

REPUBLIC OF KENYA



*Paper laid by the  
Leader & majority party  
mpf  
Thursday 28/6/2018*

OFFICE OF THE AUDITOR-GENERAL

28 JUN 2018

REPORT

PARLIAMENT  
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THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
UWEZO FUND

FOR THE YEAR  
ENDED 30 JUNE 2017

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**Uwezo Fund**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)**

# GOK UWEZO FUND

## Reports and Financial Statements

For the year ended June 30, 2017

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### I. KEY INFORMATION

#### Background information

Uwezo Fund was established by Legal Notice No. 21 of the Public Finance Management Act, 2014 of Parliament on 8th September, 2013. At cabinet level, Uwezo Fund is represented by the Cabinet Secretary for Ministry of Public Service, Youth and Gender Affairs, who is responsible for the general policy and strategic direction of Uwezo Fund. The Fund is domiciled in Kenya and administered in all the two hundred and ninety constituencies.

#### Principal Activities

The principal activity of the Fund is to expand access to finances and promote women, youth and persons living with disability led enterprises at the constituency level. The kitty provides mentorship opportunities to enable beneficiaries take advantage of 30% government procurement preference through its Capacity Building Programme. Uwezo Fund is therefore an avenue for incubating enterprises, catalyzing innovation, promoting industry, creating employment, and growing the economy

#### Directors

The Directors who served the entity during the year were as follows:

1.	Wanjiro Gathira	Chairperson	Left on 28 <sup>th</sup> February, 2017
2.	Joseph M. Kirubi, MBS	Head of Secretariat	Appointed on 8 <sup>th</sup> June, 2016
3.	Jumalli Yussuf		Left on 28 <sup>th</sup> February, 2017
4.	Catherine Mootian		Left on 28 <sup>th</sup> February, 2017
5.	Caren Wakoli		Left on 28 <sup>th</sup> February, 2017
6.	Dr. Stanley M. Michuki		Appointed on 1 <sup>st</sup> March, 2014
7.	Nasiuma Kasembeli		Alternate to PS National Treasury
8.	Margaret Ratemo		Alternate to PS Gender
9.	CPA Joyce W. Munyua		Appointed on 20 <sup>th</sup> January, 2017

#### Corporate Secretary

Mr. Joseph Mwangi Kirubi, MBS  
P.O. Box 42009 - 00100  
Nairobi

#### Registered Officer/ Corporate Headquarters

Lonrho House 16<sup>th</sup> Floor  
Standard Street  
P.O. Box 42009 - 00100  
Nairobi, KENYA

# **GOK UWEZO FUND**

## **Reports and Financial Statements For the year ended June 30, 2017**

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### **Corporate Contacts**

Telephone: (254) 776 154 204

E-mail: info@uwezo.go.ke

Website: www.uwezo.go.ke

### **Corporate Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Co - operative Bank of Kenya  
Kimathi Street  
P. O. Box 7512 - 00200  
Nairobi, Kenya
3. National Bank of Kenya Ltd  
Harambee Avenue  
P.O. Box 72866  
City Square 00200  
Nairobi, Kenya
4. Family Bank Ltd.  
P. O. Box 74145 - 00200  
Nairobi, Kenya
5. Equity Bank Ltd.  
P.O. Box 75104 - 00200  
Nairobi, Kenya
6. Consolidated Bank Ltd.  
P. O. Box 51133 - 00200  
Nairobi, Kenya
7. African Banking Cooperation  
P.O. Box 46452 - 00100  
Nairobi, Kenya
8. Chase Bank Ltd  
P. O. Box 66049 - 00800  
Nairobi, Kenya
9. First Community Bank Ltd  
P. O. Box 26219 - 00100  
Nairobi, Kenya

**GOK UWEZO FUND**

**Reports and Financial Statements  
For the year ended June 30, 2017**

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**Independent Auditors**

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






**Principal Legal Advisers**

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

**GOK UWEZO FUND**





**Reports and Financial Statements  
For the year ended June 30, 2017**

**II. THE BOARD OF DIRECTORS**

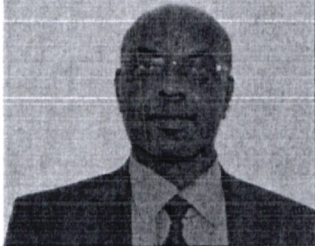





Name	Passport Size Photo	Professional/ Academic Qualifications	Experience
Wanjiru Gathira (Chairperson)		Date of Birth 1966 -Global Executive Master in Business Administration (GEMBA) -Juris Doctor -B.Sc. Business Administration	-21 years
Joseph Mwangi Kirubi, MBS		BA 1985 University of Nairobi	Served as a Director of Administration at the State Department of gender, Experience in Public service administrator
Kasembeli W. Nasiuma		- Date of Birth 1963 MBA - Moi University 2008	25 year experience in Public Financial Management, Currently serving as a Deputy Director of Budget at the national Treasury
Catherine Mootian		- Date of Birth 1986 -BHRM -Advanced certificate in BA	-6years experience in Humanitarian and Youth advocacy
Caren Wakoli		- Date of Birth 1981 -Certificate in Navigating Research Literacies -Master in International Studies -BA Mass Communication and Sociology	18 years' experience in media, civil society and government. Served as Board member in APRM (African Peer Review Mechanism/ NEPAD, NACADA both for 3 years each.

**GOK UWEZO FUND**

**Reports and Financial Statements  
For the year ended June 30, 2017**

<p>Jumali Yussuf</p>		<p>- Date of Birth 1986 -BA Sociology -Advance Diploma in Business Management</p>	<p>-6years experience in Humanitarian and youth advocacy</p>
<p>Dr.Stanley M. Michuki</p>		<p>Date of Birth- Bachelor of Arts in Theology Degree of Doctor in Divinity</p>	<p>Currently the President of Kenya National Congress of Pentecostal Churches</p>
<p>Margaret N. Ratemo</p>		<p>Date of Birth 1968 Master degree in labour Management –UON and certificate in Strategic Leadership Development Programme Member of Institute of Human Resource management</p>	<p>25 years' experience in Public service, Currently serving as the Director of Human Resource management at the State Department of Gender</p>
<p>Joyce Wanjiru Munyua</p>		<p>Date of Birth 1970 Msc Commerce (Finance and Investment)-Ongoing BCOM and CPA(K) and Member of ICPAK</p>	<p>18years of experience as Accountant; Public and Private sectors. Currently serving as Chief Accountant at APDK</p>

III. MANAGEMENT TEAM

	Name	Passport Size Photo	Professional/Academic Qualifications	Area of Responsibility
1	Joseph Mwangi Kirubi, MBS		BA University of Nairobi 1985	Head of Secretariat
2	Gad Etyang		B. Arts The University Of Nairobi 1992, Higher Dip HRM, TOT, Member IHRM, Trained in Corporate Governance	Human Resource
3	Naumy J. Kemboi		MBA Finance & Banking, Moi University CPA(K) Strathmore University Member of ICPAK & AWAK	Finance & Accounts
4	Justus I. Nyaga		B. Com Daystar University Diploma in Purchasing and Supplies. Member KISM	Supply Chain Management
5	Peter Lengapiani		MBA, B.Com, CPA (K)	Programmes
6	Samuel N.Muhami		MBA(Finance) B.Com(Finance) CPA (K). Member of ICPAK Member of IAA	Audit and Risk Management

**IV. CHAIRMAN'S STATEMENT**

I am delighted to present the annual report of Uwezo Fund Oversight Board for the year ended 30<sup>th</sup> June, 2017. Uwezo Fund Oversight Board has made tremendous progress towards realizing of its mandate.

