2017/2018	9,357,863	97	9,077,127
Transfer from county government 2023/2024	10,000,000	97	9,700,000
<b>TOTAL</b>	<b>133,186,063</b>		<b>129,190,287</b>

**12. Financial Risk Management**

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

**i) Credit risk**

The Bungoma County Trade Development Loan Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits

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are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Bungoma County Trade Development Loan Fund's management based on prior experience and their assessment of the current economic environment.

**Financial Risk Management**

**ii) Market risk**

The *Bungoma County Trade Development Loan Fund* has put in place an internal audit function to assist it in assessing the risk faced by the Bungoma County Trade Development Loan Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rates, equity prices, and foreign exchange rates which will affect the Bungoma County Trade Development Loan Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Bungoma County Trade Development Loan Fund's Trade Department is responsible for the development of detailed risk management policies (subject to review and approval by the Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Bungoma County Trade Development Loan Fund's exposure to market risks or the way it manages and measures the risk.

**Interest rate risk**

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

**Management of interest rate risk**

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

**13. Related Party Disclosures**

**Nature of related party relationships**

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Entities and other parties related to the *Bungoma County Trade Development Loan Fund* include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates, and close family members.

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *Bungoma County Trade Development Loan Fund*, holding 100% of the *Bungoma County Trade Development Loan Fund's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Bungoma County Trade Development Loan Fund, both domestic and external.

**Other related parties include:**

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Fund Committees

**14. Events after the Reporting Period**

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

**15. Ultimate and Holding Bungoma County Trade Development Loan Fund**

The Bungoma County Trade Development Loan Fund is a Semi-Autonomous Government Agency under the Ministry/County of xxx. Its ultimate parent is the Government of Kenya.

**16. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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22. Appendices

**Appendix 1: Implementation Status of Auditor-General's Recommendations**

The following is the summary of implementation of the auditor's recommendation, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Undisclosed Material Uncertainty on Going Concern	<ul style="list-style-type: none"> <li>The funds regulation has since been gazette on the 25<sup>th</sup> September 2023</li> <li>We have actioned the recovery of the loans issued to staff through the final demand notice by the county attorney for all the county staff to clear their outstanding loan balances failure to which they will be recovered from through check off by payroll from Feb 2024</li> <li>We have Started Data validation exercise to ensure we have verifiable data on the loans issued in terms of the actual loan status I.e. deceased cases, cleared loans, bad &amp; doubtful loans, Active or running loans.</li> <li>We have carried out a county sensitization forum in all the wards to encourage loan defaulters to repay their loans</li> <li>We have carried out press/media</li> </ul>	Resolved	30 <sup>th</sup> June 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>sensitization releases for loan defaulters to repay their loans</p> <ul style="list-style-type: none"> <li>◦ Established the ward committees to help us in data validation and recovery of the loans defaulted</li> </ul>		
2.	Cash and Cash Equivalents	<p>This was a transposition error of posting Ksh 2,836,403 in operation account which had a balance of Ksh 3,123 and 3123 as collection bank balance instead of Ksh 2,836,403. The variance of 1080 in the bank reconciliation and the cash book for operation Acc are the bank charges as evidenced in the bank statement this is the reconciling balance between the Ksh 4,203 and 3123.</p> <p>Note 4 of the Financial statements does not reflect Ksh 3,180,2423 as indicated in the audit report neither does the cash book indicate</p> <p>See the attached</p> <p>a) Attached bank reconciliation statements</p>	Resolved	30 <sup>th</sup> June 2023 (Revised financials)

