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REPORT

OF

THE AUDITOR-GENERAL

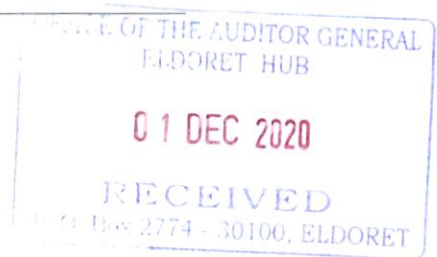
ON

UASIN GISHU COUNTY COOPERATIVE ENTERPRISE DEVELOPMENT FUND

FOR THE YEAR ENDED 30 JUNE, 2020

PAPERS LAID	
DATE	02/03/2022
TABLED BY	DSMW
COMMITTEE	-
CLERK AT THE TABLE	CHANIA





UASIN GISHU COUNTY

COOPERATIVE ENTERPRISE DEVELOPMENT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Uasin Gishu County Cooperative Enterprise Development Fund is established by and derives its authority and accountability from The Uasin Gishu County Cooperative Enterprise Development Fund Act, 2016. The Fund is wholly owned by the County Government of Uasin Gishu and is domiciled in Kenya.

The Fund's objective is to provide low-interest loans to co-operative institutions that seek to promote the welfare and economic uplifting of the people of Uasin Gishu County and for connected purpose.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to;

a) Vision

A leading agency in promoting cooperative and enterprise development.

b) Mission

Provide access to affordable credit to accelerate the growth of a viable Co-operative sector for sustainable socio-economic development.

c) Core objectives



- 1) To provide funds to support, revive and initiate the cooperative sector institutions in areas that can have an immediate impact to household economy.
- 2) To attract and facilitate investment in cooperative sector institutions that have linkages to micro, small & medium enterprises that benefit the youth.
- 3) To provide financial support to cooperative sector institution that support strategic and high return intervention which directly and indirectly have the potential to trigger growth and sector-wide impact.
- 4) To attract and facilitate investment in the cooperative sector institutions that have linkages to low-income persons, CBOs and women groups.
- 5) To provide funds to the cooperative sector institutions to facilitate marketing of products and services both in the domestic and international markets.

Uasin Gishu County
Cooperative Enterprise Development Fund
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c) Fund Administration Committee

Ref	Name	Position
1	Philip Mamet	Chairperson
2	Annet Rop	Vice chairperson
3	Pius Kigen	Member
4	Isaac Lagat	Secretary/Fund Administrator
5	Silas Rono	Member
6	Roselyne Rae	Member
7	Loice Kebenei	Member/Legal officer

d) Key Management

Ref	Name	Position
1	<p>Esther C. Mutai</p> 	<p>Currently the County Executive Member for Cooperatives and Enterprise Development Fund, Uasin Gishu County Government. She holds Master's in Business Administration from University of Nairobi and undergraduate degree from Moi University.</p> <p>She is a competent and committed professional in Co-operative Development, Marketing and Public Relations.</p> <p>She has over 20 years' experience working in the Co-operative Movement, Insurance and Financial services sector.</p> <p>She is specialized in Marketing, Strategic Planning and Customer Service.</p>
3	<p>Mr. Pius Kigen</p> 	<p>Currently the Chief Officer Department of Cooperatives & Enterprise Development.</p> <p>He holds a Degree in BCOM Company Management Option with 15years experience working in the private sector, service industry and administration.</p>

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4	Mr. Isaac Lagat 	Currently the Fund Administrator. He holds a Masters degree in Project Planning and Management and an undergraduate degree in Business management. The officer has over 13 years' experience in credit management and administration in both the private sector commercial financial institutions and public sector financial institutions. He is well versed with public sector management with over 10 years in public sector management.
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*Uasin Gishu County
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e) Registered Offices

Uasin Gishu County Cooperative Enterprise Development Fund Headquarters

Kapsoya Cooperative Offices.

