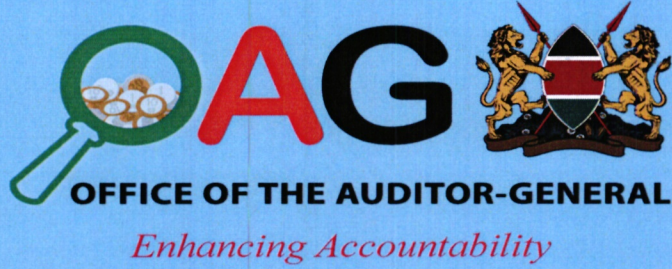


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KAKAMEGA COUNTY  
INVESTMENT AND DEVELOPMENT  
AGENCY LIMITED**

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

PAPERS LAID	
DATE	25/5/2023
TABLED BY	Maj. Leader
COMMITTEE	-
CLERK AT THE TABLE	Chania

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**REPUBLIC OF KENYA  
COUNTY GOVERNMENT OF KAKAMEGA**



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**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY  
LIMITED**

**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)**

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**1. Key Entity Information and Management**

**a) Background information**

The Kakamega County Investment and Development Agency Ltd (KCIDA) was established through an Act of the County Assembly, referred to as the Kakamega County Investment and *Development Agency Act, 2018* to provide for the establishment of a legal and institutional framework for promotion and co-ordination of investment by the county government of Kakamega and for connected purposes

The Kakamega County Investment and Development Agency Ltd (KCIDA) is established by and derives its authority and accountability from Kakamega County Investment and Development Agency Act on 4<sup>th</sup> September 2018. The Agency is wholly owned by the County Government of Kakamega and is domiciled in Kenya.



**b) Principal Activities**

The principal activity/mission/ mandate of the Agency is to,




- i. Hold property and assets on behalf of the County Government for the purposes of investment;
- ii. Undertake investments on behalf of the County Government for the purposes of generating revenue;
- iii. Identify strategic investment opportunities for the benefit of the County;
- iv. Undertake investment ventures in partnership with other entities for the benefit of the County;
- v. Promote economic growth within the County;
- vi. Advise the County Government on investment opportunities;
- vii. Assist and facilitate investors to establish investments in the county; and
- viii. Carry out such other roles and perform such other functions as may be necessary for the implementation of the object and purpose of the Act.

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**2. The Board of Directors**



Name	Details of qualifications and experience
 <p>Prof. Nelson H. Wawire <b>Chairman</b></p>	<p>Ph.D in Economics, Master of Arts (Economics) &amp; Bachelor of Education. Professor of Economics &amp; Research Coordinator for Kenyatta University Women’s Economic Empowerment Hub.</p> <p>Consultancies: Commission for Revenue Allocation, African Economic Research Consortium, World Bank, COMESA Centre for Global Development; Centennial Group Holdings LLC, , UNECA, African Development Bank, UNDP, UNCRD, Partnership for Economic Policy, UNESCO, KIPPRA, Transition Authority, Intergovernmental Relations Technical Committee (IGRTC), Kenya Bankers Association, Salaries and Remuneration Commission, Barclays Bank of Kenya, Central Bank of Kenya, Competition Authority of Kenya, University of Pavia &amp; CISP/CDN.</p>
 <p>CPA Samson Otieno <b>Chief Officer, Finance Member</b></p>	<p>Acted as chief Officer finance from October 2021 to date, previously Head of Budget and Head of Treasury. A holder of a bachelor of Business Administration- Accounting and Finance option from Kenya Methodist University. A member of Certified Public Accountants of Kenya (ICPAK) and currently pursuing Master of Business Administration Finance from University of Nairobi. Senior management Course at the Kenya School of Government and also undertaken various trainings on public finance key among them on County Government Public Finance Management</p> <p>Fourteen (14) years’ experience and expertise in accounting, finance, planning and budgeting garnered from both the public and private sectors wherein he has managed preparation of annual budgets, development of key policies on finance, accounting and planning.</p> <p>Commenced career as branch accountant at Lupa caterers Ltd in 2007 before joining Prime Aluminium Casement Ltd as an accountant assistant in 2008. He subsequently joined the National Treasury in 2009 as accountant one (I) where he rose to senior accountant before joining the County Government in 2013 as budget officer through Transition Authority.</p>

