

REPUBLIC OF KENYA



Enhancing Accountability



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REPORT

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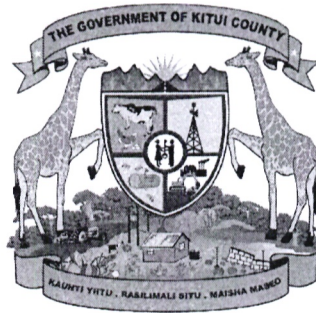
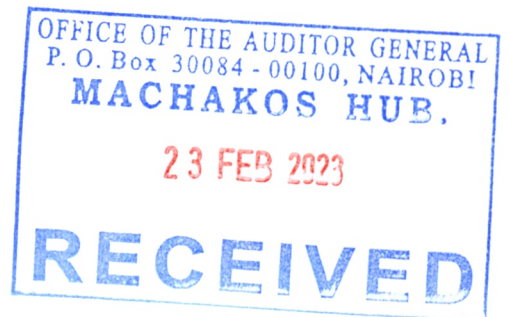
THE AUDITOR-GENERAL

ON

KITUI COUNTY EMPOWERMENT FUND

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





COUNTY GOVERNMENT OF KITUI

KITUI COUNTY EMPOWERMENT FUND (KCEF)

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

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

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1. Key Entity Information and Management

a) Background information

In exercise of powers conferred by section 116 of the Public Finance Management Act, 2012 the Kitui County Empowerment Fund was established through the Public Finance Management (Kitui County Empowerment Fund) Regulations, 2021. The fund is gazetted in Kenya Gazette notice Supplementary No. 1 of 1st March 2021.

The fund's objective is to;

- Provide loans directly to affirmation action groups or any other group duly registered and qualifying for financing under these regulations for entrepreneurship development.
- Attract and facilitate investment oriented infrastructure such as business, markets or business incubators that will be beneficial to youth, women, persons with disability groups and any other group duly registered and qualifying for financing under these regulations.
- Support capacity building of the beneficiaries of the Fund through training, incubation, mentorship, start-up support and promotion of innovation and development of products.
- Promote, develop and facilitate access to government procurement opportunities by women, youth and persons with disability groups and any other group duly registered and qualifying for financing under these regulations.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to empower organized groups through loans.

1. Eligibility Criteria for Loan Applicants

Regulation No. 18, sets the eligibility as follows;

(a) An affirmative action group or any other qualified group shall be eligible to be granted a loan for business purposes from the Fund if—

- it is registered with the department of social services, Cooperatives or the Registrar of Societies; and
- the applicant is based within the County; and
- Has been in existence for at least three months prior to the application.

- Demonstrate ability to contribute at least 5% of the loan applied for either in cash or in kind; and
- the applicant has an operational bank account.

(b) No applicant shall be granted a loan exceeding one million Kenya Shillings from the Fund at any given time.

(c) The allocation of loans under these regulations shall be based on equitable distribution among the eight sub- counties in the county.

(d) Affirmative action groups shall be given a preference while processing loans by the Fund.

2. Application Requirements

This is guided by Regulation No. 19 which reads:

- An applicant shall borrow a loan from the Fund through an application in the prescribed form to the Fund Administrator.
- An applicant shall have to provide; Certificate of registration, minutes of the group's meeting where the resolution to borrow from the Fund was made and copies of identification documents of all her members.
- A written resolution made by majority of the members of the group and signed by the authorised officials of the group shall also be required. This resolution shall state the amount of loan to be borrowed, the repayment amount, period as agreed by the members, the collateral to be offered as security and a confirmation of a guarantee from the members.

3. Evaluation criteria

The Fund Administrator consider first in first out principle of loan processing, preference to affirmative action groups, compliance with the provisions of paragraph (2), ability to repay, a repayment undertaking by the beneficiary and multiple applications.

4. Disbursement of loan

- The Administrator shall deduct a one-off deduction for loan insurance and processing costs upfront prior the release of the approved loan.
- The loan shall be paid in instalments for a maximum period not exceeding 12 months.
- The loan interest shall be as prescribed in regulation 5% p.a

5. Affirmative Action Groups Loans

In case of affirmative cases which applies to Women and Youth Groups, the administrator consider whether the bank signatories, leadership and membership comprise more than 50% of the group members are women or youth or PWDs.

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c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Chairperson of the Board	Ms Ann Mutave Peter
2	Board Member – Vice Chairperson	Canon Simon Muoko
3	Ag. Chief Officer Trade	Fernandes Mbindu Muli
4	Chief Officer finance	Dr. Justus Kalii
5	Board Member	Peninah Musila
6	Board Member	Kumwaka Kyamata
7	Board Member	Christopher Syengo
8	Co-opted Member	Kirk Mbiti
9	Fund Administrator	Dorothy Vaati Mumangi

(This section will be applicable for Public Funds that have a Board of Trustees/Fund Administration Committee. Input names of all the members who held office during the period)

d) Key Management

Ref	Name	Position
1	Fund Administrator	Dorothy Mumangi
2	Fund Accountant	Festus Muimi
3	Principal Trade Officer	Sharon Munyao

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

Registered Offices

KCEF office,
County Commissioner Administration Block,
P.O BOX 58 – 90200
Kitui
Kenya.

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e) Fund Contacts

Telephone: (254) 722228617
E-mail: dorothymumangi@gmail.com
Website: www.kitui.go.ke

f) Fund Bankers

(1) Bank: Equity Bank (Kenya) Limited
Branch: Kitui Branch
Account Name: Kitui County Empowerment Fund
Account Number: 0720279622526

(2) Bank: Equity Bank (Kenya) Limited
Branch: Kitui Branch
Account Name: Kitui County Empowerment Fund – Collection Account
Account Number: 0720281086403

g) Independent Auditors




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

h) Principal Legal Adviser



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







2. The Board of Trustees (or any other governing body for the Fund)

Name	Details of qualifications and experience
	<p>Full Name: Dorothy Vaati Mumangi Date of Birth: 18th November 1976 Key Academic Qualifications: Bachelor Degree in Education Science Key Professional Qualifications:</p> <ul style="list-style-type: none"> • Senior Management <p>Work Experience:</p> <ul style="list-style-type: none"> • 3 years in Teaching • 15 years in Banking-Standard Chartered Bank
	<p>Full Name: Canon Simon Muoko Date of Birth: 20th October 1968 Key Academic Qualifications: Masters of Arts in Sociology and Community Development Key Professional Qualifications:</p> <ul style="list-style-type: none"> • Priest with Anglican Church of Kenya (ACK), <p>Work Experience:</p> <ul style="list-style-type: none"> • Board Member for ACK for 29 years • Vicar General of Diocese of Nairobi
	<p>Full Name: Kirk Mutua Mbiti Date of Birth: 3rd March 1978 Key Academic Qualifications:</p> <ul style="list-style-type: none"> • Masters in Entrepreneurship • Bachelor of Commerce <p>Key Professional Qualifications:</p> <ul style="list-style-type: none"> • Branch Manager Kitui Teachers SACCO Society Limited