P.O. Box 40-30100,

Eldoret, Kenya

f) Fund Bankers

Access Bank Kenya

P. O. BOX 560-30100

TEL: 053-2062241/2

Eldoret

g) Independent Auditors

Kenya National Audit Office

Anniversary towers,

P.O. Box 30084-00100

Nairobi, Kenya

h) Principal Legal Adviser

The County Legal Advisor

County Hall

Uganda Road

P.O. Box 40 - 30100

Eldoret, Kenya

Website: www.uasingishu.go.ke

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

Name	Details of qualifications and experience
<p>1. PHILIP MAMET</p> 	<p>Member/Chairman-County Cooperative Enterprise Development Fund</p> <p>Mr Philip Kipchirchir Mamet was born in the year 1982, is a career banker with over 15 years' experience in, Operations, Personal, Business and corporate Banking; he is the immediate Relationship Manager, Middle East Bank Kenya Limited. He holds a Master Degree in Business Administration (MBA) in Finance from University of Nairobi, a Bachelor's Degree in Business Management-(2nd Class honours –upper division)-Finance and Banking option from Moi University and a post graduate Diploma in Procurement from Kenya Institute of Management(KIM),he is currently the Project Manager at Aliaise Capital.</p>
<p>2. ANET JEMUTAI ROP</p> 	<p>Member-County Cooperative Enterprise Development Fund</p> <p>Born in 1987, Annet is a career banker and holds a Bachelor's Degree in Business Administration-Finance with Information Technology (First Class Honors) from Maseno University.</p> <p>Currently working as a Relationship Manager with Cooperative Bank of Kenya Limited. Has experience in Banking Operations, lending, corporate and business banking as well as debt recoveries in the Banking sector from 2013 to Date.</p>
<p>3. PIUS KIGEN</p> 	<p>Member/Chief Officer for County Cooperatives and Enterprise Development</p> <p>Currently the Chief Officer Department of Cooperatives & Enterprise Development who holds a Degree in BCOM Company Management Option with 15 years working experience in private sector institutions.</p>

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<p>4. SILAS RONO</p> 	<p>Member/County Director of Finance Born in 1972. holds a Bachelor’s degree in business management and a holder of CPA-K. He has wealth of experience and knowledge in public finance and accountancy. The member has over 13 years of experience in public service.</p>
<p>5. ROSELYNE A. RAE</p> 	<p>Member-County Enterprise Development Fund Born in 1965, Roselyne A. Rae is the Assistant Commissioner for Cooperative Development. She holds: A Masters’ in Business Administration (Strategic Management), Bachelor of Business Management (Marketing Option) Diploma in Cooperative Management She has 30 years’ experience working as a Cooperative Officer</p>
<p>6. LOYCE KEBENEI</p> 	<p>Member-County Enterprise Development Fund Born 1986. An Advocate of the High Court of Kenya with 5 years’ experience post admission. Works at the County Government of Uasin Gishu as a Legal Officer since 2015 to date. Holds a Post graduate Diploma from Kenya School of Law and an LLB Degree from Moi University School of Law.</p>
<p>7. ISAAC LAGAT</p> 	<p>Secretary to the Committee/Fund Administrator/ Director He holds an undergraduate degree in Business management and currently pursuing a Master’s degree in Project Planning and Management from UON. The officer has over 13 years’ experience in credit management and administration in both the private sector commercial financial institutions and public sector financial institutions. He is well versed with public sector management with over 10 years in public sector management.</p>

**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S
 PREDETERMINED OBJECTIVES**

The Uasin Gishu County Enterprise Development Fund (CEDF) was established to provide low-interest loans to co-operative institutions that seek to promote the welfare and economic uplifting of the people of Uasin Gishu County and for connected purposes

The fund was set up to achieve the following objectives;

- 1 To provide low-interest loans to cooperative societies
- 2 To support, revive, and initiate cooperative sector institutions in areas that can have an immediate impact to household economy.
- 3 To Promote value addition investments through co-operatives
- 4 To promote and facilitate marketing of products for cooperative societies locally and internationally.
- 5 To carry out specialized training for cooperative societies to build their capacities.
- 6 To identify, develop and promote entrepreneurial skills in cooperatives

Performance of the County Cooperative Enterprise Development Fund

Program	Objective	Outcome	Indicator	Performance
1. Provision of credit to cooperatives	To provide access to affordable loans to cooperative societies	Improved access to affordable credit by cooperative societies	-Number of cooperatives Funded -Amount of loans disbursed	In FY 19/20; -19 Co-operatives Societies -68.5 Million Disbursed
2. Capacity building for funded cooperatives	To strengthen entrepreneurial skills, financial literacy and improve accountability	Enhanced entrepreneurial skills and accountability among funded cooperatives	Number of Cooperatives Trained	In FY 19/20; 27 funded cooperative societies were