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**



 <p>Mr. Dan Borter          Chief Officer Economic  <b>Planning &amp; Investment</b>  <b>Member</b></p>	<p>MA – student school of Business and Economics – Masinde Muliro University of Science and Technology, Bachelor of Education Economics (Second Class Hons Upper Division) <i>University of Nairobi</i>, Member Economic Society of Kenya, Chief Officer – Economic Planning and Investments – County Government of Kakamega, Ag. Director Planning, Planning Officer County Government of Kakamega.</p>
 <p>CS Damary Ayuku Angulu  <b>Member</b></p>	<p>LLB, LLM, Diploma in Legal Practice, MBA, Certified Company Secretary (CS), Member Chartered Institute of Arbitration, Accredited Mediator. Currently practising as an Inhouse Legal Counsel/Advisor</p>
 <p>Dr. Wilfred Buyema  <b>Member</b></p>	<p>Academic Qualifications          2019 PhD in Leadership and Governance          2012 Master in Public Administration and Policy Management          2007 B.A in Development Studies          2004 Diploma in Development Studies          Experience          April 2020 to date - Policy Advisor - Wellness for Greatness Organization (Part Time)          April 2020 - to date - CEO, Global Digital Centre (Full Time)          July 2019 to date - Board Member - KCIDA          Oct 2019 to date - Chair KCIDA I&amp;P Committee          Sept 2018 to date - Adjunct Lecturer- JKUAT          August 2016 to April 2020 - Senior Manager - NGCDF board          March 2014 to June 2016 - Acting CEO - Uwezo Fund Board          August 2009 to March 2014 - National Coordinator, Economic Stimulus Programme          Oct 2007 to August 2009 Programme Coordinator/Fund Account Manager - CDF Board</p>

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**3. Management Team**

<p>1.</p>	 <p><b>Ms. Elizabeth Asichi</b>  <b>Chief Executive Officer</b>  <b>Member</b></p>	<p>MBA Strategic Management, BSC Quantitative Economics, Member KIM          Ag. CEO KCIDA, Ag. Deputy Director Investment -KCIDA, Senior Economist I Kakamega County, Chief Administrative Officer Kakamega County, Banker- KCB Bank (K) Ltd for 10years</p>
<p>2.</p>	 <p><b>CPA Marcus Lung'atso</b>  <b>Senior Accountant KCIDA</b></p>	<p>PHD in finance (ongoing), MBA finance, BBM, CPA(K), CS. Over twenty year of accounting experience both in private and public sectors. Currently senior Accountant County Government of Kakamega. A member of Institute of Certified Public Accountants of Kenya (ICPAK).</p>

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

	<p>LLM, Post Graduate Diploma (PDG) In Law, Bachelor of Laws, (LLB), Certified Secretary (CS), Notary Public, Senior Management, Advocate of the High Court of Kenya</p> <p>Ag. County Attorney, Senior Legal Office County Government of Kakamega, Associate at Wetangula Adan &amp; Makokha Advocates, Senior Litigation Counsel at Makokha Wattanga &amp; Luyali Advocates, FIDA Kenya Probono Counsel,</p>
<p><b>Vivianne M. Komwonyo</b>  <b>Ag. County Attorney</b>  <b>Member</b></p>	<p>MBA Strategic Management, BSC Quantitative Economics, Member KIM</p> <p>Ag. CEO KCIDA, Ag. Deputy Director Investment -KCIDA, Senior Economist I Kakamega County, Chief Administrative Officer Kakamega County, Banker- KCB Bank (K) Ltd for 10years</p>
	<p>MBA Strategic Management, BSC Quantitative Economics, Member KIM</p> <p>Ag. CEO KCIDA, Ag. Deputy Director Investment -KCIDA, Senior Economist I Kakamega County, Chief Administrative Officer Kakamega County, Banker- KCB Bank (K) Ltd for 10years</p>
<p><b>Ms. Elizabeth Asichi</b>  <b>Chief Executive Officer</b>  <b>Member</b></p>	

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**e) Registered Offices**

P.O. Box 36-50100, 056 31850/31852/31853  
County Headquarters  
Kisumu/Kitale Highway  
Kakamega, KENYA

**f) Agency Contacts**

P.O Box 662 - 50100  
Telephone: 0705050506  
E-mail: [CEO-investment@kakamega.go.ke](mailto:CEO-investment@kakamega.go.ke)  
Website: [www.kcida.co.ke](http://www.kcida.co.ke)

**g) Agency Bankers**

*KCB Ltd-Kakamega branch*

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

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

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**c) Board of Directors**

1	Prof. Nelson Wawire Horace	Chairman
2	CPA Samson Otieno (Chief Officer, Finance)	Member
3	Mr. Dan Borter (Chief Office, Economic Planning and Investment)	Member
4	Cs Damary Ayuku Angulu	Member
5	Dr. Wilfred Buyema	Member
6	Ms. Priscah Dorine Otipa	Member
7	Vivianne Komwonyo (County Attorney)	Member
8	Ms. Elizabeth Asichi	Member

**d) Key Management**

1	Ms. Elizabeth Asichi	Ag:-Chief Executive Officer
2	Marcus Lung'atso	Accountant

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**4. Board Chairperson's Report**

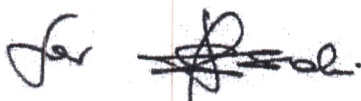
Kakamega County Investment and Development Agency Limited was established by an Act of the County Assembly in the August 2018 with the main mandate of promoting Kakamega as an Investment Destination. The role of the Agency also includes advising the County Government on Investment opportunities and also identify strategic investment opportunities for the benefit of the County.