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	<ul style="list-style-type: none"> Marketing Manager Kitui Teachers SACCO Society Limited <p>Work Experience:</p> <ul style="list-style-type: none"> 11 years working with the Kitui Teachers SACCO Society Limited
	<p>Full Name: Peninah Ndinda Musila Date of Birth: 6th September 1962 Key Academic Qualifications:</p> <ul style="list-style-type: none"> Bachelor of Degree in Education <p>Key Professional Qualifications:</p> <ul style="list-style-type: none"> Teacher <p>Work Experience:</p> <ul style="list-style-type: none"> 25 years as a teacher
<p>NB: PWD</p> 	<p>Full Name: Christopher Syengo Date of Birth: 1970 Key Academic Qualifications:</p> <ul style="list-style-type: none"> National Youth Service Training Secondary Educations <p>Key Professional Qualifications:</p> <ul style="list-style-type: none"> Para-legal Security consultant <p>Work Experience:</p> <ul style="list-style-type: none"> 31 years in security issues and as a para legal activist

	<p>Full Name: Fernandes Mbindu Muli Date of Birth: 7th November 1978 Key Academic Qualifications:</p> <ul style="list-style-type: none">• BCom Finance Option UoNMBA• MBA in Strategic Management KU <p>Key Professional Qualifications:</p> <ul style="list-style-type: none">• CPA(K)• CC <p>Work Experience:</p> <ul style="list-style-type: none">• 25 years work experience in Financial management, Credit Control, Financial Accounting, Cost and Management Accounting.
	<p>Full Name: Kumwaka Kyamata Date of Birth: 14th DEC, 1994 Key Academic Qualifications:</p> <ul style="list-style-type: none">• Degree in Bachelor of Technology (Surveying) <p>Key Professional Qualifications: Surveying</p> <p>Work Experience:</p> <ul style="list-style-type: none">• From October 2019 to date- Kyamata Investments Company, Private Surveying and Geo Services•

	<p>Full name: Ann Mutave Peter Date of birth: 19th December 1989 Key academic qualifications: Bachelor of business administration, masters of business administration (strategic management option)-ongoing. Key professional qualifications: N/a</p> <p>Work experience: February 2010 – dec 2010 : Teller at itoleka financial services association. January 2011- june 2015 : Loan clerk at itoleka financial services association July 2015 up to date: Manager kanyangi financial services association.</p>
	<p>Full Name: Dr. Justus Kalii Makau Date of Birth: 2nd March 1977</p> <p>Key Academic Qualifications:</p> <ul style="list-style-type: none">• PhD, MA and BA in Economic <p>Key Professional Qualifications:</p> <ul style="list-style-type: none">• Senior Management• District development planning• Monitoring and Evaluation• Performance Management <p>Work Experience:</p> <ul style="list-style-type: none">• 11 years as a senior economist• 4 years as a chief officer (Finance and Economic Planning) with county government of Kitui

3. Management Team

Name	Details of qualifications and experience
	<p>Full Name: Dorothy Vaati Mumangi</p> <p>Date of Birth: 18th November 1976</p> <p>Key Academic Qualifications: Bachelor of Degree in Education Science</p> <p>Key Professional Qualifications:</p> <ul style="list-style-type: none">• Senior Management <p>Work Experience:</p> <ul style="list-style-type: none">• 3 years in Teaching <p>15 years in Banking-Standard Chartered Bank</p> <p>Main Responsibilities</p> <ul style="list-style-type: none">• Supervise and control the administration of the Fund• Cause to be kept books of accounts and other books and records in relation to the Fund of all undertakings financed from the Fund• Prepare, sign and transmit to the Auditor General, in respect of each financial year and within three months after end thereof, a statement of accounts relating to the Fund and showing the expenditure incurred from the Fund, and such details as the public sector Accounting Standards Board may prescribe from time to time, in accordance with the provisions of the public Finance Management Act, 2012 and Public Audit Act, 2015;• Prepare annual estimates and such other plans in consultation with the board and the county Executive Committee for the better administration of the Fund.•
	<p>Full Name: Sharon Munyao</p> <p>Date of Birth: 1980</p> <p>Key Academic Qualifications: Bachelor of Arts</p> <p>Key Professional Qualifications:</p> <ul style="list-style-type: none">• CPA Section II• Project Management• Monitoring and Evaluation <p>Work Experience:</p>

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	<ul style="list-style-type: none">• 10 years in project management <p>Main Responsibilities</p> <ul style="list-style-type: none">• Assist the Fund Administrator as may be instructed• Appraisal of loan applications• Data capture
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4. Board/Fund Chairperson's Report

The establishment of Kitui County Empowerment Fund (KCEF) is provided in Section 116 of the Public Finance Management Act, 2012. The fund was gazetted in Kenya Gazette notice Supplementary No. 1 of 1st March 2021.

During the reported Financial Year 21-22, the KCEF board was able to hold two meetings. In the meetings, the board made important decisions on operationalization of the KCEF fund. These decisions include and not limited to: disbursement of funds by the KCEF secretariat, use of loan management software and approval of eligible loan applications to various groups. By the end of the reported period the fund had received a total of KES 120,000,000 against the KES 180,000,000 allocation. Nonetheless, the county department finance has affirmed to disburse the balance funds to the KCEF account.

In addition, the fund was able to issue 51% of the allocated funds to eligible groups through the KCEF secretariat. It is worth noting that the fund has an operational loan collection account for repayment purpose which so far has received Kes. 624,000.00. as at the end of the reported period.

As a matter of importance, the KCEF Board should set clear mechanisms for follow-up on repayment of loans to avoid defaults and none performing loans. In addition, the board shall set up a clear monitoring and evaluation mechanism of the fund and its operations.

In conclusion, the Board is confident that the Kitui County Empowerment Fund will benefit the resident of Kitui immensely with cheap loans and develop a revolving fund for continuous economic empowerment of Kitui County.

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Name:

Chairperson

**Kitui County Empowerment Fund
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5. Report of The Fund Administrator

Kitui County Empowerment Fund (KCEF) is managed by a board dully appointed in line with its regulations. In the FY2021/2022, the KCEF board held two meetings which made important decisions on operationalization of the fund.