As we are all aware, women and youth form majority of the population in Kenya. However, the majority of them remain vulnerable since they lack capital for investments and collaterals for accessing credits. Uwezo Fund has provided timely and appropriate solution to this perennial challenge by providing access to interest free loans, as well as mentorship opportunities to enable them take advantage of 30% government procurement opportunities, reserved for the youths, women and People living with disabilities (PWDs).

Uwezo Fund Oversight Board is proud to be associated with the immense achievements made towards expanding access to finances in the promotion of youth, women and persons living with disabilities businesses and enterprises at the constituency level for economic growth towards the realization of sustainable development goals and vision 2030.

During the Financial Year 2016/2017, the Board is proud to have overseen the development of policies and guidelines that provided direction to the Fund. This has enabled the smooth implementation of the Fund's mandate.

The Ministry of Public Service, Youth and Gender Affairs has continually offered technical and policy guidance and support that have seen the successful implementation of the Fund's mandate. This support cannot go unnoticed, as it has extensively ensured that Uwezo Fund Oversight Board has stood on its feet and implemented its programme effectively.

I wish to thank H.E the President of the Republic of Kenya, Hon. Uhuru Kenyatta, CGH, and The Deputy President, H.E. William Ruto for initiating Uwezo Fund which has become an implausible reality to the youth, women and persons with disabilities' involvement in gainful economic activities

Finally, I wish to thank my fellow Board members for giving me support in providing guidance and leadership to the Board. The management and staff who are deployed to the Board have worked tirelessly and I greatly commend them on behalf of the Board.



**Dr. Stanley M. Michuki  
(Chairperson)**

# GOK UWEZO FUND

## Reports and Financial Statements For the year ended June 30, 2017

### V. REPORT OF THE ADMINISTRATOR OF THE FUND

It is a great honour to present the annual report for Uwezo Fund Oversight Board. This report highlights the milestones achieved by the Board during the Financial Year 2015/2016.

Uwezo Fund Oversight Board has so far disbursed Kshs. 5,854,000,004 to all the 290 constituencies countrywide. The Board is delighted to report that out of this amount, the Fund has disbursed a total of Kshs 5,459,342,911 to 61,962 groups comprising 34,360 women groups, 19,461 youth groups and 1,423 PWD groups. Various Constituencies have started revolving funds allocated through recovering the loans from the Fund beneficiaries and financing new groups. So far the Fund has recovered a total of Kshs.946, 522,479.

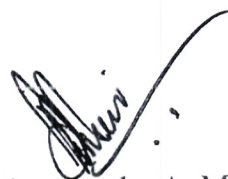
The capacity building programme of the Fund has seen all the funded groups trained, mentored and linked to various Business Development Services available in their constituencies. Further, through the table banking model, the Fund has enhanced the saving culture among the beneficiary groups. Table banking, by its very design ensures that persons with disabilities, women and youth groups are able to employ the available resources for credit, while promoting and sustaining a saving culture amongst them. Uwezo Fund acts as a boost to the groups' contributions. These efforts, coupled with a robust capacity building and mentorship framework will propel the expected impacts into perpetuity and spur culture of saving.

The overwhelming number of applications for Uwezo Fund across the country is proof that increased Funding will go a long way in ensuring comprehensive transformation of enterprises owned by youth, women and PWDs in the country. To date the Board has received over 65,000 applications for the Fund.

Despite the significant strides attained thus far, the Fund has encountered challenges. The main challenges being the overwhelming number of applications received at Constituency level vis-a-vis the Funds allocated to Constituencies. I believe that increased Funding would sufficiently address these challenges.

The impressive performance of the 2016/2017 would have not have been made possible without the continued commitment and dedication of the secretariat team who are deployed to the Board. I therefore wish to thank them for their loyalty and hard work.

Finally, I wish to thank the Members of Board for their valued counsel, timely guidance and decision making that enabled us to deliver the impressive results.



Mwanamaka A. Mabruki, CBS  
(Principal Secretary)

**VI. CORPORATE GOVERNANCE STATEMENT**

Uwezo Fund recognize Corporate Governance to be central towards meeting its objectives. In order to achieve long-term success of the Fund, the Board has ensured consistent maintenance and practice application of good corporate governance practices. The Fund continue to comply with the Corporate Governance Guidelines as prescribed by the State Corporations Advisory Committee (SCAC) being the primary regulatory body of state corporations and ascribe to the ethical standards as set out by the Public Officer Ethics Act.

**The Board of Directors**

Uwezo Fund is governed by a Board of Directors each of whom is appointed by the Cabinet Secretary, Ministry of Public Service Youth and Gender Affairs (MOPSYG) with the exception of the Chairperson and the Principal Secretaries (PSs) in the MOPSYG and the National Treasury. The Chairperson is nominated by the Cabinet Secretary and appointed by the President. The Board is accountable to the Kenyan citizens and the MOPSYG for the overall performance and is collectively responsible for the long-term success of the Fund. The Board achieves such success by developing relevant guidelines to direct the operations, ensures that the Fund manages risks effectively and monitors Fund's performance and reporting.

**Board Charter**

The Fund has developed a draft Board Charter awaiting recommendations and approval by the Board. It defines roles, responsibilities and functions of the Board as provided in governance of the organization.

**Board and Committee Membership**

The Board currently comprises of seven members, two of whom are Principal Secretaries or representatives from MOPSYG and National Treasury and five Independent Non-Executive Directors including the Fund Chairperson. The Board's size and composition is determined by the Public Finance Management (Uwezo Fund) regulations, 2014, Board Charter and Mwongozo. Full details of the current Board members, their qualifications, skills, experience and tenure are indicated on pages (v) and (vi) of the 2017 Reports and Financial Statements. The current Committee membership of the Board is as set out below:

	Director	Board	Committees		
			Finance and Administration	Programmes and Publicity	Audit and Risk Management
1.	Wanjira Gathira	Chairperson Independent	N/A	N/A	N/A
2.	Jumali A. Yussuf	Independent	√ (C)	√	
3.	Caren Wakoli	Independent	√	√ (C)	
4.	Stanley Michuki	Independent	√	√	
5.	Catherine Mootian	Independent		√	√
6.	* Margaret Ratemo	Representative	√	√	

# GOK UWEZO FUND

## Reports and Financial Statements For the year ended June 30, 2017

		PS - MOPSYG			
7.	* Kasembeli W. Nasiuma	Representative PS – National Treasury	√		√
8.	Joseph M. Kirubi	Head of Secretariat (Ex-Officio and Secretary to the Board)			

*\* Deemed as non-independent by virtue of being the representatives of the Principal Secretaries Ministry of Public Service Youth and Gender and The National Treasury. √ (C) – Chairman to the Committees*

The Board held 3 full board meetings and 8 committee meetings.