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p data-bbox="228 465 432 495">Esther C. Mutai</p> 	<p data-bbox="691 465 1406 645">Currently the county executive member for Cooperatives and Enterprise Development Fund, Uasin Gishu County Government. She holds Masters’ in Business Administration from Nairobi University and undergraduate from Moi University.</p> <p data-bbox="691 651 1406 748">A competent and committed professional in the Co-operative Development, Marketing and Public Relation field.</p> <p data-bbox="691 754 1406 898">She has over 20 years’ experience in the Co-operative Movement, Insurance and Financial services sector. She's specialized in Marketing, Strategic Planning and Customer Service.</p>
<p data-bbox="193 943 403 972">2. PIUS KIGEN</p> 	<p data-bbox="691 943 1326 1010">Chief Officer for Cooperatives and Enterprise Development</p> <p data-bbox="691 1016 1417 1160">Currently the Chief Officer Department of Cooperatives & Enterprise Development who holds a Degree in BCOM Company Management Option with 15 years working experience in private sector institutions.</p>
<p data-bbox="240 1435 438 1464">4. Isaac Lagat</p> 	<p data-bbox="691 1435 1353 1503">Secretary to the Committee/Fund Administrator/ Director</p> <p data-bbox="691 1509 1417 1816">He holds a Master’s degree in Project Planning and Management and an undergraduate degree in Business management. The officer has over 13 years’ experience in credit management and administration in both the private sector commercial financial institutions and public sector financial institutions. He is well versed with public sector management with over 10 years in public sector management.</p>

5. FUND COMMITTEE CHAIRPERSON'S REPORT

The Uasin Gishu County Cooperative Enterprise Development Fund Committee which oversees the management of the fund was appointed in December 2015 for a five-year term.

The role of County Cooperative Enterprise Development Fund Committee is to formulate policy guidelines on cooperative sector funding, ensure that all projects funded are consistent with the county's priorities specified in the relevant policy documents, approve proposals submitted to it by the Unit, formulate or approve standards, guidelines and procedures for funding proposals and approve the organizational structure of the Unit.

During the financial year 2019/20 the County Cooperative Enterprise Development Fund Committee has held five successful Committee meetings.

The Committee managed to approve and supervise disbursement of loans amounting Kshs 68.5M to 19 Cooperatives societies. Through the guidance of the Committee, the Fund has managed to finance directly and indirectly Value addition projects like the Kuona Mbele Cooperative Society and Moisoy Farmers Cooperative Union to establish milling plants which will greatly have positive impact on the livelihoods of maize farmers in Uasin Gishu County.

During the period, the Fund Committee oversaw the establishment of AGPO Sacco meant to support financing of county tenderers from the disadvantaged groups i.e. Women youth and PWDs. This Sacco was able to access funding from the Fund to support their members.

The Fund has supported several cooperatives to acquire assets to spur their economic growth and development for the benefit of their members through asset financing by purchase of pickups and lorries to transport milk. This has enabled farmer-based cooperatives to transport their farm produce with ease and reduced costs.

Going forward, I recommend the conversion of County Cooperative Enterprise Development Fund Committee into County Cooperative Enterprise Development Fund Board owing to the current size of the fund portfolio and operations. It is also apparent that the term of the current committee members will be ending in December 2020, I wish to recommend to the County to consider renewal of contract of the existing committee members and subsequent recruitment of two more members to replace the members who had voluntarily resigned.

I wish to sincerely appreciate the establishment of this fund, whose main focus is County's Cooperatives and SACCOs which has transformed the livelihood of the people of Uasin Gishu County through the access of affordable credit.

Signed..........Date. 1/12/2020.....


Philip Mamet

6. REPORT OF THE FUND ADMINISTRATOR

Section 163 of the Public Finance Management (PFM) Act, 2012 requires the County Treasury for the county government to consolidate the annual financial statements in respect of all the county government entities in formats to be prescribed by the Public Sector Accounting Standards Board (PSASB). The annual financial statement therefore presents all payments made into and out of the County Cooperative Enterprise Development Fund Account; gives a summary of the appropriation accounts and statements prepared by accounting officers; highlights all revenue collected, received and recovered by the receiver of revenue during the financial year; states debts of the County Cooperative Enterprise Development Fund outstanding at the end of financial year, and those guaranteed by the national government; and a summary of the accounts of the county assembly. During the period under review, the priorities outlined in the CIDP, County Cooperative Enterprise Fund Act of 2016 amendment of 2019 and the five pillars mentioned in the CFSP 2014 guided the development agenda of the County Cooperative Enterprise Development Fund. It is also worth mentioning that substantial progress has been made by the County Cooperative Enterprise development Fund towards realization of these goals.