S/No.	Activity	Objective	Outcome	Way Forward
1.	Disbursement of funds to KCEF Account	To have money for KCEF operations	KES 120,000,000 was deposited in the account	The funds will be used to offer loans and support administrations costs of the Fund
2.	Issuance of loans to eligible groups	To genuinely showcase that eligible groups would get KCEF loans	2076 groups received loans worth KES. 112M	The groups have benefited from the loans
3.	Training of groups	To empower the groups on KCEF and financial management	2076 groups were trained and empowered	Need for training of more organized groups across the county.
4.	Loan repayment monitoring in the loan collection account	Repayment of loans	The collection bank account was successfully operational	Groups have started repaying the loans in to the special loan collection account
5.	Training of secretariat on loan management system	To be able to management the issued loans to ensure groups pay back	Staff are training	The loan management system to be enhanced and further training be done on the changes made.



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Pictorials on issuance of Kitui County Empowerment Fund cheques

.....
[Handwritten signature]

Name: *Dorothy Mwangi*

Fund Administrator

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

Guidance

Refer to the entity's annual budget and program plan report on the extent of the county government entity's progress in attaining the plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the County entity in implementation of its program plan. Refer to the strategic plan if the entity has one.

Metric met

- Training of groups. 2076 groups were sensitized before loan application and trained on credit management.
- Issuance of loans to eligible groups. 2076 groups received loans worth KES. 112M
- Training of secretariat on loan management system.

Objectives yet to be met

- The fund budgeted to Issue of loans worth KES. 174,600,000. This objective was not met because the fund received only KES 120,000,000 out of the budgeted 180,000,000.

Challenges

- Inadequate KCEF secretariat staff
- Limited administrative funds for proper vetting, monitoring and evaluation of KCEF loans

Opportunities

- Political good will

Introduction

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

The key development objectives of the Fund are to:

- Provide loans directly to affirmation action groups or any other group duly registered and qualifying for financing under these regulations for entrepreneurship development.
- Attract and facilitate investment oriented infrastructure such as business, markets or business incubators that will be beneficial to youth, women, persons with disability

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groups and any other group duly registered and qualifying for financing under these regulations.

- Support capacity building of the beneficiaries of the Fund through training, incubation, mentorship, start-up support and promotion of innovation and development of products.
- Promote, develop and facilitate access to government procurement opportunities by women, youth and persons with disability groups and any other group duly registered and qualifying for financing under these regulations.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Group economic empowerment	Provide loans directly to affirmation action groups or any other group	Enhanced capital	% of budgeted loan amount issued	In FY 21/22 we issued 64% of the budgeted loan amount
	Attract and facilitate investment oriented infrastructure Objective	Increased investment opportunities to youth, women and persons with disability groups	% of youth, women and persons with disability groups with increased investment opportunities	1192 % of the group loans issued were for youth, women and persons with disability
	Support capacity building of the beneficiaries of the Fund	Enhanced skills and knowledge on business start-up and management	Number of beneficiaries trained	2076 trained
	Promote, develop and facilitate access to government procurement opportunities	Increased access to government procurement opportunities	Number of women, youth and persons with disability groups accessing to government procurement opportunities	1192 women, youth and persons with disability groups were awarded loans to and linked to government procurement opportunities

7. Corporate Governance Statement

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

The Kitui County Empowerment Fund held one meeting in the reported Quarter as below;

S/No.	Meeting Date	No. of Members Present	No. of Members Absent with Apology	Other persons with attendance	key in
1.	22nd April, 2022	7	2	0	
2.	16 Th June, 2022	6	3	0	

b. succession plan,

KCEF regulation No. 38 paragraph 2 provides that, “Any Board Member appointed under Legal Notice Number 6 of 2018 shall be presumed to have been appointed under these regulations and shall serve for a term of three years from the date of such appointment after which any reappointment shall be done in line with these regulations.”

Regulation No. 10 paragraph 1 outlines the establishment and appointment of the KCEF board. The section reads as follows;

(1) There shall be a Board to be known as the Kitui County Empowerment Fund Board which shall consist of—

(a) A non-executive chairperson, not being a public officer appointed by the Governor.

(b) The Fund Administrator who shall be the secretary to the Board and an ex-officio member.

(c) The Chief Officer for the time being responsible for finance or their representative appointed in writing.

(d) The Chief Officer for the time being responsible for Trade or their representative appointed in writing.

(e) One person with expertise in business enterprise development or finance management competitively appointed by the County Executive Committee Member.

(f) One youth nominated by the National Youth Council and appointed by the County Executive Committee Member.

(g) One person representing persons with disability nominated by National Council for persons with Disabilities and appointed by the County Executive Committee Member; and

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(h) One person of the female gender competitively appointed by the County Executive Committee Member.

c. existence of a board /trustee charter,

Currently the board/trustee has not established a service charter

d. process of appointment and removal of trustees,

KCEF regulation number 14 entails the process for vacation of office of the board members.

The regulation reads:

(1) The office of the Chairperson or a member of the Board shall become vacant where the chairperson or member of the Board: -

- (a) is absent from at least five consecutive meetings without a justifiable reason or without prior authority from the Governor or the County Executive Committee Member respectively; or
- (b) is adjudged bankrupt; or
- (c) resigns in writing to the Governor or the County Executive Committee Member respectively; or
- (d) is convicted of a crime punishable in law by imprisonment of not less than six months; or
- (e) is removed from office by the Governor or the County Executive Committee member respectively for;
 - (i) being unable to perform the functions of the office held by reasons of infirmity or prolonged sickness;
 - (ii) failing to declare interest held in any matter before the Board;
- (f) dies.

e. Roles and functions of the board /trustees

The roles and functions of the KCEF board are outlined in regulation 12 as follows:

The Board shall—

- (a) oversee the administration of the Fund;
- (b) advise the County Executive Committee Member generally on the operations of the Fund;
- (c) receive and consider all loan applications;
- (d) receive reports on the performance of the Fund;
- (e) develop policy guidelines relating to disbursements by the Fund;
- (f) review the estimates of annual revenue and expenditure of the Fund and recommend them to the County Executive Committee Member for approval and submission to the County Executive Committee Member for the time being responsible for finance;

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- (g) review guidelines on the Fund priorities and criteria for allocation and disbursement of funds to beneficiaries in furtherance of the objects of the Fund;
- (h) monitor and evaluate the programmes and activities under the Fund;
- (i) review the performance of the Fund and make recommendations on the operations of the Fund to the administrator of the Fund;
- (j) review and approve the financial statements of the Fund before submission to the Auditor General;
- (k) review policy on the management of assets, equipment and all properties under the Fund;
- (l) prescribe other guidelines for use by the Fund;
- (m) mobilize resources for the Fund to be paid into the Fund;
- (n) ensure recovery of all loans paid out of the Fund;
- (o) ensure that all loans paid out of the Fund are secured and the collateral is registered in the name of the Government or in the alternative is held by the Fund Administrator; and
- (p) undertake any other activity that in the opinion of the Board, will promote and facilitate realization of the objects and purposes of the Fund.

f. induction and training,

On 25th March 2022 there was a sensitization workshop of county staff and in attendance were some KCEF board members on eligibility and application criteria for KCEF loans.

g. conflict of interest,

Regulation 34 on Conduct of business by the Board has outlined handling of conflict of interest. The section reads:

(1) The Board may have at most two meetings every month.