### Constituency Uwezo Fund Management Committees (CUFMC's)

The activities of the Fund at the constituency level, are carried out by Constituency Uwezo Fund Management Committees (CUFMC's) which consist of four government representatives and nominees from each ward by the Constituency Member of Parliament and other three nominees by the County Member of Parliament representing Women, Youth and PWD.

### Secretariat

The Fund is managed by the secretariats for the Board and for each of the constituencies. The Cabinet Secretary MOPSYG has deployed 32 members of staff from various Government Ministries, Departments and Agencies to the Board's secretariat. The Constituency Development Fund Manager, Sub-county Youth Development Officer and the Sub-County Development Officers provide secretariat services to the constituency committees.

### Succession planning:

Succession planning is an integral part of the continuity of an Organization. The Fund has achieved this by staggering and varying appointments of Directors of the Board. This has ensured that the activities of the board are not interrupted.

### Induction and Training

The Fund inducted and trained the Board Members on corporate governance to equip them with the requisite skills and competences on board operations and governance issues.

### Conflict of interest:

The Board maintains conflict of interest register which is available during Board meetings.

**VII. MANAGEMENT DISCUSSION AND ANALYSIS**

**Operational and financial performance for year 2016/2017**

For the year under review, the government made a budgetary allocation of kshs. 682,875,000: kshs. 500,000,000 for capital loan fund and kshs.182, 875,000 for recurrent operations. The Fund received full funding through, the mother State Department of Gender Affairs. This was put together with the reserves brought forward amounting of Kshs. 476, 367,628: Kshs. 413,223,024.65 Development and Kshs. 63,144,603.35 Recurrent, resulted into available fund's budget of Kshs. 1,159,242,628, out of which, a total of kshs.813, 200,000 was disbursed to constituencies: Development loan fund transfers totaled kshs. 500,000,000 that were to be given to vetted beneficiary groups while kshs. 313,200,000 were to facilitate CUFMCs in execution of their mandates.

The head office was left with Kshs. 346,242,628 to support administrative operations and capacity building to beneficiaries. During the year Kshs. 140,720,776 was utilized.

The Fund revolved Kshs. 494,122,762 of the Capital Loan Grant in 112 constituencies.

**3. Fund's compliance with statutory requirements**

The Fund complied with the prevailing regulations and circulars issued by the National Treasury from time to time. In turn the Fund, relevant guidelines were issued to the constituencies to enhance compliance.

**4. Major risks facing the organization**

Risks facing the Fund have been identified as:

- (a) Credit risk-Beneficiary groups have been defaulting in making loan repayments
- (b) Staff risk-The staff working at the Secretariat are deployed from various government Ministries Government departments and Agencies (MDAs). Similarly, officers spearheading operations of the Fund in all the 290 constituencies are not employees of the Fund. The acute shortage of staff has generally adversely affected the performance of the Fund.
- (c) Political and Legislative risk: - Establishment of Uwezo fund was done through a Legal Notice and not through an Act of Parliament. Due to the shaky legislation, politicians may interfere with the existence of the Fund.
- (d) Sustainability risk: - Failure to recover the loans from the beneficiary groups so as to lend to other potential groups may cause failure in realization of the mission of the Fund.
- (e) Disaster and data loss risk: - In all its operations, the Fund basically operate on manual system platform. In case of disaster eventuality, crucial information and documents would be lost.

## VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Uwezo Fund has been committed to Corporate Social Responsibility (CSR) through its contribution to economic development and the general welfare of the society at large – which is its primary stakeholder. The CSR policy ensures that the Fund acts in the broad interest of society and supports on-going and new development initiatives by ensuring that the operations of the Board are undertaken in a responsible manner at all times for the benefit of our beneficiaries, staff, suppliers and the community.

We recognize that Corporate Social Responsibility (CSR) is increasingly important to our stakeholders and are fundamental to the continued success of the implementation of the objectives and mandate of the Fund. Hence there is need of integrating our operations to meet the expectations of our stakeholders, maintain good rapport and recognize the importance of giving back to the society.

As part of its CSR initiatives, the Board has continually engaged in activities that impact positively on the social economic environment in various categories that include, amongst others, the environment and education. It is in the context that the Fund undertook a programme aimed at; achieving environmental conservation by planting mangrove tree seedlings in the Arabuko-Sokoke Forest, and other drought-resistant varieties in public primary schools in - Mpirani, Matolani, Mangororo, Mwaputa, Makangeni and Mbonga, in Ganze, Rabai and Kaloleni Constituencies. This programme was organized in conjunction with Kenya Forestry Service who gladly hosted and guided the tree planting exercise. The local community living around Arabuko-Sokoke was invited to join in the tree planting exercise.



*Members of staff and the community planting Mangroove tree seedlings in the Arabuko-Sokoke Forest, and other drought*

# GOK UWEZO FUND

## Reports and Financial Statements For the year ended June 30, 2017

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### IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended June 30, 2017 which show the state of the Uwezo Fund affairs.

#### Principal activities

The principal activity of the Fund is to provide affordable loans to women, youth and persons living with disability led enterprises at the constituency level. It also provides mentorship opportunities to enable the beneficiaries take advantage of the 30% government procurement preference through its Capacity Building Programme. Uwezo Fund, therefore, is an avenue for incubating enterprises, catalysing innovation, promoting industry, creating employment, and growing the economy.

#### Results

The results of the entity for the year ended June 30, 2017 are set out on page 1 to 16. is summary of the savings or deficit during the year.

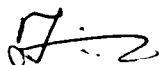
#### Directors

The members of the Board of Directors who served during the year are shown on pages (v) to (vii). In accordance with section 4 of The Public Finance Management (Uwezo Fund) Regulations, 2014, however the terms of Ms Wanjiru Gathira, Ms Catherine Mootian, Ms Caren Wakoli and Mr. Jumali Yussuf who were appointed on 1<sup>st</sup> of March 2013 expired on 28<sup>th</sup> of February 2017 and there was no renewals for reappointment.