The Agency vests in a Board of Directors who were inaugurated in June 2019. As the first Board of directors of the Agency, the initial action was to develop structures that would enable the Agency to operate. This included opening of KCIDA account which became operational in February 2021 when it received part of the budgeted funds allocated by the county assembly for the FY 2020/21. The Agency is semi-autonomous and its activities are fully dependent on approvals from the County Treasury for its operationalisation, and also other entities of county such as the County Public Service Board and the Department of Public Service and Administration on matters related to recruitment and staffing. The Agency has developed policy documents that are to create structures of the Agency and this include; the Strategic Plan, an organization structure and the Kakamega county investment policy.

To remain sustainable in the long run and reduce its dependence on government funding, the Agency is to create partnerships with private entities, joint ventures and Public Private Partnerships so as to invest in revenue generating investment on behalf of the County *Government of Kakamega as guided by the Kakamega County Investment and Development Agency Act, 2018.*

In this regard, the Agency was incorporated as a private limited company on 15th June 2021 by the Registrar of Companies and the shareholders are the County Government of Kakamega who owns 100% shares of the company and the board of directors who hold no shares in the company.

In conclusion, I call on all stakeholders to effectively play their part in supporting the Agency to realize its mandate. It will require a lot of dedication, success and hardworking on the part of all stakeholders to make this big dream comes true



.....  
Prof. Nelson Wawire Horace

**Board Chairperson**

## **5. Report of The Chief Executive Officer**

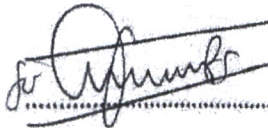
Kakamega County Investment and Development Agency Limited was established by an Act of the County Assembly of Kakamega in 2018 to provide for the establishment of a legal and institutional framework for promotion and co-ordination of investment by the county government of Kakamega and for connected purposes. The mandate of the Agency is to establish an efficient and effective framework for managing county government investments and co-ordinate and facilitate investments in the county.

The Kakamega County Investment and Development Agency Limited presents its financial statements for the period ended 30th June, 2022 in accordance with the format prescribed by the Public Sector Accounting Standards Board. The Corporation operates as a semi autonomous *agency controlled by the County Government of Kakamega.*

The Agency was allocated 19,300,965 in the financial year 2021/2022, the Corporation has spent Kshs 14.7M out of disbursed Kshs 14.8M.

With the onset of COVID-19 Pandemic, the Kakamega County Investment and Development Agency Limited has not made much achievement as per the intended purpose. The pandemic affected several sectors of the economy and slowed down investment especially due to measures by the Ministry of Health to curb the spread. Several interventions including virtual board meetings and investment conferences with several stakeholders have gone a long way in helping the Agency to thrive in the better during the Pandemic.

Kakamega County Investment and Development Agency Ltd is fully committed in ensuring that Kakamega County is an investment destination and we are counting on stakeholder's support to enable us achieve the mandate.



.....

**Ms. Elizabeth Asichi**  
**Chief Executive Officer**

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government Agency performance against predetermined objectives. Kakamega County Investment and development Agency .

Kakamega County Investments and Development Agency has 2 strategic pillars and objectives within the current Strategic Plan for the FY 2021-2022. These strategic pillars are as follows:

1. To establish an efficient and effective framework for managing county government investments.
2. To co-ordinate and facilitate investments and investors in the county.

The Agency develops its annual work plans based on the above 2 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Agency achieved its performance targets set for the FY 2020/2021 period for its two strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Activity	Achievements
Establish an efficient and effective framework for managing government investments.	To facilitate management of County Government Investments	Profiling of Sub-Countries to analyze potential investment opportunities	Expanding investment opportunities in the County. Engaged with investors and stakeholders in investments projects, e.g. Malava Dairy Plant.

The Agency has an approved budget of Ksh. 19,300,965 and has spent Ksh. 14,721,966 giving a performance of 74%

## **7. Corporate Governance Statement**

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

The current Board was competitively recruited and sworn in, in the Financial Year 2019/2020. Board committees were also constituted and their terms of references developed. These committees are Finance & Administration Committee, Investment Promotion Committee and Audit Assurance and Risk Committee.

### **b. Succession plan,**

The Board of Directors are always competitively recruited and legally constituted after their term has ended.

### **c. Existence of a service charter,**

Currently there is no service charter, the management is in the process of preparing one to be approved by the board.

### **d. Process of appointment and removal of trustees/ Administration Committee members,**

Members are appointed by the CEC Ministry of Finance and economic planning thereafter vetted by the county public service board. Member can be removed by the resolution of the full board and notification to the Appointing authority if he or she has not adhered to the regulations of the board.

### **e. Roles and functions of the Administration Committee members,**

The following are the roles and functions of the administration committee members

- Delegate tasks to Sub Committees
- Seek external advice
- Deals with administration matters

### **f. Induction and training, Administration Committee members and member's performance,**

Members are always inducted after engagement and are frequently trained on quarterly basis

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**g. Conflict of interest,**

At the beginning of every Board meeting members were requested to declare if they had any conflict of interest issues on the agenda at hand.