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		(b) Revised Financial Statements (c) Certificate of Bank Balance (d) Bank Statement		
3.	Unsupported Receivables Balance	<ul style="list-style-type: none"> <li>We did send a soft copy of the loan beneficiaries with the date of disbursement amount approved and disbursed, principal loan repayment and interest on loan and the outstanding loan balances. we however acknowledge the variance between data in the financial report and the loan repayment schedules issued. we have since Started Data validation exercise to ensure we have verifiable data on the loans issued in terms of the actual loan status I.e. deceased cases, cleared loans, bad &amp; doubtful loans, Active or running loans, carried out a county sensitization forum in all the wards to encourage loan</li> </ul>	Resolved	29 <sup>th</sup> January 2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>defaulters to repay their loans and continuously carry out press /media sensitization to encourage the loan defaulters to repay their loans</p> <ul style="list-style-type: none"> <li>We have also actioned the recovery of the loans issued to staff through the final demand notice from the county attorney for all the county staff to clear their outstanding loan balances failure to which they will be recovered from through check off by payroll</li> </ul> <p>Attached</p> <ul style="list-style-type: none"> <li>Demand notice and loan repayment from staff</li> </ul>		
4.	Loan Recoveries	The variance between the loan recovery of Ksh 266,121 and loan recovery of ksh 252,815 represent Ksh 13,306 the interest on loan as indicated in the cash flow statement and notes to financial statement	Resolved	2 <sup>h</sup> January 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5.	Statement of Comparison of Budget and Actual Amounts	We have noted the concern and corrected in the revised copy of the financial statement	Resolved	2 <sup>nd</sup> January 2023
6.	Property, Plant and Equipment	<p>The Fund agrees that the asset was acquired by the County Executive through the Department of Trade and not the Fund. However, the asset was acquired for use by the Fund and has been in continuous exclusive use by the Fund since the year 2016/2017. The Department of Trade has never used the asset.</p> <p>In view of this, the Accounting Principle of <i>Substance Over Form</i> was applied during the preparation of the Financial Statements. For Financial Statements to be reliable, IPSAS 1—PRESENTATION OF FINANCIAL STATEMENTS provides that;</p> <p><i>If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted</i></p>	Resolved	2 <sup>nd</sup> January 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>for and presented in accordance with their substance and economic reality and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form</p> <p>We however note the recommendation to exclude the assets in the fund financial report as they are already being accounted for by the ministry</p> <p>Appendix 1. Extract of IPSAS 1</p>		
7.	Intangible Assets	<p>The Fund agrees that the asset was acquired by the County Executive through the Department of Trade and not the Fund. However, the asset was acquired for use by the Fund and has been in continuous exclusive use by the Fund since the year 2016/2017. The Department of Trade has never used the asset.</p> <p>In view of this, the Accounting Principle of</p>	Resolved	30 <sup>th</sup> June 2023

**Bungoma County Trade Development Loan Fund  
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p><i>Substance Over Form</i> was applied during the preparation of the Financial Statements. For Financial Statements to be reliable, IPSAS 1—PRESENTATION OF FINANCIAL STATEMENTS provides that; <i>If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form.</i></p> <p>The Department of Trade is in the process of regularizing the formal transfer of the asset to the Fund.</p> <p>The intangible assets (software) have never been depreciated or amortized. The useful life is indefinite i.e not known. Therefore, for such a</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		class of assets, Paragraph 4.3.5.4 of the Guidelines for Management of Specific Categories of Assets and Liabilities in the Public Sector, 2020 provides that not amortised until their useful life is determined to no longer be indefinite		
8.	Budgetary Control and Performance	During the year under review the Fund was unable to access the Ksh. 25,000,000 due to the delay in gazettement of regulations. The Regulations have since been revised and gazetted. The Fund expects to receive the funding in the year 2023/2024.	Resolved	30 <sup>th</sup> June 2023
9.	Unresolved Prior Year Matters	We since revised the financial statements and given evidence of the steps we have made to address most of the audit queries as highlighted in this response including the copies of gazetted regulation, appointment letters for committee, demand notices for staff loan defaulted, data	Partly Resolved	30 <sup>th</sup> June 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		validation sheets, We do hope to address all the prior audit issues before the end of this financial year as recommended to ensure compliance		
10.	Lack of Budget for the Fund	The Management agrees that it did not have an approved budget as it did not have a Fund Administration Committee during the year under review. Going forward, this is expected to be regularized following the appointment of the county committee members	Partly resolved	By February 2024

**Guidance Notes:**

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Fund Administrator Bungoma County Trade Development Loan Fund

Date:

**Bungoma County Trade Development Loan Fund  
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**Appendix V- Inter-Bungoma County Trade Development Loan Fund Confirmation Letter**

Name of transferring Bungoma County Trade Energy & Industrialisation  
Name of beneficiary; Bungoma County Trade Development Loan Fund

**Confirmation of amounts received by [Insert name of beneficiary Bungoma County Trade Development Loan Fund] as at 30<sup>th</sup> June (Current FY)**

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	28 <sup>th</sup> June 2024	300,000	9,700,000	10,000,000	
<b>Total</b>					

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

**Head of Accounts Department - Disbursing Bungoma County Trade Development Loan Fund:**  
Name ..... Sign ..... Date .....

**Head of Accounts Department - Beneficiary Bungoma County Trade Development Loan Fund:**  
Name SITATI STEPHEN Sign [Signature] Date 25/11/2024.