In the financial year 2019-2020, there was an overall improvement in fiscal performance compared to the previous year. During the period under review, significant improvement was registered on loan repayments owing to the increased staff capacity within the Fund; while late release in exchequer releases to the fund contributed to the low absorption of loans by the cooperative societies as at the close of the financial year. However, the funds will be disbursed in the next financial year.

Finally, let me take the earliest opportunity to thank all members of the technical team for their time and sacrifice in consolidating the annual financial statement. I also wish to re-affirm our commitments to enhanced financial discipline and fiscal responsibilities for the betterment of our county.


Isaac Lagat
Fund Administrator
County Government of Uasin Gishu

7. CORPORATE GOVERNANCE STATEMENT

Establishment of the Cooperative Enterprise Development Fund Committee

The Cooperative Enterprise Development Fund Committee consist of: -

- (a) The County Chief Officer in the County department for the time being responsible for matters relating to cooperative development or a representative appointed in writing;
- (b) The County Chief Officer in the County department for the time being responsible for co-operative development or a representative appointed in writing.
- (c) The Head of legal services in the county or a representative appointed in writing;
- (d) Four persons, one of whom shall be the Chairperson of the Committee, not being public officers, who shall be appointed by the Member of the Executive Committee through a competitive and transparent recruitment process; and
- (e) The secretary to the Committee.

Every member of the committee shall hold office for a term of five years renewable for one further term.

A person shall be qualified for appointment if;

- (a) holds a degree from a university recognized in Kenya
- (b) has at least five years professional experience in the relevant field; and
- (c) meets the requirements of leadership and integrity as provided for in Chapter 6 of the Constitution or relevant national legislation.

Terms and conditions of service

The members of the Committee shall be paid such allowances as the Member of the Executive Committee shall determine in consultation with the County Public Service Board.

Vacation of office of member

The office of a member of the Committee appointed shall become vacant if the member: -

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

Functions of the Committee

The functions of the Committee are to:-

- (a) formulate policy guidelines on cooperative sector funding;
- (b) ensure that all projects funded are consistent with the county's priorities specified in the relevant policy documents;
- (c) approve proposals submitted to it by the Unit.
- (d) authorize allocations from the Fund;
- (f) formulate or approve standards, guidelines and procedures for funding proposals.
- (g) approve the organizational structure of the Unit;
- (h) provide oversight in the utilization of the Fund.

Meetings.

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

Conflict of interest

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

A disclosure of interest made above shall be recorded in the minutes of the meeting at which it is made.

Quorum

The quorum of the meeting shall not be less than half of the appointed members of the Committee.

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For the year ended June 30, 2020

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

Voting

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

8. MANAGEMENT DISCUSSION AND ANALYSIS

The Enterprise Development Fund financing has impacted positively on livelihoods and household economy of the residents of Uasin Gishu County. This has been achieved through the following ways:

- The Fund has enabled cooperative societies to access to affordable credit at an interest rate of 5% for farmer-based co-operatives and 8% for Saccos which trickles down to members
- The Fund has facilitated financing of value addition projects like the Moisoy Farmers Cooperative Union (MFCU) and Kuona Mbele Investment Cooperative Society Milling plants which will greatly have positive impact on the livelihoods of maize farmers in Uasin Gishu County.
- The Fund has recorded an improved loan repayment during the financial year. This was attributed to the fund's rigorous loan recovery strategies implemented in the year.
- The Fund has been able to facilitate asset financing for Dairy Cooperative Societies. This facility has enabled the societies to purchase trucks and pickups to support them in milk collection and transportation to the processors.
- The availability of enterprise financing to cooperatives has increased goodwill by members of public to embrace cooperatives.
- The fund has facilitated the establishment of AGPO Sacco for LPO/LSO Financing. The Sacco was established by County AGPO suppliers to support Women, Youth and PWDS that have been awarded county tenders and contracts and do not have sufficient capital to service the contract

Challenges

1. The emergence of COVID 19 pandemic has adversely affected loan repayment. Most of the cooperative society` businesses were affected by the slowdown in the economy, hence requesting for loans to be rescheduled.
2. Unpredictable weather conditions which affects the supply of farm produce in the market. This adversely affect the market price stability which eventually has negative impact on profit margins for the cooperative and loan repayments for the enterprise Fund.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Fund is planning to carry out Corporate social responsibility in the coming financial year by focusing on the following areas;

- b. Visiting children's home
- c. Environmental conservation
- d. Sporting activities

10. REPORT OF THE TRUSTEES

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

Principal activities

The principal activities of the Fund are stated in Section 1 (c) page 2 of this report.