No conflict of interests were raised during board meeting

**h. Board remuneration,**

The Board Chairman is entitled to a monthly honorarium of Kshs. 50,000 and airtime allowance of Kshs. 5,000. Board members are paid sitting allowances of between Kes 4,000 and Kshs. 15,000 while attending Board meetings. Independent Board members are also reimbursed travel allowances.

**i. Ethics and conduct as well as governance audit undertaken if any**

No ethics and conduct as well as governance audit conducted.

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

The agency is missioned in improving the investments and developments of the County

**a. On the operational and financial performance of the Board during the period,**

The Agency received a total of Kshs.14.8m for its recurrent activities for the Financial Year 2021/2022 and Kshs. 14.7m relates to actual expenditure.

**b. Entity's key projects or investments decision implemented or ongoing,**

The Agency conducted the sub-county profiling to identify key projects and investment opportunities for every sub-county.

**c. Agency's compliance with statutory requirements,**

The Agency has complied with the required statutory requirements

**d. Major risks facing the Fund, material arrears in statutory and other financial obligations**

The delays in receiving of the funds and the COVID-19 Pandemic slowed down the implementation of the activities planned for the period under review.

**e. Any other information considered relevant to the users of the financial statements.**

The Agency is in its initial stages of operation and is still picking up gradually

The agency is missioned in improving the investments and developments of the County

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**9. Environmental and Sustainability Reporting**

**1. Sustainability Strategy and Profile**

The Agency was established by an Act of the County Assembly. To attain sustainability, the Agency developed a 5-year Strategic Plan to priorities activities that will enable the Agency involve in activities that are sustainable and profitable. The Agency on 15<sup>th</sup> June 2021 was incorporated as a Private Limited Company by the Registrar of Companies. The Agency will therefore be able to enter into Public Private Partnerships and joint ventures and will be able to invest and own property on behalf of the County Government of Kakamega.

The Agency line Ministry is the County Treasury which continues to budget for funds to support the Agency in achieving its mandate.

**2. Environmental performance**

The Agency is in the process of developing its strategic plan and its environmental policy which will also be captured in this plan.

**3. Employee Welfare**

The Agency since inception has had Acting Chief Executive Officers and the process of hiring a substantive Chief Executive Officer is still ongoing. The agency is relying on seconded staff from the Department of Finance Planning and ICT.

The Agency intends to develop policies guiding staff hiring process, job descriptions, terms of references and performance contracting as it moves towards autonomy. The current staff conform to Public Service hiring and appraisal policies.

The entity's management conducts weekly/monthly meetings with its staff allowing them to share their success stories and challenges while preparing monthly work plans. Where possible and when resources allow, the staffs are supported to attend short courses, professional development courses, workshops and seminars to improve their skills and work performance. The entity is also in compliance with Occupational Safety and Health Act of 2007.

**4. Market Place Practices**

a) The Agency being a County Agency has trained its staff on Code of Conduct of public servants and the Ethics and Anticorruption Act. It's funded by public funds and ensures high standards of corporate governance. Our products are fairly priced thus attracting traders from all sectors of the economy.

All Agency staffs conform and adhere to the public service code of conduct and remain apolitical while delivering services to the public.

b) The Agency being a public entity works within structures created by the National and County Governments that govern public procurement. It works within the confines of public procurement act and public finance management act and respects its suppliers and is open to scrutiny in the public procurement process. Our procurement officer is regularly allowed to attend trainings and workshops that help him improve skills in public procurement management.

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**5. Community engagement**

The principal activity of the Agency is to establish an efficient and effective framework for managing county government investments and also co-ordinate and facilitate investments and investors in the county.

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**10. Report of The Directors**

The Directors submit their report together with the financial statements for the Quarter ended 30<sup>th</sup> June, 2022 which show the state of the Kakamega County Investment and Development Agency Ltd.

**Principal activities**

The principal activity of the Corporation is to create an enabling environment to attract investment and facilitate investors within Kakamega County. This will in turn spur socio-economic development in the County.

**Results**

The results of the entity for the Quarter ended 30<sup>th</sup> June, 2022 are set out here in.

**Directors**

The members of the Board of Directors who served during the year are shown on page VI to IX in accordance with the Kakamega County Investment and Development Agency Limited Act of 2018.

**Auditors**

The Auditor General is responsible for the statutory audit of the Kakamega County Investment and Development Agency Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**Chair of the Board/Agency Administration Committee**

**Date:**

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

Sections 182 (1) of the PFM Act, 2012 provides for establishment of a County Corporation by the County Executive Committee Member and the County Assembly.

Section 6 of the Kakamega County Investment and Development Agency Limited Act, 2018 provides for the establishment of the Board of Directors who are responsible for the leadership role of the Corporation. The Chief Executive Officer appointed by the Governor who is the accounting officer of the Agency shall be responsible for the day-to-day management of the affairs of the Agency (sec 13 of the Kakamega County Investment and Development Agency Limited Act, 2018).