#### 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.

By Order of the Board



Uwezo Fund  
Head of Secretariat  
Nairobi  
Date 15<sup>th</sup> August, 2017

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 11(e) of the Public Finance Management (UWEZO FUND) Regulations, 2014, require the Directors to prepare financial statements in respect of Uwezo Fund, which give a true and fair view of the state of affairs of Uwezo Fund at the end of the financial year and the operating results of the Fund the financial year. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the fund.

The Directors are 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, 2017. 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 entity; (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 Directors accept responsibility for Uwezo Fund financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and The Public Finance Management (Uwezo Fund) regulation, 2014. The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2017, and of the fund's financial position as at 30<sup>th</sup> June, 2017. The Directors 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. Nothing has come to the attention of the Board that Uwezo Fund will not be a going concern for the next 12 months from the date of this statement.

Approval of the financial statements

The Uwezo Fund's financial statements were approved by the Board on 30/11/2017 2017 and signed on its behalf by:

  
Chair, Finance and Administration

  
Chair, Programmes,  
Complaints and Publicity

  
Chair, Audit and Risk Management

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON UWEZO FUND FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Disclaimer of Opinion

I have audited the accompanying financial statements for Uwezo Fund set out on pages 1 to 25, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

##### Basis for Disclaimer of Opinion

##### 1. Accuracy of the Financial Statements

(i) The first and final sets of financial statements for the year ended 30 June 2017 submitted for audit exhibited unexplained account balances movement as detailed below:

Account Name	Balance as per final set of financial statements	Balance as per the initial set of financial statements	Unexplained movement/adjustments
	Kshs.	Kshs.	Kshs.
Note 7: Constituency Administration Costs	46,121,430 52,785,423	145,211,430 52,348,640	99,094,832 436,783

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*Report of the Auditor-General on the Financial Statements of Uwezo Fund for the Year Ended 30 June 2017*

-Balance Brought Forward			
-Unutilized Funds (Bank Balance)			
<b>Note 9: Loans to Groups</b>	500,000,000	657,390,839	157,390,839
	295,738,028	285,099,061	10,638,967
- CBK Balance	1,126,785,244	1,114,572,531	12,212,713
- Balance in Main A/c			
- Balance in Repayment A/c			
<b>Bank and Cash Balances</b>	2,412,412,986	2,389,124,523	23,288,463
<b>Current Liabilities</b>	58,295,837	0	58,295,837

(ii) Further the current liabilities balance of Kshs.58,295,837 as at 30 June 2017 was not supported by any relevant documents.

In view of the above unexplained movement/adjustments in the account balances, the accuracy of the financial statements can not under the circumstances be confirmed.

## 2. Bank and Cash Balances

2.1. During the year under review, the Fund maintained bank accounts for each sub-county which were distributed over nine commercial banks and had bank balances amounting to Kshs. 1,475,308,695 as at 30 June 2017, and as disclosed in Note 11 to the financial statements. However, the management did not prepare bank reconciliation statements for the sub county treasuries bank accounts.

2.2. The following anomalies have also been noted with regard to bank and cash balances of Kshs. 2,412,412,986 as at 30 June 2017 as reflected in the statement of financial position and disclosed under Note 11 to the financial statements:

- (i) The main Co-operative Bank of Kenya account reconciliation statement reflects stale cheques totalling Kshs. 235,038 some dating back as far as June 2014. No explanation has given for this anomaly.
- (ii) The Fund had three accounts in Chase Bank for Machakos Constituency - Main Account, Loan Repayment Account and Administration Account with

balances of Kshs. 2,834,972, Kshs. 6,220,652 and Kshs. 4,192 respectively, all totalling Kshs. 9,059,816 as of 30 June 2017. The total amount in these accounts as at the end of the previous financial year was Kshs. 3,901,940. It is, therefore, apparent the management continued to transact with Chase Bank even after the institution was placed under statutory management by the Central Bank of Kenya on 7 April 2016 thereby increasing the risk of loss of the funds. Recovery of these amounts is contingent upon the bank reverting to its normal operations.

- (iii) Board of survey certificates as at 30 June 2017 and cash books for the nine sub counties treasuries bank accounts were not provided for audit examination.
- (iv) The bank and cash balances of Kshs. 2,412,412,986 as at 30 June 2017 included a balance of Kshs. 52,785,423 claimed to be amounts transferred to constituencies and which remained unutilized and cash in transit balance of Kshs. 175,500,000 as disclosed under Note 7 to the financial statements. However, the balances of Kshs. 52,785,423 and Kshs. 175,500,000 were not supported by any relevant and verifiable documents. Consequently, the validity and existence of the amounts as at 30 June 2017 can not be confirmed.
- (v) Bank balances schedules for some constituencies provided for audit had unexplained nil balances while related bank certificates reflected the following balances:

Name of Constituency	Main Account (Kshs.)	Administrative Account (Kshs.)	Repayments Account (Kshs.)	Total Kshs.
Langata	443,851.00	242,235.00	2,706,376.05	3,392,462
Tinderet	659,926	4,570	5,489,665	6,153,861
Kipkelion West	57,246.00	5,595.00	5,576,787.00	5,639,628
Mwatate			4,419,060.00	4,419,060
<b>Total</b>	<b>1,160,723</b>	<b>252,400</b>	<b>18,191,888</b>	<b>19,605,011</b>

- (vi) The balances confirmed by the bank for Kipkelion East were different from the amount used in the preparation of the financial statements.

<b>Balance per financial statements in Kshs.</b>	57,246	5,797	5,576,787
<b>Balance per bank certificate in Kshs.</b>	3,865,906	181,595	4,029,869
<b>Unexplained difference in Kshs.</b>	(3,808,660)	(175,798)	1,546,918

Under the circumstances, it has not been possible to ascertain whether all cash transactions made during the year were accurately processed and whether the balances of bank and cash of Kshs. 2,412,412,986 as at 30 June 2017 are complete and accurate.

### **3. Loans to Groups**

The statement of financial position as at 30 June 2017 reflects outstanding loans to groups of Kshs. 3,931,876,732. As disclosed in Note 9 to the financial statements, the figure has been derived by taking the initial National Government capital grant amount of Kshs. 5,854,400,004 and netting off the amount of monies presumably held in the CBK and main bank accounts amounting to Kshs. 795,738,028 and loan monies held in the repayment account amounting to Kshs. 1,126,785,244 all of which were not supported.

Further, there were no debtors' ledgers detailing loans issued by the Fund since inception and repayments made over the years on account of any loans recovery. There was also no comprehensive loan listings and/ or aging analysis in support of outstanding loans.

Consequently, the accuracy, validity and recoverability of the groups loans balance of Kshs. 3,931,876,732 can not be confirmed.