Results

The results of the Fund for the year ended June 30, 2020 are set out on Section 3 and Section 8

Trustees

The members of the Committee of Trustees who served during the year are shown on section 2. There was no change in the Board during the financial year

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Uasin Gishu County Cooperative Enterprise Development Fund for the year ended June 30, 2020 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 Committee

UASIN GISHU COUNTY COOPERATIVE ENTERPRISE DEVELOPMENT FUND

Member of the Board

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 the County Public Fund established by the Uasin Gishu County Cooperative Enterprise Development Fund Act, 2016 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Uasin Gishu County Cooperative Enterprise Development Fund Act, 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on _____ 2020 and signed on its behalf by:

01 DEC 2020
[Signature]

Fund Administrator
COOPERATIVE ENTERPRISE DEVELOPMENT FUND

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UASIN GISHU COUNTY COOPERATIVE ENTERPRISE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Uasin Gishu County Cooperative Enterprise Development Fund set out on pages 22 to 54, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Uasin Gishu County Cooperative Enterprise Development Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Uasin Gishu County Cooperative Enterprise Development Fund Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Receivables from Exchange Transactions

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.38,560,476 and long-term receivables from exchange transactions balance of Kshs.300,010,110 as at 30 June, 2020 being outstanding balances of loans advanced to 85 Primary Co-operative Societies, a Secondary Society and other loans by the Uasin Gishu County Cooperative Enterprise Development Fund. However, the following were observed:

1. Loan Repayments and Loan Amortization

Review of a sample of loans issued to 20 (twenty) Primary Co-operative Societies obtained from loan repayments and loan amortization schedules revealed that loans amounting to Kshs.28,174,048 were not recovered in full during the year. In addition,

the schedule of outstanding loans reflects a balance of Kshs.57,795,465 while a recomputation of the schedule balances totals to Kshs.67,545,148 resulting to a variance of Kshs.9,749,683 which was not explained or reconciled.

2. Advance to Moisoy Co-operative Union Ltd

The long-term receivables from exchange transactions balance of Kshs.300,010,110 as at 30 June, 2020, includes an amount Kshs.205,000,000 advanced to Moisoy Co-operative Union Ltd on behalf of 41(forty-one) Primary Cooperative Societies at Kshs.5,000,000 per Cooperative Society towards the construction of a Maize Milling Plant. The memorandum of understanding between Moisoy Farmers' Co-operative Union Ltd and the Primary Cooperatives Societies was that Moisoy Farmers' Co-operative Union Ltd will repay the loan when the milling plant is complete and operational. However, no evidence was provided for audit review to show how the Uasin Gishu County Cooperative Enterprise Development Fund will recover the loan advanced to Moisoy Co-operative Union Ltd. Further, the loan is not secured through a collateral.

3. Non-Performing Loans

The long-term receivables balance of Kshs.300,010,110 as disclosed in the statement of financial position includes loans advanced to 13 (thirteen) Savings and Credit Cooperatives (SACCOs) in the financial years 2015, 2016 and 2017 amounting to Kshs.27,711,051 which have not been repaid to date.

Consequently, the accuracy, validity and recoverability of the current portion of long-term receivables from exchange transactions balance of Kshs.38,560,476 and long-term receivables from exchange transactions balance of Kshs.300,010,110 as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.257,942,213 and Kshs.252,014,327

respectively resulting to an under-funding of Kshs.5,927,886 or 2% of the budget. Similarly, the Fund expended Kshs.76,049,101 against an approved budget of Kshs.257,942,213 resulting to an under-expenditure of Kshs.181,893,112 or 71% of the budget. The underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Uasin Gishu County. Further, the statement reflects fund administration expenses and general expenses of Kshs.7,515,179 and Kshs.nil while the statement of financial performance reflects balances of Kshs.915,660 and Kshs.7,989,168 resulting to unexplained variances of Kshs.6,599,519 and Kshs.7,989,168 respectively.