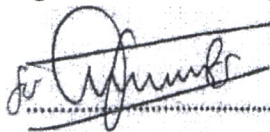
Section 208 of the PFM Regulations of 2015 and pursuant to section 165(5) of the PFM Act, 2012 provides that the accounting officer for a County Corporation shall prepare and submit annual financial and non-financial statements in the format gazetted by the Cabinet Secretary within three months after the end of the financial year to the Auditor-General with copies to the responsible County Executive Committee member and the County Treasury. Section 24(3) of the Kakamega County Investment and Development Agency Limited Act, 2018 also provides that annual accounts of the Corporation shall be prepared, audited and reported upon.

The Accounting Officer of the Agency confirms that the Corporation has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Further the Accounting Officer confirms that the Kakamega County Investment and Development Agency Limited's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

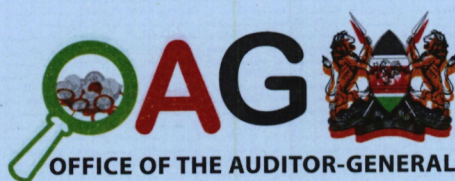
The Agency's financial statements were approved by the Board on 09/02/ 2022 and signed on its behalf by:



.....

**Administrator of the County Public Agency**

# REPUBLIC OF KENYA



*Enhancing Accountability*

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 KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Adverse Opinion**

I have audited the accompanying financial statements of Kakamega County Investment and Development Agency Limited set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial

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*Report of the Auditor-General on Kakamega County Investment and Development Agency Limited for the year ended 30 June, 2022*

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kakamega County Investment and Development Agency Limited 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 do not comply with the Public Finance Management Act, 2012, and the Kakamega County Investment and Development Agency Act, 2018.

### **Basis for Adverse Opinion**

#### **1. Unsupported Use of Goods and Services**

The statement of financial performance reflects an amount of Kshs.14,696,966 in respect of use of goods and services as disclosed in Note 7 to the financial statements. However, supporting schedules were not provided for review.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.14,696,966 could not be confirmed.

#### **2. Unsupported Property, Plant and Equipment**

The statement of financial position reflects Property, plant and equipment balance of Kshs.375,000 as disclosed in Note 15 to the financial statements. However, the balance excludes an amount of Kshs.188,000 relating to a fire proof compact safe that was purchased during the year under review. In addition, depreciation policy and rates for the Agency's assets were not provided in the financial statements.

Further, the Agency did not maintain an updated asset register to reflect the nature or type of asset, date of acquisition, cost, supplier, unique identification code or number, current value, current location, user, accumulated depreciation and net book values.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.375,000 could not be confirmed.

### **Basis for Conclusion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Investment and Development Agency Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial

statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Key Audit Matters**

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

### **Other Matter**

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

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounts of Kshs.19,300,965 and Kshs.14,830,000 respectively, resulting to under-funding of Kshs.4,470,965 or 23% of the budget. Similarly, the statement reflects actual expenditure of Kshs.14,721,966 against approved budget of Kshs.19,300,965 resulting to under-performance of Kshs.4,578,999 or 24% of the budget.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion, section of my report, based on

the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

### **Responsibilities of Management and the Board of Directors**

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 Agency'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 the intention to terminate the Agency or to cease its operations.

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

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

The Board of Directors is responsible for overseeing the Agency's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 controls in order to give an assurance on the effectiveness of internal control, 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 Agency'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 Agency 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 Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL.

**Nairobi**

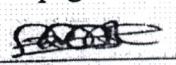
**12 April, 2023**

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

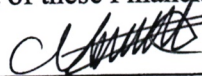
**13. Statement of Financial Performance For The Year Ended 30<sup>th</sup> June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	1	0	0
Transfers From the County Government	2	14,830,000	4,500,000
Fines, Penalties and Other Levies	3	0	0
		<b>14,830,000</b>	<b>4,500,000</b>
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	0	0
Other Income	5	0	0
		0	0
<b>Total Revenue</b>		<b>14,830,000</b>	<b>4,500,000</b>
<b>Expenses</b>			
Employee Costs	6	0	0
Use of goods and services	7	14,696,966	4,233,019
Depreciation and Amortization Expense	8	25,000	0
Finance Costs	9	0	0
<b>Total Expenses</b>		<b>14,721,966</b>	<b>4,233,019</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	10	0	0
<b>Surplus/(Deficit) For The Period</b>		<b>108,034</b>	<b>266,981</b>

(The notes set out on pages 18 to 32 form an integral part of these Financial Statements)

Signed: 

Name: ELIZABETH ASLEHI  
 Administrator of the Agency



Name: AMBOKA COLLINS  
 Agency Accountant  
 ICPAK Member Number: 27716


**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
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**14. Statement of Financial Position As At 30<sup>th</sup> June 2022**