(2) Board meetings shall be convened by the Chairperson and held at a place and time as shall be determined by the chairperson provided no Board meeting shall be held outside the County unless approved by the County Executive Committee Member.

(3) a period of two months shall not lapse with the Board having held no meeting.

(4) unless majority of the members of the Board otherwise agree, at least seven days' notice in writing of a meeting shall be given to every member by the Fund Administrator.

(5) the chairperson may, on own discretion or at the written request made by majority of the members of the Board convene a special Board meeting;

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(6) a notice of not more than five calendar days for the special meeting shall be issued by the Fund Administrator with the authority of the Chairperson to the members;

(7) meetings shall be presided over by the chairperson or the vice-chairperson in the absence of the 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 Board;

(9) the Board 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 Board;

(10) If any person has a personal or fiduciary interest in a project, proposed contract or any matter before the Board, and is present at a meeting of the Board 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.

(11) A disclosure of interest made under paragraph 10 shall be recorded in the minutes of the meeting at which it is made.

(12) the quorum of a Board meeting shall be at least more than half of all members of the Board present and voting.

(13) where the meeting does not form a quorum or where, by reason of exclusion of a member from a meeting, the number of members present falls below a quorum, the Board shall postpone the subject meeting until such other time as shall be appointed by the chairperson.

14) A question before the Board shall be decided by simple majority of the members present and voting and in case of a tie in a vote, the chairperson shall have a casting vote.

h. Board /trustee remuneration,

The board remuneration is regulated by regulation No. 13 that, “The chairperson and the members of the Board shall be paid out of the Fund such allowances as shall be approved by the Salaries and Remuneration Commission.”

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

Regulation 34 on Conduct of business outlines the ethics and conduct of the board. This section is hereinabove quoted.

The fund administrator is required to prepare, sign and transmit to the Auditor-General, in respect of each financial year and within three months after the end thereof, a statement of accounts relating to the Fund and showing the expenditure incurred from the Fund, and such details as the Public Sector Accounting Standards Board may prescribe from time to

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time, in accordance with the provisions of the Public Finance Management Act, 2012 and Public Audit Act, 2015;

8. Management Discussion and Analysis

Key Management Resolutions

- Approval of eligible group loans
- Approval of launch of KCEF in Kyuso by H.E the Governor
- Approval of guidelines for loan issuance
- Procurement or development of a loan management software
- Procurement of financial intermediary
- 1% one-off deduction of loan issued to be used as processing fee
- 2% one-off deduction of loan issued for loan insurance

a. entity's key projects or investments decision implemented or ongoing,

S/No.	Decision	Status
1.	Use of KCEF secretariat in issuing loans to eligible groups	Done
2.	Procurement or development of a loan account management software	A taskforce was appointed by the fund administrator and has completed the assignment. Training on the system is underway
3.	Procurement of a financial intermediary in line with regulation 29 of KCEF	Underway
4.	Approval of eligible loan application	Groups worth 112M loans approved
5.	Launch of KCEF in Kitui County	Done in Kyuso

b. Fund's compliance with statutory requirements,

The fund has been operating in full compliance with the all statutory requirements.

c. major risks facing the Fund, material arrears in statutory and other financial obligations, and

Major risks facing the Kitui County Empowerment Fund are:

- Default repayment of offered loans
- Poor internal capacity in managing the entire budget for loans (KES 174,600,000)
- Low administration for managing the entire budget of loan allocation of KES 174,600,000

9. Environmental and Sustainability Reporting

1. Sustainability strategy and profile -

The fund has proposed to the county management a new organizational structure that include credit officer who will perform the function of loan repayment collection across the County. This strategy will ensure loans are promptly repaid without delay to ensure that the fund has revolving cash flow for continuous lending to the public.

2. Environmental performance

Currently no policy in place

3. Employee welfare

The process is managed by Human resource department of the County Government of Kitui

4. Market place practices-

To have responsible Supply chain and supplier relations, the Fund maintains the highest standards of integrity and professionalism when handling the suppliers by complying both with the letter and spirit of the law applicable to the public procurement system.

5. Community Engagements-

No CSR carried out

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10. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to empower organized groups through loans.

Results

The results of the Fund for the year ended June 30, 2022 are set out on page xvii

Trustees

The members of the Board of Trustees who served during the year are shown on page v (*refer to the key entity information and management page*). The changes in the Board during the financial year are as shown below:

former chief officer for ministry of trade cooperatives and investment where the Fund is domiciled	Current chief officer for ministry of trade cooperatives and investment
Dr. Richard Mukula Muthoka	Fernandes Mbindu Muli

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2022 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

.....

Chair of the Board/Fund Administration Committee

Date:

11. Statement of Management’s Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *(The Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

Approval of the financial statements

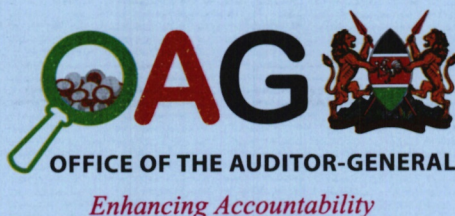
The Fund’s financial statements were approved by the Board on _____ 2022 and signed on its behalf by:

.....

Administrator of the Kitui County Empowerment Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KITUI COUNTY EMPOWERMENT FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kitui County Empowerment Fund set out on pages 1 to 46, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting

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 the Kitui County Empowerment Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Public Finance Management (Kitui County Empowerment Fund) Regulations, 2021.

Basis for Qualified Opinion

1. Errors in Presentation of Financial Statements

The financial statements for Kitui County Empowerment Fund for the year ended 30 June, 2020 presented for audit had inconsistencies in numbering of both the notes to the financial statements and the pagination. In addition, the amounts columns in the statement of financial performance, the statement of financial position and the statement of cash flows were indicated as Q4 2021/2022 and Q4 2020/2021. Further, the notes to the financial statements are not chronologically numbered. Therefore, references to the notes made in the statement of financial performance, statement of financial position and statement of cash flows were misleading.

In the circumstances, the financial statements were not prepared in compliance with guidelines issued by the Public Sector Accounting Standards Board.

2. Inaccuracies in the Financial Statements

2.1 Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balances of Kshs.113,409,279. However, detailed analysis in support of the balance were not provided for audit review. Further, the balance was classified as non-current assets instead of current portion of long-term receivables from exchange transactions. Note 11 referenced to the balance was not included under the notes to financial statements.

In the circumstances, the accuracy of balances of Kshs.113,409,279 in respect of receivables from exchange transactions as at 30 June, 2022 could not be confirmed.