2. Unresolved Prior Year Matters

There were issues raised in the audit report for 2018/2019 financial year of which no report or recommendations from the Fund Management and oversight bodies were submitted for audit verification and clearance. Further, the issues remain unresolved contrary to section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Construction of a Milling Plant

The long-term receivables from exchange transactions balance ofm,.bn gh Kshs.300,010,110 as at 30 June, 2020 includes an amount of Kshs.205,000,000 advanced to Moisoy Co-operative Union Ltd on behalf of 41 (forty-one) Primary Cooperative Societies at Kshs.5,000,000 each towards the construction of a Maize Milling Plant. However, no documentary evidence was provided to confirm that the County Executive Committee Member responsible for Co-operatives certified in writing that construction of the Milling Plant could not be done through the structure of budget appropriations as required under Section 197(1)(b) of the Public Finance Management (County Governments) Regulations 2015.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, 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 internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Internal Controls and Overall Risk Management of the Fund

The statement of financial position as at 30 June, 2020 reflects total assets of Kshs.521,528,438 which includes current portion of long-term receivables from exchange transactions balance of Kshs.38,560,476 and long-term receivables from exchange transactions balance of Kshs.300,010,110. However, Kshs.205,000,000 or 61% of the receivables from exchange transactions balance of Kshs.338,560,586, is owing from one debtor thereby exposing the Fund to a high risk incase of default. Further, examination of the loan repayment schedules reveals a high default rate implying that the risk management policies and the internal controls over issuance and monitoring of loan repayments are not effective.

In the circumstances, the Fund is exposed to loss of funds.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Fund 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 overall 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 Fund's policies and procedures may deteriorate.

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 February, 2022

13. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

	Note	2019/2020	2018/2019	Restated 2018/2019
		KShs	KShs	KShs
Revenue from non-exchange transactions				
Public contributions and donations	1	0	0	
Transfers from the County Government	2	193,000,000	0	0
Fines, penalties and other levies	3	0	0	0
		193,000,000	0	0
Revenue from exchange transactions				
Interest income	4	6,464,764	3,591,181	0
Other income	5	0	0	
Total revenue		199,464,764	3,591,181	0
Expenses				
Fund administration expenses	6	915,660	5,085,236	1,049,390
General expenses	8	7,989,168	7,339,615	11,375,461
Finance costs	9	33,922	72,529	
Total expenses		8,938,750	12,497,380	
Other gains/losses		0	0	
Gain/loss on disposal of assets	10	0	0	
Surplus/(deficit) for the period		190,526,014	(8,906,199)	

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	175,965,226	14,956,213
Current portion of long- term receivables from exchange transactions	12	38,560,476	308,152,062
Prior Year Adjustments		488,126	0
Inventories	15		0
		215,013,828	323,108,275
Non-current assets			0
Property, plant and equipment	16	6,504,500	7,894,150
Intangible assets	17		0
Long term receivables from exchange transactions	12	300,010,110	0
Total assets		521,528,438	331,002,425
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		0	0
Provisions		0	0
Current portion of borrowings		0	0
Employee benefit obligations		0	0
		0	0
Non-current liabilities		0	0
Non-current employee benefit obligation		0	0
Long term portion of borrowings		0	0
Total liabilities			
Net assets		521,528,438	331,002,425
Revolving Fund		331,002,425	339,908,624
Reserves		0	0
Accumulated surplus		190,526,014	(8,906,1990)
Total net assets and liabilities		521,528,438	331,002,425

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 _____ 2020 and signed by:


 Administrator of the Fund
 Name: ISAAC LAGAT


 Fund Accountant
 Name: DORIS JERUTO
 ICPAK Member Number: ASSOC/2811



13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	339,908,624	0	0	339,908,624
Surplus/(deficit) for the period	0	0	(8,906,199)	(8,906,199)
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2019	339,908,624	0	(8,906,199)	331,002,425
Balance as at 1 July 2019	331,002,425	0	0	331,002,425
Surplus/(deficit) for the period	0	0	190,526,014	190,526,014
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2020	331,002,425	0	190,579,437	521,528,439