<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	11	15	266,981
<i>Current Portion of Long- Term Receivables From Exchange Transactions</i>	12	0	0
Prepayments	13	0	0
Inventories	14	0	0
<b>Non-Current Assets</b>			
Property, Plant and Equipment	15	375,000	0
Intangible Assets	16	0	0
Long Term Receivables from Exchange Transactions	12	0	0
<b>Total Assets</b>		<b>375,015</b>	<b>266,981</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	17	0	0
Provisions	18	0	0
Current Portion of Borrowings	19	0	0
Employee Benefit Obligations	20	0	0
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation	20	0	0
Long Term Portion of Borrowings	19	0	0
<b>Total Liabilities</b>		<b>375,015</b>	<b>266,981</b>
<b>Net Assets</b>			
Revolving Fund		0	0
Reserves		0	0
Accumulated Surplus		375,015	266,981
<b>Total Net Assets and Liabilities</b>		<b>375,015</b>	<b>266,981</b>

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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 09/02/2022 and signed by:

**Signed:**   
**Name:** ELIZABETH OWEHI  
**Administrator of the Agency**

  
**Name:** AMBOKA COLLINS  
**Agency Accountant**  
**ICPAK Member Number:** 27716

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
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**15. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

<b>Balance As At 1 July 2020</b>	0	0	0	0
Surplus/(Deficit) For the Period	0	0	266,981	266,981
Funds Received During the Year	0	0	0	0
Transfers	0	0	0	0
Revaluation Gain	0	0	0	0
<b>Balance As At 30 June 2021</b>	<b>0</b>	<b>0</b>	<b>266,981</b>	<b>266,981</b>
<b>Balance As At 1 July 2021</b>	0	0	266,981	266,981
Surplus/(Deficit) For the Period	0	0	108,034	108,034
Funds Received During the Year	0	0	0	0
Transfers	0	0	0	0
Revaluation Gain	0	0	0	0
<b>Balance As At 30 June 2022</b>	<b>0</b>	<b>0</b>	<b>375,015</b>	<b>375,015</b>

There were no reserves

Signed: 

Name: ELIZABETH OSIACH  
 Administrator of the Agency




Name: AMBOKA COLLING  
 Agency Accountant  
 ICPAK Member Number: 27716


**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
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**16. Statement Of Cash Flows For The Year Ended 30<sup>th</sup> June 2022**

<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1	0	0
Transfers from the county government	2	14,830,000	4,500,000
Fines, Penalties and Other Levies	3	0	0
Interest received	4	0	0
Receipts from other operating activities	5	0	0
<b>Total receipts</b>		<b>14,830,000</b>	<b>4,500,000</b>
<b>Payments</b>			
Employee Costs	6	0	0
Use of Goods and Services	7	14,696,996	4,233,019
Other payments- Depreciation	8	25,000	0
<b>Net cash flows from operating activities</b>		<b>108,034</b>	<b>266,981</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets	15	(375,000)	0
Proceeds from sale of property, plant & equipment	15	0	0
Loan disbursements paid out		0	0
<b>Net cash flows used in investing activities</b>		<b>(375,000)</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		0	0
<b>Net cash flows used in financing activities</b>		<b>0</b>	<b>0</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>(266,966)</b>	<b>266,981</b>
Cash and cash equivalents at 1 July	11	266,981	0
<b>Cash and cash equivalents at 30 June</b>	11	<b>15</b>	<b>266,981</b>

This Cash flow has been prepared using a direct method.

Signed:   
Name: ELIZABETH ARITHI  
Administrator of the Agency

  
Name: OMWAKA COLLITTI  
Agency Accountant

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**17. Statement Of Comparison Of Budget And Actual Amounts For The Year Ended 30<sup>th</sup> June 2022**

Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Public Contributions And Donations	0	0	0	0	0	0
Transfers From County Govt.	19,300,965	0	19,300,965	14,830,000	4,470,965	77
Interest Income	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
<b>Total Income</b>	<b>19,300,965</b>	<b>0</b>	<b>19,300,965</b>	<b>14,830,000</b>	<b>4,470,965</b>	<b>77</b>
<b>Expenses</b>						
Agency Administration Expenses	0	0	0	0	0	0
General Expenses	19,300,965		19,300,965	14,721,966	5,091,324	74
Finance Cost	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>19,300,965</b>	<b>0</b>	<b>19,300,965</b>	<b>14,721,966</b>	<b>5,091,324</b>	<b>74</b>
<b>Surplus For The Period</b>				<b>108,034</b>		

**Budget notes**

1. The Management recorded a total disbursement from the county treasury receipts amounting to Ksh. 14,830,000 which represents 77%. The balance of Ksh. 4,470,965 was not realized due to the delays of disbursement of funds from the National Treasury. The management thus had no control because of the external causes that led to the unrealized revenue.
2. The management utilized Ksh. 14,721,966 of the Ksh. 14,830,000 leaving a balance of Ksh. 108,034 during the year under review. This was brought about by the delayed fund disbursement that left no time to exhaust the received

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**18. Notes to the Financial Statements**

**1. General Information**

Kakamega County Investment and Development Agency Limited is established by and derives its authority and accountability from Kakamega County Assembly Act. Kakamega County Investment and Development Agency Limited is wholly owned by the Kakamega County Government and is domiciled in Kenya. The entity's principal activity is to create an enabling environment to attract investment and facilitate investors within Kakamega County. This will in turn spur socio-economic development in the County.