2.2 Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects total income and expenditure for the year of Kshs.3,186,319 and Kshs.4,826,416 respectively. However, the amounts differ from the amounts in the statements of financial performance of Kshs.4,900,798 and Kshs.5,169,076 resulting to unexplained variances of Kshs.1,714,479 and Kshs.342,660 respectively.

In the circumstances, the accuracy of the reported total income and expenditure of Kshs.3,186,319 and Kshs.4,826,416 respectively for the year ended 30 June, 2022 could not be confirmed.

2.3 Misstated Fund Administration Expenses

The statement of financial performance reflects fund administration expenses of Kshs.4,281,630. However, analysis of the payment vouchers provided for audit review in support of administration expenses reflected an amount of Kshs.4,977,250 resulting in a variance of Kshs.695,620 that was not been explained or reconciled.

In the circumstances, the accuracy of administration expenses balance of Kshs.4,281,630 could not be confirmed.

2.4 Unsupported Interest Income from Loans and Other Income

The statement of financial performance reflects interest and other incomes of Kshs.2,686,098 and Kshs.2,214,700 respectively. However, schedules/analysis in support of the income were not provided for audit review. Further, it was noted that while financial statements showed the rate of interest of 2% for loan processing fee, the loan agreements reviewed indicated a rate of 1%.

In the circumstances, the accuracy and completeness of the reported income for the year ended 30 June, 2022 could not be confirmed.

2.5 Unconfirmed Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.6,221,793 represented by the Fund's current account balance as at 30 June, 2022. Review of cash books, bank statements and bank reconciliation statements provided for audit revealed a variance of Kshs.6,446,078 between the reconciled cash book balance of Kshs.12,667,871 and the reported financial statements balances of Kshs.6,446,078. In addition, the bank statements and certificates of bank balances showed a balance of Kshs.624,001 for the funds collection account as at 30 June, 2022 which had not been incorporated into the financial statements. Thus, understating the cash and cash equivalents balance by Kshs.624,001.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.6,221,793 as at 30 June, 2022 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 10,800,000 and Kshs.3,186,319 respectively resulting to an under-funding of Kshs.7,613,680 or 70% of the budget. Similarly, the Fund expended Kshs.4,826,416 against an approved budget of Kshs.7,200.000 resulting to an under-expenditure of Kshs.2,373,584 or 32% of the budget.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Adherence to the Loan Approval Procedures

Loan application form indicates that the potential loan beneficiaries are required to acknowledge receipt of notification of loan offer and signify their acceptance of the offered loan before a loan agreement is signed. Review of the documents relating to loan application, processing and approval revealed that management awarded loans amounting to Kshs.618,563 to eleven self-help groups during the period under review. However, the notification and acceptance of loan offer letters were issued after the loan agreement had been signed. The Fund therefore risks extending loans to groups that may change their priorities in-between the time of loan application and signing of agreement.

In the circumstances, Management was in breach of the loan agreement.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for 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 the controls were not effective.

Basis for Conclusion

Lack of Disaster Recovery and Business Continuity Plan

The Fund does not have a disaster recovery and business continuity plan policy document in place. There are no regular backups of the entity's data. In case of disaster, there is no indication of how recovery and business continuity will take place. The Fund Management failed to comply with Regulation 110(1) of Public Finance Management (County Government) Regulations, 2015 which require Accounting Officer for a County Government entity to institute appropriate access controls needed to minimize system breaches, information confidentiality, data integrity and loss of business continuity.

In the circumstances the continuity of the Fund could not be guaranteed.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor General's Responsibilities for the Audit

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

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 March, 2023

Kitui County Empowerment Fund (KCEF)
 Reports and Financial Statements
 For the Period ended June 30, 2022 of FY 2021-2022

13. Statement of Financial Performance For The Year Ended 30th June 2022

	Note	Q4 FY2021/2022	Q4 FY2020/2021
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	0.00	0.00
Transfers from the County Government	2	0.00	0.00
Fines, penalties and other levies	3	0.00	0.00
Revenue from exchange transactions			
Interest income	4	2,686,098.17	3,651.00
Other income	5	2,214,700.00	8,766.00
		4,900,798.17	12,417.00
Total revenue		4,900,798.17	12,417.00
Expenses			
Fund administration expenses	6	4,281,630.00	644,398.00
General expenses	7	887,445.80	40,260.00
Finance costs	8	0.00	0.00
Total expenses		5,169,075.80	684,658.00
Other gains/losses			
Gain/loss on disposal of assets	9	0.00	0.00
Surplus/(deficit) for the period		(268,277.63)	(672,241.00)

(The notes set out on pages xxx to xxx form an integral part of these Financial Statements)

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

.....
 Name: *Felix Mumi*
 Fund Accountant
 ICPAK Member Number: *20666*

The notes set out on pages 10 to 26 form an integral part of these Financial Statements.

Kitui County Empowerment Fund (KCEF)
 Reports and Financial Statements
 For the Period ended June 30, 2022 of FY 2021-2022

14. Statement of financial position as at 30 June, 2022

	Note	Q4 FY2021/2022	Q4 FY2020/2021
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	6,221,793.20	96,534,992.00
Current portion of long-term receivables from exchange transactions	11	0.00	879,948.00
Receivables from Non- exchange transactions	12	0.00	2,130,350.00
Prepayments	13	0.00	0.00
Inventories	14	0.00	0.00
Non-current assets		0.00	0.00
Property, plant and equipment	15	0.00	0.00
Intangible assets	16	0.00	0.00
Long term receivables from exchange transactions	11	113,409,279.17	0.00
Total assets		119,631,072.37	99,545,290.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	571,591.00	217,531.00
Provisions	18	0.00	0.00
Current portion of borrowings	19	0.00	0.00
Employee benefit obligations	20	0.00	0.00
Non-current liabilities		0.00	0.00
Non-current employee benefit obligation	20	0.00	0.00
Long term portion of borrowings	19	0.00	0.00
Total liabilities		571,591.00	217,531.00
Net assets		119,059,481.37	99,327,759.00
Revolving Fund		120,000,000.00	100,000,000.00
Reserves		0.00	0.00
Accumulated surplus		(940,518.63)	(672,241.00)
Total net assets and liabilities		119,059,481.37	99,327,759.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2022 and signed by:

.....
 Name: Dorothy Mumangi
 Administrator of the Fund

.....
 Name: Festus Muriuki
 Fund Accountant
 ICPAK Member Number: 20666

Kitui County Empowerment Fund (KCEF)
 Reports and Financial Statements
 For the Period ended June 30, 2022 of FY 2021-2022