13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		0	0
Transfers from the County Government		193,000,000	0
Interest received		6,464,764	3,591,181
Receipts from other operating activities-Loan repayments		-	24,864,199
Total Receipts		199,464,764	3,591,181
Payments			
Fund administration expenses		(1,367,480)	(5,085,236)
General expenses		(5,301,808)	(7,339,615)
Finance cost		(33,922)	(72,529)
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21		
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22		
Net cash flows from operating activities		192,761,554	(8,906,199)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(845,891)	(7,894,150)
Proceeds from sale of property, plant and equipment		0	0
Proceeds from loan principal repayments		37,593,350	24,864,199
Loan disbursements paid out		(68,500,000)	(237,140,160)
Net cash flows used in investing activities		161,009,013	(229,076,760)
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	0
Additional borrowings		0	0
Repayment of borrowings		0	0
Net cash flows used in financing activities		161,009,013	(229,076,760)
Net increase/(decrease) in cash and cash equivalents		161,009,013	(229,076,760)
Cash and cash equivalents at 1 JULY	15	14,956,213	244,032,973
Cash and cash equivalents at 30 JUNE	15	175,965,226	14,956,213

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	0	0	0	0	0	
Transfers from County Govt.	193,000,000	0	193,000,000	193,000,000	0	100
Balance b/f 2018/2019	14,942,213		14,942,213	14,956,213	14,000,000	
Interest income	0	0	0	6,464,764	(6,464,764)	
Other income	50,000,000	0	50,000,000	37,593,350	12,406,650	75
Total income	257,942,213	0	257,942,213	252,014,327	19,941,886	98
	0	0	0	0	0	
Expenses						
Fund administration expenses	9,650,000	0	9,650,000	7,515,179	2,134,821	78
General expenses					0	
Finance cost	0	0	0	33,922	0	100
Loans disbursed	248,292,213	0	248,292,213	68,500,000	179,792,213	28
Total expenditure	257,942,213		257,942,213	76,049,101	181,893,112	68
Surplus for the period	0	0	0	175,965,226	0	

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

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

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

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

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(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>Applicable: 1st January 2022:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time</p>

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

c) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Ksh193,000,000 on the FY 2019/2020 budget following the governing body's approval.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

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

11. 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.

12. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. 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.

14. Related parties

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

15. 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 Transnational Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

The entity is a County Public Fund established by County Enterprise Development Fund Act under the Ministry of Cooperative and Enterprise Development. Its ultimate parent is the County Government of Uasingishu.

19. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made: e.g

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from **June 2015-June 2020**

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) 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:

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	0	0
Accumulated surplus	0	0
Total funds	0	0
	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
Gearing	0	0

13.7 NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020	2018/2019
	KShs	KShs
Donation from development partners	0	0
Contributions from the public	0	0
Total	0	0

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	193,000,000	0
Payments by County on behalf of the entity	0	0
Total	193,000,000	0

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties	0	0
Fines	0	0
Total	0	0

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Loans Disbursed	6,464,764	3,591,181
Interest income from car loans	0	0
Interest income from investments	0	0
Interest income on bank deposits	0	0
Total interest income	6,464,764	3,591,181

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages	0	0
Staff gratuity	0	0
Staff training expenses	0	0
Social security contribution	0	0
Other staff costs	0	0
Total	0	0

7. Staff costs

Description	2019/2020	2018/2019	Restated 2018/2019
	KShs		KShs
Staff costs (Note 7)	0	0	0
Loan processing costs	0	0	0
Professional services costs	0	0	0
Administration expenses	915,660	10,443,375	1,049,390
Total	915,660	10,443,375	1,049,390

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender documents	0	0
Miscellaneous income	0	0
Total other income	0	0

5. Other income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019	Restated 2018/2019
	KShs	KShs	KShs
Foreign Travel	-	0	1,296,566
Domestic Travel	1,093,800	0	2,739,280
Fuel and oil costs	10,200	0	-
Advertising		0	216,920
Office and general supplies	315,300	0	657,829
Printing and stationery		0	483,000
Maintenance of vehicle and other transport		0	123,000
Training expenses	3,189,100	0	2,889,950
Telecommunication	195,228	0	-
Hospitality	950,000	0	987,440
Depreciation and amortization costs	2,235,540	1,981,476	-
Other expenses	-	0	1,981,476
Total	7,989,168	1,981,476	11,375,461

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2019/2020	2018/2019
	KShs	KShs
Bank charges	33,922	72,529
Interest on Bank overdrafts	0	0
Interest on loans from banks	0	0
Total	33,922	72,529

10. Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Current account	175,965,226	14,956,213
Others	0	0
Total cash and cash equivalents	175,965,226	14,956,213

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2019/2020	2018/2019
Financial institution	Account number	KShs	KShs
a) Current account		0	0
Access Bank Kenya	6948401	175,965,226	14,956,213
Grand total		175,965,226	14,956,213

12. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	0	0
Current loan repayments due	38,560,476	0
Other exchange debtors	0	0
Less: impairment allowance	0	0
Total Current receivables	0	0
	0	0
Non-Current receivables	0	0
Long term loan repayments due	300,010,110	308,152,062
Total Non- current receivables	0	0
Total receivables from exchange transactions	338,570,586	308,152,062

Additional disclosure on interest receivable

Description	2019/2020	2018/2019
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	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
Accrued principal from long-terms loans from previous periods	0	0
Current portion of long-term loans issued in the current year	0	0

13. Revenue from Non-Exchange transaction

Description	KShs	KShs
	2019/2020	2018/2019
	KShs	KShs
Transfer to County Executive	0	0
Transfer to CEDF Fund	0	0
Total receivables from non-exchange transactions	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

Description	2019/2020	2018/2019
	KShs	KShs
Prepaid rent	0	0
Prepaid insurance	0	0
Prepaid electricity costs	0	0
Other prepayments(specify)	0	0
Total	0	0

15. Inventories

Description	2019/2020	2018/2019
	KShs	KShs
Consumable stores	0	0
Spare parts and meters	0	0
Catering	0	0
Other inventories(specify)	0	0
Total inventories at the lower of cost and net realizable value	0	0

16. Property, plant and equipment

Cost	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KShs	KShs	KShs	KShs	KShs
At 1 st July 2018	0	0	0	0	0
Additions	0	6,114,150	1,123,000	657,000	7,894,1500
Disposals	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0
At 30 th June 2019	0	6,114,150	1,123,000	657,000	7,894,1500
At 1 st July 2019	0	6,114,150	1,123,000	657,000	7,894,1500
Additions	0	0	407,700	438,190	0
Disposals	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0
At 30 th June 2020	0	6,114,150	1,530,700	1,095,190	8,739,341
Depreciation and impairment	0	0	0	0	0
At 1 st July 2018	0	0	0	0	0
Depreciation	0	0	0	0	0
Impairment	0	0	0	0	0
At 30 th June 2019	0	0	0	0	0
At 1 st July 2019	0	0	0	0	0
Depreciation	0	1,783,294	194,916	257,330	2,235,540
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0
At 30 th June 2020	0	0	0	0	0
Net book values	0	0	0	0	0
At 30 th June 2019	0	6,114,150	1,123,000	657,000	7,894,1500
At 30 th June 2020	0	4,330,856	1,335,784	837,860	6,504,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

Description	2019/2020	2018/2019
	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

18. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Trade payables	0	0
Refundable deposits	0	0
Accrued expenses	0	0
Other payables	0	0
Total trade and other payables	0	0

19. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)	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 (30.06.2019)	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

Description	2019/2020	2018/2019
	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 domestics borrowings during the period	0	0
Balance at end of the period	0	0

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

	2019/2020	2018/2019
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	0	0
Sterling Pound denominated loan from 'yyy organisation'	0	0
Euro denominated loan from zzz organisation'	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	2019/2020	2018/2019
	KShs	KShs
Short term borrowings(current portion)	0	0
Long term borrowings	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	0	0
Account receivable issued during the year (B)	0	0
Account receivable settled during the Year (C)	0	0
Net changes in account receivables D= A+B-C	0	0

22. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 st July 2019 (A)	0	0
Accounts Payable held during the year (B)	0	0
Accounts Payable paid during the Year (C)	0	0
Net changes in account receivables D= A+B-C	0	0

23. 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)

24. Cash generated from operations

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

25. Related party balances

a) Nature of related party relationships

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties*	0	0
Transfers to related parties	0	0

c) Key management remuneration

	2019/2020	2018/2019
	KShs	KShs
Board of Trustees	0	0
Key Management Compensation	0	0
Total	0	0

d) Due from related parties

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry	0	0
Due from County Government	0	0
Total	0	0

e) Due to related parties

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
Total	0	0

26. Contingent assets and contingent liabilities

Contingent liabilities	2019/2020	2018/2019
	KShs	KShs
Court case xxx against the Fund	0	0
Bank guarantees	0	0
Total	0	0

14 PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Failure to provide Approved Operational budget	In FY 2018-19 There was compliance	Isaac Lagat Fund Administrator	Resolved	N/A
2.0	Acquisition of Assets (Ownership of motor vehicle)	Initially all assets were acquired under the name of County Government	Isaac Lagat Fund Administrator	Not resolved- Process to commence next FY	By June 2021



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