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

The Agency'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 Agency. The accounting policies have been consistently applied to all the years presented.

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

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

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

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

**(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

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

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

	<ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

<p>IPSAS 41, Financial Instruments</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>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p>

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

	The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,  <i>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</i></p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

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

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**1. Significant Accounting Policies**

**a) Revenue recognition**

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

Transfers from other government entities

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

**ii. Revenue from exchange transactions**

***Interest income***

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

**b) Budget information**

The original budget for FY 2021-2022 was approved by the County Assembly on 30<sup>th</sup> April 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 the final budget. Accordingly, the Agency recorded additional appropriations of 0 on the FY 2021-2022 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.

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**c) Property, plant and equipment**

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

**d) Intangible Assets**

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

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

**c) 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.

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

**d) 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.

**e) 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.

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***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.

**f) Nature and purpose of reserves**

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

**g) 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.

**h) 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 (an Agency) and will have no legal or constructive obligation to pay further contributions if the Agency 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.

**i) Foreign currency transactions**

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

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

**j) 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.

**k) 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.

**l) Cash and cash equivalents**

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

**m) Comparative figures**

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

**n) Events after the reporting period**

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

**o) Ultimate and Holding Entity**

The entity is a County Public Agency established by PFM Act under the Ministry of Finance, Planning and ICT. Its ultimate parent is the County Government of Kakamega.

**p) Currency**

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

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

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

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

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

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

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

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**6 Notes To The Financial Statements**

**1. Public contributions and donations**

Donation from development partners	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

During this period the Agency did not receive any money from any institution as a donation, since it has not developed any policy or any engagements with other partners for its operations.

**2. Transfers from County Government**

Transfers From County Govt. –Operations	14,830,000	4,500,000
Payments By County On Behalf Of The Entity	0	0
<b>Total</b>	<b>14,830,000</b>	<b>4,500,000</b>

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

Late payment penalties	0	0
Fines	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**4. Interest income**

Interest income from Mortgage loans	0	0
Interest income from car loans	0	0
<b>Total interest income</b>	<b>0</b>	<b>0</b>

**5. Other income**

Insurance recoveries	0	0
Income from sale of tender documents	0	0
<b>Total other income</b>	<b>0</b>	<b>0</b>

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**6. Employee Costs**

Honoraria	0	0
Telephone	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**7. Use of Goods and Services**

Utilities	0	13,975
Communication	327,008	212,250
Local Travel	0	741,300
Publishing, printing and Awareness services	1,401,608	96,345
Hospitality	3,437,361	1,613,199
Maintenance other Assets	2,047,287	991,565
Prefeasibility, appraisals and proposal writing, investment forum	3,040,702	122,400
Accommodation	4,395,100	0
Bank Charges	26,700	8,185
Subscriptions	21,200	433,800
<b>Total</b>	<b>14,696,996</b>	<b>4,233,019</b>

**8. Depreciation and Amortization Expense**

Property Plant and Equipment	25,000	0
Intangible Assets	0	0
<b>Total</b>	<b>25,000</b>	<b>0</b>

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
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**9. Finance Costs**

Interest on Bank Overdraft	0	0
Interest on Loans from Banks	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

Property, plant and equipment	0	0
Intangible assets	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
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**Notes to the Financial Statements Continued**

**11. Cash and cash equivalents**

<i>Fixed Deposits Account</i>	0	0
On – Call Deposits	0	0
Current Account	15	266,981
Others	0	0
<b>Total Cash And Cash Equivalents</b>	<b>15</b>	<b>266,981</b>

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

<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank	1262461561	0	0
Bank	kcb	15	266,981
<b>Total</b>		<b>15</b>	<b>266,981</b>

**12. Receivables from Non-Exchange transaction**

Transfer from County Executive	0	0
Transfer from County Assembly of Kakamega	0	0
<b>Total receivables from non-exchange transactions</b>	<b>0</b>	<b>0</b>

**13 Prepayments**

Prepaid rent	0	0
Other prepayments(specify)	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**14 Inventories**

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Consumable stores	0	0
Spare parts and meters	0	0
<b>Total inventories at the lower of cost and net realizable value</b>	<b>0</b>	<b>0</b>

**KAKAMEGA COUNTY INVESTMENT AND DEVELOPMENT AGENCY LIMITED**  
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**Notes To The Financial Statements (Continued)**