15. Statement of changes in net assets as at 30 June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2020	0.00	0.00	0.00	0.00
Surplus/(deficit) for the period	0.00	0.00	(2,312,337.34)	(2,312,337.34)
Funds received during the year	100,000,000.00	0.00	0.00	100,000,000.00
Revaluation gain	0.00	0.00	0.00	0.00
Balance as at 30 June 2021	100,000,000.00	0.00	(2,312,337.34)	97,687,662.66
Balance as at 1 July 2021	100,000,000.00	0.00	(2,312,337.34)	97,687,662.66
Surplus/(deficit) for the period	0.00	0.00	1,371,818.71	1,371,818.71
Funds received during the year	20,000,000.00	0.00	0.00	20,000,000.00
Revaluation Loss	0.00	0.00	0.00	0.00
Balance as at 28 June 2022	120,000,000.00	0.00	(940,518.63)	119,059,481.37

.....
 Name: Dorothy Mwangi
 Administrator of the Fund

.....
 Name: Festus Mumi
 Fund Accountant
 ICPAK Member Number: 20666

Kitui County Empowerment Fund (KCEF)
 Reports and Financial Statements
 For the Period ended June 30, 2022 of FY 2021-2022

16. Statement Of Cash Flows For The Year Ended 30 June 2022

	Note	Q4 FY2021/2022	Q4 FY2020/2021
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	0.00	0.00
Transfers from the County Government	2	0.00	0.00
Interest received	4	4,900,798.17	12,417.00
Receipts from other operating activities	5	0.00	0.00
Total Receipts		4,900,798.17	12,417.00
Payments			
Fund administration expenses	6	4,281,630.00	644,398.00
General expenses	7	887,445.80	40,260.00
Finance cost	8	0.00	0.00
Total Payments		(5,169,075.80)	(684,658.00)
(Increase)/ Decrease in Accounts receivable	21	(16,060,902.37)	(3,010,298.00)
Increase/(Decrease) in Accounts Payable	17	(386,590.00)	217,531.00
Net cash flows from operating activities		(16,715,770.00)	(3,465,008.00)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	15	0.00	0.00
Proceeds from sale of property, plant and equipment	15	0.00	0.00
Proceeds from loan principal repayments		0.00	0.00
Loan disbursements paid out		0.00	0.00
Net cash flows used in investing activities		0.00	0.00
Cash flows from financing activities			
Proceeds from revolving fund receipts		20,000,000.00	100,000,000.00
Additional borrowings		0.00	0.00
Repayment of borrowings		0.00	0.00
Car Grants disbursed		0.00	0.00
Net cash flows used in financing activities		20,000,000.00	100,000,000.00
Net increase/(decrease) in cash and cash equivalents	10	3,284,230.00	96,534,992.00
Cash and cash equivalents at 1 JULY 2021		2,937,563.20	0.00
Cash and cash equivalents at 28 JUNE 2022	10	6,221,793.20	96,534,992.00

Kitui County Empowerment Fund (KCEF)
Reports and Financial Statements
For the Period ended June 30, 2022 of FY 2021-2022

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

.....
Name: Dorothy Mwangi
Administrator of the Fund

.....
Name: Festus Mumi
Fund Accountant
ICPAK Member Number: 20666

17. Statement of comparison of budget and actual amounts for the period ended 30th June 2022.

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	Q4 FY2021/2022	Q4- FY2021/2022	Q4- FY2021/2022	Q4- FY2021/2022	Q4- FY2021/2022	Q4- FY2021/2022
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	0.00	0.00	0.00	0.00	0.00	0
Transfers from County Govt.	0.00	0.00	0.00	0.00	0.00	0%
Interest income	9,000,000.00		9,000,000.00	1,305,019.46	7,694,980.54	15%
Other income	1,800,000.00	0.00	1,800,000.00	1,881,300.00	(81,300.00)	105%
Total income	10,800,000.00	0.00	10,800,000.00	3,186,319.46	7,613,680.54	119%
Expenses						
Fund administration expenses	5,400,000.00	0.00	5,400,000.00	(3,983,430.00)	1,416,570.00	74%
General expenses	1,800,000.00	0.00	1,800,000.00	(842,985.80)	957,014.20	47%
Finance cost	0.00	0.00	0.00	0.00	0.00	0%
Total expenditure	7,200,000.00	0.00	7,200,000.00	(4,826,415.80)	2,373,584.20	67%
Surplus for the period	18,000,000.00	0.00	18,000,000.00	(1,640,096.34)	9,987,264.74	52%

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

18. Notes to the Financial Statements

1. General Information

Kitui County Empowerment Fund is established by and derives its authority and accountability from Public Finance Management (Kitui County Empowerment Fund) Regulations, 2021. The entity is wholly owned by the Kitui County Government and is domiciled in Kenya.

The entity's principal activity of the Fund is to empower organized groups through loans.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) New and amended standards and interpretations in issue effective in the 4th quarter ended 30 June 2022

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The</p>

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Standard	Effective date and impact:
	<p>information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

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iii) Early adoption of standards

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

a. Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b. Budget Information

The original budget for FY2021/2022 was approved by the County Assembly on 28th June 2021 Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the final budget. Accordingly, the Fund recorded additional appropriations of KES 180,000,000 on 10th June 2021 the FY 2020/2021 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13 of these financial statements.

c. Property, plant and equipment

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d. Intangible assets

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

a. financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

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

Impairment of financial assets

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

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) *Financial liabilities*

Initial recognition and measurement

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

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

Loans and borrowing

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

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

b. Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

c. Provisions

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent liabilities

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

Contingent assets

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

d. Nature and purpose of reserves

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

e. Changes in accounting policies and estimates

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

f. Employee benefits – Retirement benefit plans

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

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

g. 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.

h. Borrowing costs

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

i. Related parties

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

j. Cash and cash equivalents

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

k. Comparative figures

Comparative analysis of KCEF allocations with the previous years is not possible since the Fund was not appropriated funds in the previous financial year.

I. Events after the reporting period

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

m. Ultimate and Holding Entity

The Kitui County Empowerment Fund (KCEF) is a County Public Fund is established by The Public Finance Management Act (No. 18 of 2012 section 116 that provides that