### **4. Work-In-Progress**

The statement of financial position reflects under current assets Work-In-Progress amounting to Kshs. 19,522,765. As disclosed in Note 10 to the financial statements, the amount represents 40% part payment in respect of an Enterprise Resource Planning (ERP) software procured and contracted for in the year 2015/2016. The supply, installation and commissioning of the software is yet to be made even though the 40%-part payment was made over two years ago.

Information available for audit indicates that the implementation of the ERP which was contracted at a sum of Kshs. 48,806,912 has been called off even though there is a valid contract between the Fund and the supplier. Further, the recoverability and utilization of the part payment of Kshs. 19,522,765 is doubtful given that the Fund management appears to have stopped the implementation of the software. The value for money received by the Fund in respect of the software can not under the circumstances be ascertained.

Further, contrary to the requirements of International Public Sector Accounting Standard (IPSAS) No. 31- Intangible Assets, the cost of the ERP software has been treated as work-in- progress and classified under current assets instead of non- current assets. No justification has been provided for this accounting treatment.

The validity, existence and accuracy of work-in-progress balance of Kshs. 19,522,765 cannot, therefore, be confirmed.

## **5. Administration Costs – Transfers to Constituencies**

The statement of financial performance for the year ended 30 June 2017 reflects administration costs - transfers to constituencies figure of Kshs. 131,036,007 which was not supported by any documentary evidence. As disclosed in Note 7 to the financial statements, the figure has been derived after taking into account unsupported opening balance figure of Kshs46,121,430 and transfers during the current year of Kshs. 313,200,000, respectively and reducing the total amount with the unsupported unutilized funds – bank balance of Kshs. 52,785,423 and cash in transit balance of Kshs. 175,500,000, respectively.

Under the circumstances, it has been not possible to verify and confirm the accuracy of administration costs - transfer to constituencies figure of Kshs. 131,036,007 for the year ended 30 June 2017.

## **6. Outstanding Imprests**

The financial statements for the year ended 30 June 2017 at Note 12 shows outstanding staff imprests balance of Kshs. 5,385,476. However, the imprests register was not provided for audit review and imprests totalling Kshs. 807,760 were issued to persons whose details, personal numbers and job groups, were not indicated in the imprests schedule.

In addition, a total of Kshs. 1,176,998 was in respect to officers who have already left the service, making recovery doubtful. No provision for impairment of the same has been included in these financial statements.

Under the circumstances, it has not been possible to verify and confirm whether the balance of Kshs.5,385,476 as at 30 June 2017 is fairly stated.

## **7. Non-Disclosure – Contribution in Kind of Staff Compensation**

The Fund has thirty two officers working on a full time basis drawn from various ministries and who continue to draw their salaries from their parent ministries. The financial statements of the Fund have, however, not taken into account the donation or contribution in kind received from the ministries in form of staff salaries of Kshs. 27,180,516 for the financial year ended 30 June 2017.

## **8. Board of Directors- Composition and Meetings**

Out of the seven directors who served in the Board of the Fund during year under review, five were independent non-executive and four of the seven ceased being directors on 28 February 2017. There has been no replacement or extension of their terms which could easily impact on the strategic decision making of the Fund. Further, the Board held only three full board meetings contrary to the Code of Governance for State Corporations, 2015 which requires the Board of Directors to hold a minimum of four meetings.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Uwezo Fund ability to sustain services, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

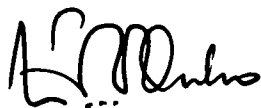
The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## **Auditor-General's Responsibilities for the Audit of the Financial Statements**

My responsibility is to conduct an audit of the Uwezo Fund financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of Uwezo Fund in accordance with ISSAI 30 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.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**13 June 2018**

**GOK UWEZO FUND****Reports and Financial Statements  
For the year ended June 30, 2017****XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE, 2017**

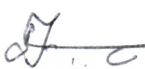
	Note	2017 Kshs	2016 Kshs
<b>REVENUES</b>			
Grants from National Government	1	182,875,000	826,361,600
Other Income	2	6,780	36,300
<b>TOTAL REVENUES</b>		<b>182,881,780</b>	<b>826,397,900</b>
<b>OPERATING EXPENSES</b>			
Use of goods and Services	3	117,945,487	152,824,991
Staff Costs	4	4,970,900	13,099,406
Directors Costs	5	4,544,155	15,416,840
Finance Costs		-	248,670
Depreciation of property, plant and equipment	6	20,650,697	11,872,368
Capacity Building Expenses		-	106,329,744
Administration Costs - Transfers to Constituencies	7	131,036,007	145,216,262
<b>TOTAL OPERATING EXPENSES</b>		<b>279,147,246</b>	<b>445,008,281</b>
<b>FUND DEFICIT FOR THE YEAR</b>		<b><u>(96,265,466)</u></b>	<b><u>381,389,619</u></b>

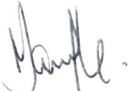
Notes set out on pages 8 to 21 form integral part of the Financial Statements

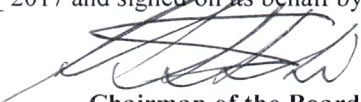
**GOK UWEZO FUND****Reports and Financial Statements  
For the year ended June 30, 2017****XII. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE, 2017**

	Note	2017 Kshs	2016 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	8	49,003,433	75,916,659
Loans to Groups	9	3,931,876,732	3,999,463,571
<b>Total Non-Current Assets</b>		<b>3,980,880,165</b>	<b>4,075,380,230</b>
<b>Current Assets</b>			
Work - In - Progress (ERP)	10	19,522,765	-
Bank and cash balances	11	2,412,412,986	1,877,425,470
other receivables from non-exchange transactions	12	5,385,476	3,365,301
<b>Total Current Assets</b>		<b>2,437,321,227</b>	<b>1,880,790,771</b>
<b>CURRENT LIABILITIES</b>			
Current Liabilities	13	(58,295,837)	-
<b>Total Non-Current Assets</b>		<b>( 58,295,837)</b>	<b>-</b>
		<b>6,359,905,555</b>	<b>5,956,171,021</b>
<b>EQUITY AND LIABILITIES</b>			
Loan capital Fund	14	5,854,400,004	5,354,400,004
Surplus Carried Forward	15	505,505,551	601,771,017
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,359,905,555</b>	<b>5,956,171,021</b>

The financial statements were approved by the Board on \_\_\_\_\_ 2017 and signed on its behalf by:

  
**Head of Secretariat**  
**Name:** Joseph Mwangi  
 Kirubi, MBS

  
**Head of Finance**  
**Name:** CPA Naumy J. Kemboi  
**ICPAK M/NO:** 5787

  
**Chairman of the Board**  
**Name:** Dr. Stanley Michuki

**GOK UWEZO FUND****Reports and Financial Statements  
For the year ended June 30, 2017**

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**XII. STATEMENT OF CHANGES IN EQUITY**