**15. Property, plant and equipment**

<b>At 1<sup>st</sup> July 2020</b>						
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Transfers/Adjustments	0	0	0	0	0	0
<b>At 30<sup>th</sup> June 2021</b>	0	0	0	0	0	0
<b>At 1<sup>st</sup> July 2021</b>	0	0	0	0	0	0
Additions	0	0	0	400,000	400,000	0
Disposals	0	0	0	0	0	0
Transfer/Adjustments	0	0	0	0	0	0
<b>At 30<sup>th</sup> June 2022</b>	0	0	0	0	0	0
<b>Depreciation And Impairment</b>	0	0	0	0	0	0
<b>At 1<sup>st</sup> July 2020</b>	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
<b>At 30<sup>th</sup> June 2021</b>	0	0	0	0	0	0
<b>At 1<sup>st</sup> July 2021</b>	0	0	0	0	0	0
Depreciation	0	0	0	25,000	25,000	0

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Disposals		0	0	0	0	0	0
Impairment		0	0	0	0	0	0
Transfer/Adjustment		0	0	0	0	0	0
<b>At 30<sup>th</sup> June 2022</b>		0	0	0	<b>25,000</b>		<b>25,000</b>
<b>Net Book Values</b>		0	0	0	0		0
<b>At 30<sup>th</sup> June 2021</b>		0	0	0	0		0
<b>At 30<sup>th</sup> June 2022</b>		0	0	0	<b>375,000</b>		<b>375,000</b>

The depreciation rate applied on Computer and Office Equipment is at 25% on reducing balance basis.

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**16 Intangible assets-software**

Description			
<b>Cost</b>		<b>0</b>	<b>0</b>
<b>At beginning of the year</b>		<b>0</b>	<b>0</b>
Impairment loss		0	0
<b>At end of the year</b>		<b>0</b>	<b>0</b>
<b>NBV</b>		<b>0</b>	<b>0</b>

**17 Trade and other payables from exchange transactions**

Description			
Trade payables		0	0
Refundable deposits		0	0
<b>Total trade and other payables</b>		<b>0</b>	<b>0</b>

**18 Provisions**

Description				
Balance at the beginning of the year (1.07.2020)	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilized	0	0	0	0
<b>Balance at the end of the year (30.06.2021)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**19 . Current Portion of Borrowings**

Description			
<b>Balance at beginning of the period</b>		<b>0</b>	<b>0</b>
External borrowings during the year		0	0
<b>Balance at end of the period</b>		<b>0</b>	<b>0</b>

**20 Employee benefit obligations**

Description				
	KShs	KShs	KShs	KShs
Current benefit obligation	0	0	0	0
Non-current benefit obligation	0	0	0	0
<b>Total employee benefits obligation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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**Other Disclosures**

**21. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Agency 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 Agency/scheme is related to the following entities:

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

**b) Related party transactions**

Transfers From Related Parties'	0	0
Transfers To Related Parties	0	0

**c) Key management remuneration**

Board Of Trustees	0	0
Key Management Compensation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**d) Due from related parties**

Due From Parent Ministry	0	0
Due From County Government	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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**Other Disclosures Continued**

**e) Due to related parties**

<i>Due To Parent Ministry</i>	0	0
Due To County Government	0	0
Due To Key Management Personnel	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**22. Contingent assets and contingent liabilities**

Court Case Against The Agency	0	0
Bank Guarantees	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

*(Give details)*

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**Other Disclosures Continued**

**23 Financial risk management**

The Agency's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Agency'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 Agency 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 Agency's financial risk management objectives and policies are detailed below:

**a) Credit risk**

The Agency 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	Fully performing	Substandard	Non-performing	Total
<b>At 30 June 2022</b>					
Receivables From Exchange Transactions	0	0	0	0	0
Receivables From Non-Exchange Transactions	0	0	0	0	0
Bank Balances	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 30 June 2021</b>					
Receivables From Exchange Transactions	0	0	0	0	0
Receivables From Non Exchange Transactions	0	0	0	0	0
Bank Balances	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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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 Agency has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees sets the '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 Agency's 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 Agency 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.

At 30 June 2022				
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
At 30 June 2021				
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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.

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

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

**i. Foreign currency risk**

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

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

At 30 June 2021			
Financial Assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ Receivables	0	0	0
<b>Liabilities</b>			
Trade And Other Payables	0	0	0
Borrowings	0	0	0
<b>Net Foreign Currency Asset/(Liability)</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Agency'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.

2022			
Euro	10%	0	0
USD	10%	0	0
2021			
Euro	10%	0	0
USD	10%	0	0

**ii. Interest rate risk**

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

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**d) Capital risk management**

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

Revaluation reserve	0	0
Revolving fund	0	0
Accumulated surplus	0	0
<b>Total funds</b>	<b>0</b>	<b>0</b>
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
<b>Gearing</b>	<b>0</b>	<b>0</b>

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**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	Issue	Management Comments	Response	Time Frame

No audit was done in the previous year (2020-2021)\* since the Agency started in the year under review therefor no outstanding issues to follow up.