- 116.** (1) A County Executive Committee member for finance may establish other public funds with the approval of the County Executive Committee and the county assembly. The Public Finance Management Act, 2012 119
- (2) For every county public fund established, the County Executive Committee member for finance shall designate a person responsible for administering that fund.
- (3) The administrator of a county public fund shall ensure that the earnings of, or accruals to a county public fund are retained in the fund, unless the County Executive Committee member for finance directs otherwise.
- (4) The administrator of a county public fund shall ensure that money held in the fund, including any earnings or accruals referred to in subsection
- (3) is spent only for the purposes for which the fund is established.
- (5) The County Executive Committee member for finance may wind up a county public fund with the approval of the county assembly.
- (6) On the winding up of a county public fund—
- (a) the administrator of the fund shall pay any amount remaining in the fund into the County Exchequer Account; and
- (b) the County Executive Committee member for finance shall, with the approval of the county assembly, pay any deficit in the fund from the County Exchequer Account.
- (7) The administrator of a county public fund shall—
- (a) prepare accounts for the fund for each financial year;
- (b) not later than three months after the end of each financial year, submit financial statements relating to those accounts to the Auditor-General; and The Public Finance Management Act, 2012 120
- (c) present the financial statements to the county assembly.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (8) The administrator of a county public fund shall ensure that the accounts for the fund and the annual financial statements relating to those accounts comply with the accounting standards prescribed and published by the Accounting Standards Board from time to time.
- (9) Regulations may provide for the establishment, management, operation or winding-up of county public funds under this section.
- (10) This section does not apply to the County Revenue Fund established under section 109 of this Act.
- (11) The funds and usage of money through the funds shall be published and publicised.
- (12) In this section— “administrator”, in relation to a county public fund, means a person designated by the County Executive Committee member for finance under subsection (2) to administer the fund;

“County public fund” means a public fund established under subsection (1).

The Kitui County Empowerment fund objects are set by the KCEF regulation No. 3 which reads as follows:

The object and purpose of the Fund shall be to—

- (a) expand access of finances in promotion of affirmative action group or any other group duly registered and qualifying for financing under these regulations for economic growth; or
- (b) provide loans directly to affirmation action groups or any other group duly registered and qualifying for financing under these regulations for entrepreneurship development; or
- (c) attract and facilitate investment oriented infrastructure such as business, markets or business incubators that will be beneficial to youth, women, persons with disability groups and any other group duly registered and qualifying for financing under these regulations; or
- (e) facilitate marketing of products and services of youth, women, persons with disability groups and any other group duly registered and qualifying for financing under these regulations within Kenya; or

(h) support capacity building of the beneficiaries of the Fund through training, incubation, mentorship, start-up support and promotion of innovation and development of products; or

n. Currency

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

5 Significant judgments and sources of estimation uncertainty

The significant assumptions made on the Fund is that all offered loans will be repaid in due time.

a) Estimates and assumptions

It is envisioned that in the next financial year the Fund will issue group loan of the entire budget appropriated for group loan i.e. KES 174,600,00.00.

b) Useful lives and residual values

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

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

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c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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

6. Notes To The Financial Statements

1 Public contributions and donations

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Donation from development partners	0	0
Contributions from the public	0	0
Total	0	0

(Provide brief explanation for this revenue)

2 Transfers from County Government

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Transfers from County Govt. – operations	120,000,000	100,000,000
Payments by County on behalf of the entity	0	0
Total	120,000,0000	100,000,0000

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3 Fines, penalties and other levies

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Late payment penalties	0	0
Fines	0.00	0.00
Levies	0	0
Licences	0	0
Total	0.00	0.00

(Provide brief explanation for this revenue)

4 Interest income

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Interest income from loans	2,686,098.17	3,651.00
Interest income from investments	0	0
Interest income on bank deposits	0	0
Total interest income	2,686,098.17	3,651.00

(The interest income reported above refers to the 5% loan interest per annum on a monthly reducing balance)

5 Other income

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender documents	0	0
Miscellaneous income Interest income from loans processing fee	2,214,700.00	8,766.00
Total other income	2,214,700.00	8,766.00

(The above amount refers to 2% one-off deduction for loan processing costs).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Fund administration expenses

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Staff costs (Note 6a)	0	0
Loan processing costs	4,281,630.00	644,398.00
Loan Insurance	0.00	0.00
Professional services costs	0	0.00
Administration fees	0.00	0.00
Total	4,281,630.00	644,398.00

6A. Staff costs

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Salaries and wages	0	0
Staff gratuity	0	0
Staff training expenses	0	0
Social security contribution	0	0
Other staff costs-Allowances	0.00	0.00
Total	0.00	0.00

N/B The total amount under staff costs has been included in note 6 as part of Fund Administration Expenses chiefly because most funds do not have separate employee but rather the cost would relate to allowances drawn in line fund administration.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. General expenses

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Consumables	0	0
Electricity and water expenses	0	0
Fuel and oil costs	0	0
Insurance costs	0	0
Postage	0	0
Printing and stationery	269,999.80	0
Rental costs	0	0
Security costs	0	0
Telecommunication	0	0
Bank Charges	135,630.00	40,260.00
Hospitality	481,816.00	0
Depreciation and amortization costs	0	0
Other expenses	0	0
Total	887,445.80	40,260.00

3. Finance costs

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Interest on Bank overdrafts	0	0
Interest on loans from banks	0	0
Total	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Gain/(loss) on disposal of assets

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Cash and cash equivalents

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Kitui County Empowerment Fund Car loan account	0	0
Kitui County Empowerment Fund County mortgage account	0	0
Fixed deposits account	0	0
On – call deposits	0	0
Current account	6,221,793.20	96,534,992.00
Others	0	0
Total cash and cash equivalents	6,221,793.20	96,534,992.00

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

		Q4 2021/2022	Q4 2020/2021
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		0	0
Equity Bank, etc		0	0
Sub- total		0	0
b) On - call deposits			
Kenya Commercial bank		0	0
Equity Bank - etc		0	0
Sub- total		0	0
c) Current account			
Kenya Commercial bank		0	0

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		Q4 2021/2022	Q4 2020/2021
Financial institution	Account number	KShs	KShs
Equity Bank	0720279622526	6,221,793.20	96,534,992.00
Sub- total		6,221,793.20	96,534,992.00
d) Others(specify)		0	0
Cash in transit		0	0
Cash in hand		0	0
Mobile Money		0	0
Sub- total		0	0
Grand total		6,221,793.20	96,534,992.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Receivables from exchange transactions

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Current Receivables		
Interest receivable	0	0
Current loan repayments due	113,409,279.17	879,948.00
Other exchange debtors	0	0
Less: impairment allowance	0	0
Total Current receivables		
Non-Current receivables		
Long term loan repayments due	0	0
Total Non- current receivables	113,409,279.17	879,948.00
Total receivables from exchange transactions	113,409,279.17	879,948.00

Additional disclosure on interest receivable

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	0	0
Accrued interest receivable from of long-term loans of previous years	0	0
Interest receivable from current portion of long-term loans issued in the current year	0	0
Current loan repayments due	0	0
Current portion of long-term loans from previous years	0	0

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Accrued principal from long-terms loans from previous periods	0	0
Current portion of long-term loans issued in the current year	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Receivables from Non-Exchange transaction

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Transfer from County Executive	0	0
Transfer from Kitui County Empowerment Fund	0	0
Outstanding Imprests As at 28 th June 2022	0.00	2,130,350.00
Total receivables from non-exchange transactions	0.00	2,130,350.00