<b>2015</b>	<b>GOK Loan Grants - Capital Fund</b>	<b>Accumulated Retained Earnings</b>	<b>Total</b>
<b>At July 1, 2015</b>	<b>5,354,400,004</b>	<b>220,381,398</b>	<b>5,354,400,004</b>
Additions During the Year	-	381,389,619	381,389,619
<b>At June 30, 2016</b>	<b>5,354,400,004</b>	<b>601,771,017</b>	<b>5,956,171,021</b>
<b>2016</b>			
<b>At July 1, 2016</b>	<b>5,354,400,004</b>	<b>601,771,017</b>	<b>5,956,171,021</b>
Additions During the Year	500,000,000	-	500,000,000
Deficit for the Year	-	(96,265,466)	(96,265,466)
<b>At June 30, 2017</b>	<b>5,854,400,004</b>	<b>505,505,551</b>	<b>6,359,905,555</b>

**GOK Loan Grants – Capital Fund** Refers to Funds disbursed to Constituencies to be loaned to screened groups.  
**Accumulated Retained Earnings** relates to savings realised from operation

**Reports and Financial Statements  
For the year ended June 30, 2017**

**XIII. STATEMENT OF CASH FLOWS**

	Note	2017 Kshs	2016 Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
GOK Grants	1.	182,875,000	826,361,600
Other Income (AIA)	2.	6,780	36,300
		<u>182,881,780</u>	<u>826,397,900</u>
<b>PAYMENTS</b>			
Use of goods and Services	3.	117,945,487	152,824,991*
Staff costs	4.	4,970,900	13,099,406
Directors Costs	5.	4,544,155	15,416,840
Training Expenses		-	106,329,744
Other capital Grants and Transfers	7.	131,036,007	145,216,262
Finance Costs			248,670
		<u>258,496,549</u>	<u>433,135,913</u>
<b>Cash used in operating activities</b>		<b>(75,614,769)</b>	<b>393,261,987</b>
Increase in Receivables	16. (a)	2,020,175	1,342,384
Increase in Payables	13.	58,295,837	-
<b>Net Cash used in operating activities</b>	16. (b)	<b>(19,339,107)</b>	<b>391,919,603</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	8. (b)	(13,260,236)	(45,860,223)
Decrease in non - current Receivables	16. (c)	67,586,859	(462,168,726)
<b>Net cash used in investing activities</b>		<b>54,326,623</b>	<b>(508,028,949)</b>
<b>FINANCING ACTIVITIES</b>			
Grant for Capital Loan Fund from GOK	16. (d)	500,000,000	-
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>534,987,516</b>	<b>(116,109,346)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,877,425,470</b>	<b>1,993,534,816</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	16. (e)	<b><u>2,412,412,986</u></b>	<b><u>1,877,425,470</u></b>

*Use of goods and Services – Kshs. 152,824,991\* had inadvertently erroneously reported as Kshs. 168,241,831 with no casting error. Increase in receivables had been over casted and reported as Kshs. 1,342,384 hence understating cash and cash equivalents at the beginning of year by Kshs. 216,333 it has now been corrected.*

Reports and Financial Statements  
For the year ended June 30, 2017

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30 JUNE 2017

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage difference	statement of variations
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017	
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>	
Transfers from the Government	682,875,000	-	682,875,000	682,875,000	-	-	N/A
Other income		6,780	6,780	6,780	-	100	N/A
<b>Total income</b>	<b>682,875,000</b>	<b>6,780</b>	<b>682,881,178</b>	<b>682,881,178</b>	<b>-</b>	<b>0</b>	<b>N/A</b>
<b>Expenses</b>							
Personal Allowance-Paid as part of Salary	21,224,674		21,224,674	4,970,900	16,253,774	77	The expected approval for Staff salary Top-up within the year was not provided Request for staff to be paid a revised extraneous allowances is still pending approval
Utilities Supplies and Services	2,400,000		2,400,000	1,741,665	658,335	27	Austerity measures cutting down expenditure on the line item
Communication, Supplies and Services	3,827,200		3,827,200	2,599,240	1,227,960	32	Austerity measure cutting down expenditure on line item
Domestic Travel and subsistence, and other transportation Costs	82,620,340		82,620,340	33,478,086	49,142,254	59	Austerity measures cutting down expenditure on the line item hence fewer field activities
Foreign Travel and Subsistence, and other transportation Costs	7,000,000		7,000,000		7,000,000	100	Austerity measures cutting down expenditure on this line item, hence no foreign travel
Printing, Advertising and Information Supplies and Services	61,881,734		61,881,734	50,841,705	11,040,029	18	Austerity measures, hence Food shows and talks meant to scale up sensitization on the about the Fund were not conducted
Training Expenses	25,162,829		25,162,829	1,019,060	24,143,769	96	Members of staff applied for the trainings, however MHRMC had not approved by the end of the year.
Hospitality Supplies	44,192,000		44,192,000	8,111,503	36,080,497	82	Austerity measures cutting

**Reports and Financial Statements  
For the year ended June 30, 2017**

and Services									down expenditure on the line item, hence conferences for monitoring and evaluation exercises in the constituencies were not done.
Insurance Costs	4,800,000	4,800,000		4,800,000		4,800,000	100		The Fund stopped insuring GOK vehicles
Specialized Materials and Supplies	1,280,000	1,280,000		1,280,000		1,280,000	100		Austerity measure cutting down expenditure
Office and General Supplies and Services	2,600,000	2,600,000		2,600,000	1,198,566	1,401,434	54		Austerity measures cutting down expenditure
Fuel Oil and Lubricants	10,000,000	10,000,000		10,000,000	3,431,968	6,568,032	66		Austerity measures cutting down expenditure on various line items resulting into fewer activities, hence savings on fuel and lubricant costs
Other Operating Expenses	14,460,000	14,460,000		14,460,000	9,675,741	4,784,259	33		
Routine Maintenance-Vehicles and Other Transport Equipment	11,244,400	11,244,400		11,244,400	1,995,081	9,249,319	82		Austerity measures cutting down expenditure on various line items resulted into fewer field activities, hence savings maintenance costs
Routine Maintenance -Other Assets	1,430,000	1,430,000		1,430,000	335,884	1,094,116	77		Austerity measures cutting down expenditure
Refurbishment of Buildings	4,000,000	4,000,000		4,000,000		4,000,000	100		The expected increase in the office space hence refurbishment was not done, due to non-availability of the space.
Purchase of Vehicles and Other Transport Equipment	14,000,000	14,000,000		14,000,000	11,600,000	2,400,000	17		The actual cost, after negotiation, came down by Kshs. 2.4 Million the realized savings.