8. Prepayments

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Prepaid rent	0	0
Prepaid insurance	0	0
Prepaid electricity costs	0	0
Other prepayments(specify) Purchase of Branding Items	0	0
Total	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Inventories

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
None	0	0
Total inventories at the lower of cost and net realizable value	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings
Cost	KShs	KShs	KShs
At 1 st July 2020	0	0	0
Additions	0	0	0
Disposals	0	0	0
Transfers/adjustments	0	0	0
At 30 th June 2021	0	0	0
At 1 st July 2021	0	0	0
Additions	0	0	0
Disposals	0	0	0
Transfer/adjustments	0	0	0
At 28 th June 2022	0	0	0
Depreciation and impairment	0	0	0
At 1 st July 2021	0	0	0
Depreciation	0	0	0
Impairment	0	0	0
At 28 th June 2022	0	0	0
At 1 st July 2021	0	0	0
Depreciation	0	0	0
Disposals	0	0	0
Impairment	0	0	0
Transfer/adjustment	0	0	0
At 28 th June 2022	0	0	0
Net book values	0	0	0
At 30 th June 2021	0	0	0
At 28 th June 2022	0	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions	0	0
At end of the year	0	0
Amortization and impairment		
At beginning of the year	0	0
Amortization	0	0
At end of the year	0	0
Impairment loss	0	0
At end of the year	0	0
NBV	0	0

17. Trade and other payables from exchange transactions

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Trade payables	0.00	200,000.00
Refundable deposits	0	0
Accrued expenses	0	0
Other payables (Insurance Control A/c)	571,591.00	17,531.00
Total trade and other payables	571,591.00	217,531.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year (1.07.2021)	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilised	0	0	0	0
Change due to discount and time value for money	0	0	0	0
Transfers from non -current provisions	0	0	0	0
Balance at the end of the year (28.06.2022)	0	0	0	0

19. Borrowings

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Balance at beginning of the period	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	0	0
Repayments of domestic borrowings during the period	0	0
Balance at end of the period	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
External Borrowings		
Dollar denominated loan from other organization	0	0
Sterling Pound denominated loan from 'other organization	0	0
Euro denominated loan from other organization	0	0
Domestic Borrowings	0	0
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Borrowings from other government institutions	0	0
Total balance at end of the year	0	0

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

Description	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Short term borrowings (current portion)	0	0
Long term borrowings	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	0	0	0	0
Non-current benefit obligation	0	0	0	0
Total employee benefits obligation	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Cash generated from operations

	Q4 FY2021/2022	Q4 FY2020/2022	FY2019/2020
	KShs	KShs	KShs
Surplus/ (deficit) for the year before tax			
Adjusted for:			
Depreciation	0.00	0.00	0.00
Amortisation	0.00	0.00	0.00
Gains/ losses on disposal of assets	0.00	0.00	0.00
Interest income	4,900,798.17	12,417.00	0.00
Finance cost	(5,169,075.80)	(684,658.00)	0.00
Working Capital adjustments			
Increase in inventory	0.00	0.00	0.00
Increase in receivables	(16,060,902.37)	(3,010,298.00)	0.00
Increase in payables	(386,590.00)	217,531.00	0.00
Net cash flow from operating activities	(16,715,770.00)	(3,465,008.00)	0.00

Other Disclosures

22.Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Transfers from related parties'	0	0
Transfers to related parties	0	0

c) Key management remuneration

	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Board of Trustees	0.00	0
Key Management Compensation	0	0
Total	0.00	0

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d) Due from related parties

	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Due from parent Ministry	0	0
Due from County Government	0	0
Due from County Assembly	0	0
Total	0	0

e) Due to related parties

	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
Due to County Assembly	0	0
Total	0	0

23. Contingent assets and contingent liabilities

Contingent liabilities	Q4 2021/2022	Q4 2020/2021
	KShs	KShs
Court case	0	0
Bank guarantees	0	0
Total	0	0

4. Financial risk management

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 28 June 2022				
Receivables from exchange transactions	113,409,279.17	113,409,279.17	0.00	0.00
Receivables from non -exchange transactions	0.00	0.00		
Bank balances	6,221,793.20	6,221,793.20	0.00	0.00
Total	119,631,072.37	119,631,072.37	0.00	0.00
At 30 June 2021				
Receivables from exchange transactions	879,948.00	879,948.00	0.00	0.00
Receivables from non -exchange transactions	2,130,350.00	2,130,350.00		
Bank balances	96,534,992.00	96,534,992.00	0.00	0.00
Total	99,545,290.00	99,545,290.00	0.00	0.00

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from KES 876,297.00. The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

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

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30th June 2022				
Trade payables	0.00	0.00	571,591.00	571,591.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	571,591.00	571,591.00
At 30 June 2021				
Trade payables	0.00	0.00	217,531.00	217,531.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	217,531.00	217,531.00

c) Market risk

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

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

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

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

d) Foreign currency risk

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

		Other currencies	Total
	KShs	KShs	KShs
At 28 June 2022			
Financial assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ receivables	0	0	0
Liabilities	0	0	0
Trade and other payables		0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2022			
Euro	0	0	Issued funds at the end of June hence no significant variance in exchange rate within the reported period
USD	0	0	
2021			
Euro	0	NA	NA
USD	0	NA	NA

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, there was no sensitivity analysis since the fund did not attain any profit or loss for such sensitivity analysis to be applicable.

f) Capital risk management

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

	Q4 FY2021/2022	Q4 FY2020/2021
	KShs	KShs
Revaluation reserve	0.00	0.00
Revolving fund	120,000,000.00	100,000,000.00
Accumulated surplus	(940,518.63)	(672,241.00)
Total funds	119,059,481.37	99,327,759.00
Trade payables	571,591.00	217,531.00
Total borrowings	0.00	0.00
Less Accrued Interest Receivable	0.00	0.00
Less: cash and bank balances	(6,221,793.20)	(96,534,992.00)
Net debt/(excess cash and cash equivalents)	113,409,279.17	3,010,298.00
Gearing	95%	3%

19. Progress on follow up of prior year auditor’s recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Guidance Notes:

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

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19. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the County Executive of Kitui County Government				
4 th QUARTER FY 2021/2022				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Transfer of Funds to Kitui County Empowerment Fund	12 th May 2021	40,000,000.00	FY2020/2021
	Transfer of Funds to Kitui County Empowerment Fund	25 th June 2021	60,000,000.00	FY2020/2021
	Transfer of Funds to Kitui County Empowerment Fund	30 th May 2022	20,000,000.00	FY2021/2022
		Total	120,000,000.00	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	None			
		Total		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	None			
		Total	120,000,000.00	

The above amounts have been communicated to and reconciled with the parent Ministry.

Fund Administrator
 Kitui County Empowerment Fund

Sign: 

Head of County Treasury
 Kitui County

Sign: 