**GOK UWEZO FUND**

**Reports and Financial Statements  
For the year ended June 30, 2017**

Purchase of Office Furniture and General Equipment	3,765,000		3,765,000	1,660,236	2,104,764		56	The expected additional office space required furniture, since it was not procured, no furniture were purchased.
Purchase of Specialized plant, Equipment and Machinery	5,421,000		5,421,000		5,421,000		100	Austerity measures cutting down expenditure on various activities led non-emergency of PABX machine, Camera and connection to GCNN to be procured within the year
Facilitation to CUFMCs	313,200,000		313,200,000	313,200,000		-		N/A
Other Capital Grants and Transfers	500,000,000		500,000,000	500,000,000		-		N/A
Rent paid	24,733,200	-	24,733,200	8,061,142	16,672,058		67	The expected increase in office space was not obtained due to non-availability, hence savings on rent.
Total expenditure	682,875,000	6,780	682,881,780	953,920,776	(271,038,996)		18	In general Austerity measures cutting down expenditures on various line items resulted into the overall net savings over 10%
Balance B/F	476,367,628		476,367,628		476,367,628			
<b>TOTAL</b>	<b>1,159,242,628</b>	<b>6,780</b>	<b>1,159,249,408</b>	<b>953,920,776</b>	<b>205,328,632</b>			

PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

## GOK UWEZO FUND

### Reports and Financial Statements

For the year ended June 30, 2017

#### XVII. NOTES TO THE FINANCIAL STATEMENTS

##### 1. GENERAL INFORMATION

Uwezo Fund is established by and derives its authority and accountability from The Public Finance Management Act No. 18 of 2012 and The Public Finance Management (Uwezo Fund) Regulations, 2014. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to:-

- (a) Expand access to finances in promotion of youth and women business and enterprises at the constituency level for economic growth towards the realization of the goals of vision 2030;
- (b) To generate gainful self-employment for the youth and women; and
- (c) To model an alternative framework in funding community driven development.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

##### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to exercise judgments in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgments or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Uwezo Fund.

The financial statements have been prepared in accordance with the PFM Act, the Public Finance Management (Uwezo Fund) Regulations, 2014 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

##### 3. ADOPTION OF NEW AND REVISED STANDARDS

###### i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard/Amendment to a standard	Effective date	Impact
Amendments to IAS 16 and IAS 38 titled <i>Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)</i>	1 <sup>st</sup> Jan 2016	The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the

## GOK UWEZO FUND

### Reports and Financial Statements

For the year ended June 30, 2017

Standard/Amendment to a standard	Effective date	Impact
		consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.
Amendments to IAS 1 titled <i>Disclosure Initiative (issued in December 2014)</i>	1 <sup>st</sup> Jan 2016	The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
<i>Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)</i>	1 <sup>st</sup> Jan 2017	The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. The Fund therefore did not adopt any new or amended standards in year 2017.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle of accounting policies adopted in the preparation of these financial statements are set out below:

##### a) **Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Fund's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Fund's activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the Fund delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the *Fund* actually receives such grants.
- iii) **Other income** is recognised as it accrues.

## GOK UWEZO FUND

### Reports and Financial Statements

For the year ended June 30, 2017

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) **In-kind contributions**

In-kind contributions are donations that are made to the Fund in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Fund includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) **Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by the relevant Ministry.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement. In the financial 2016/2017 the Fund did not carry out any revaluation neither did it dispose of any assets.

d) **Depreciation and impairment of property, plant and equipment**

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Motor vehicles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	8 years

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

e) **Intangible assets**

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

## GOK UWEZO FUND

### Reports and Financial Statements For the year ended June 30, 2017

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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f) **Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

g) **Capital Loan Fund**

Capital Loan Fund comprises of Capitalization of Grants from government through State Department of Gender and transferred to Constituencies.

h) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, 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 to authorised public officers which were not surrendered or accounted for at the end of the financial year.

i) **Budget information**

The original budget for FY 2016-2017 was approved by the Board on 28<sup>th</sup> July, 2016. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The Fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on 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 XI of these financial statements.

j) **Comparative figures**

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

k) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

**GOK UWEZO FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2017**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**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 Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

	2017 Kshs	2016 Kshs
<b>1. GRANTS FROM NATIONAL GOVERNMENT</b>		
Recurrent grants	182,875,000	176,361,600
Capital grants	500,000,000	650,000,000
	682,875,000	826,361,600
	=====	=====

Detailed analysis of grants received from the Government

Name of the Fund sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund	Total grant income during the year	2015-2016
			KShs	KShs	KShs
Ministry of Public Service, Youth and Gender Affairs /State Department of Gender	182,875,000	-	500,000,000	682,875,000	826,361,600
<b>Total</b>	<b>182,875,000</b>	<b>-</b>	<b>500,000,000</b>	<b>682,875,000*</b>	<b>826,361,600</b>

*\*During the year, the year the Fund Received full funding as appropriated in the budget*

**GOK UWEZO FUND****Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>2. OTHER INCOME</b>		
Other miscellaneous receipts	6,780	36,300
	<u>6,780</u>	<u>36,300</u>

Other miscellaneous receipts were amounts received from sale of newspapers during the year

**3. USE OF GOODS AND SERVICES**

Utilities Supplies & Services	1,741,665	1,703,764
Communication services and supplies	2,599,240	3,086,509
Transportation, travelling and subsistence	33,478,086	57,732,279
Foreign Travel and Subsistence and Others	-	2,985,399
Advertising, printing and information supplies	50,841,705	21,672,421*
Rent expenses	8,061,142	10,566,573
Staff training expenses	1,019,060	-
Hospitality supplies and services	3,567,348	17,725,595*
Insurance costs	-	9,582,469
Specialised Materials and Supplies		249,300
Bank charges and commissions	250,671	-
General office supplies	1,198,566	2,577,042
Repairs and maintenance – Motor Vehicles	1,995,081	3,149,793
Repairs and maintenance – Other Assets	335,884	505,032
Other operating expenses	9,425,071	13,258,108
Fuel, Oils and Other Lubricants	3,431,968	4,728,821
Refurbishment of Buildings		754,516
Purchase of Office Furniture and General Equipment		1,018,715
Purchase of Specialized Plant, Equipment and Machinery		1,528,655
	<u>117,945,487</u>	<u>152,824,991*</u>

Figures of 2015/2016: \*Kshs.33, 142,434 Hospitality supplies and services inadvertently included Kshs.15,416,840 Directors' Emoluments, and Kshs. 21,672,421\* Advertising, printing and information supplies was wrongly stated as 21,762,421, all the two items are now correctly stated.

	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>4. STAFF COSTS</b>		
Salaries and allowances of permanent employees	4,970,900	13,099,406
	<u>4,970,900</u>	<u>13,099,406</u>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	32	36
	<u>32</u>	<u>36</u>

All officers attached to the Fund are deployed from various Ministries and Government Agencies (MDAs) and are remunerated by their respective MDGAs. Subsequently the Fund received Contribution – in - Kind totaling Kshs. 27,180,516.

**GOK UWEZO FUND****Reports and Financial Statements  
For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)****5. DIRECTORS' EMOLUMENTS**

	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Honoraria	640,000	960,000
Airtime	56,000	84,000
Duty allowance	2,261,200	8,700,000
Lunch allowance	84,000	90,000
Accommodation allowance	1,458,000	5,512,840
Taxi Refund	44,955	70,000
<b>Total</b>	<b>4,544,155</b>	<b>15,416,840</b>

**6. DEPRECIATION**

	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Depreciation of property, plant and equipment		
Motor vehicles	14,646,950	7,655,707
Office equipment	1,188,015	897,952
Office furniture & fittings	1,305,788	1,113,790
Computers & related equipment	3,509,945	2,204,917
<b>Total</b>	<b>20,650,697</b>	<b>11,872,368</b>

**7. CONSTITUENCY ADMINISTRATION COSTS**

	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance Brought Forward	46,121,430	14,002,692
Total Transfers	<u>313,200,000</u>	<u>177,335,000</u>
	<b>359,321,430</b>	<b>191,337,692</b>
Unutilized Funds – Bank Balance	52,785,423	(46,121,430)
Cash in Transit	175,500,000	
<b>Total</b>	<b>(228,285,423)</b>	<b>( 46,121,430)</b>
	<b>131,036,007</b>	<b>145,216,262</b>

**8. (a). PROPERTY AND EQUIPMENT**

Motor vehicles	32,078,766	35,125,716
Office equipment	6,745,871	6,561,250
Office furniture & fittings	7,116,871	8,422,658
Computers & related equipment	3,061,925	25,807,035
<b>Total</b>	<b>49,003,433</b>	<b>75,916,659</b>

**GOK UWEZO FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2017**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. (b) PROPERTY, PLANT AND EQUIPMENT**

2017	Motor vehicles	Office Equipment	Office Furniture & Fittings	Computers & Related Equipment	Total
	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>					
At July 1, 2015	30,622,829	6,255,955	7,056,823	5,535,805	49,471,412
Additions	16,364,971	1,875,525	3,389,478	24,230,249	45,860,223
At June 30, 2016	46,987,800	8,131,480	10,446,301	29,766,054	95,331,635
Additions	11,600,000	1,372,636	-	287,600	13,260,236
Transfer*(ERP)/adjustments	-	-	-	(19,522,765)	(19,522,765)
At end of year - June 2017	58,587,800	9,504,116	10,446,301	10,530,889	89,069,106
<b>Depreciation</b>					
At July 1, 2015	4,206,377	672,278	909,852	1,754,101	7,542,608
Depreciation	7,655,707	897,953	1,113,790	2,204,918	11,872,368
At June 30, 2016	11,862,084	1,570,231	2,023,642	3,959,019	19,414,976
Depreciation	14,646,950	1,188,015	1,305,788	3,509,945	20,650,697
At June 30, 2017	26,509,034	2,758,246	3,329,430	7,468,964	40,065,673
<b>Net book values</b>					
At end of year - June 2017	32,078,766	6,745,871	7,116,871	3,061,925	49,003,433
At June 30, 2016	35,125,716	6,561,249	8,422,659	25,807,035	75,916,659

*Transfers\*(ERP) this relates to Kshs. 19,522,765 ERP software that is being developed The ERP had been erroneously charged to computer equipment and software.*

No Property, plant and equipment that has been fully depreciation

**9. DEVELOPMENT FUND - LOANS TO GROUPS**

<b>Loan Capital Fund</b>	<b>5,854,400,004</b>	<b>5,354,400,004</b>
CBK Balance	(500,000,000)	
Balance in Main A/C	(295,738,028)	478,466,895
Balance in Repayment A/C	(1,126,785,244)	876,469,518
	<b>(1,922,523,272)</b>	<b>(1,354,936,413)</b>
Net other receivables	<b>3,931,876,732</b>	<b>3,999,463,571</b>

**GOK UWEZO FUND****Reports and Financial Statements  
For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2017 Kshs	2016 Kshs
<b>10. WORK – IN – PROGRESS (ERP)</b>		
<b>COST</b>		
At July 1	-	-
Enterprise resource planning (ERP)*	19,522,765	-
At June 30	<u>19,522,765</u>	<u>-</u>

*Enterprise resource planning (ERP)\* Kshs. 19,522,765 relates to 40% first installment payment for software that is still being developed charged to Fixed assets erroneously.*

	2017 Kshs	2016 Kshs
<b>11. BANK AND CASH BALANCES</b>		
Cash at bank	2,412,412,986	1,877,425,470
Cash in hand	-	-
	<u>2,412,412,986</u>	<u>1,877,425,470</u>

The bulk of the cash at bank was held at Central Bank of Kenya, Equity, Co-operative Bank and Kenya Commercial Bank.

The make – up of bank balances and short term deposits is as follows:

**Detailed analysis of the cash and cash equivalents**

<b>Financial institution</b>	<b>2016-2017 KShs</b>	<b>2015-2016 KShs</b>
<b>a) Headquarter</b>		
Central Bank of Kenya	937,017,954	259,142,954
Co-operative Bank of Kenya	86,337	*253,570,501
<b>Sub- total</b>	<b>937,104,291</b>	<b>512,713,455</b>
<b>b) Sub County Treasuries</b>		
African Banking Corporation	2,211,739	3,839,242
Chase Bank	9,059,816	3,901,940
Consolidated Bank	11,049,910	7,312,863
Co-operative Bank of Kenya	407,248,552	391,382,980
Equity Bank	568,688,945	629,837,385
Family Bank	45,286,271	45,538,709
First Community Bank	51,723,700	71,774,074
Kenya Commercial bank	375,811,911	242,989,421
National Bank of Kenya	4,227,853	4,481,229
<b>Sub- total</b>	<b>1,475,308,695</b>	<b>1,401,057,843</b>
<b>Bank totals</b>	<b>2,412,412,986</b>	<b>1,913,771,298</b>
<b>C) Others</b>		
Imprests	5,385,476	3,365,301
<b>Sub- total</b>	<b>5,385,476</b>	<b>3,365,301</b>
<b>Grand total</b>	<b><u>2,417,798,462</u></b>	<b><u>1,917,136,599</u></b>

**GOK UWEZO FUND**

**Reports and Financial Statements  
For the year ended June 30, 2017**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2017 Kshs	2016 Kshs
<b>12. OTHER RECEIVABLES</b>		
Staff Imprests	5,385,476	3,365,301
	<u>                    </u>	<u>                    </u>
Net other receivables	<b>5,385,476</b>	<b>3,365,301</b>
	<u>                    </u>	<u>                    </u>

	2017 Kshs	2016 Kshs
<b>13. CURRENT LIABILITIES</b>		
Constituency Administration Cost	58,295,837	-
	<u>                    </u>	<u>                    </u>
	<b>58,295,837</b>	<b>-</b>
	<u>                    </u>	<u>                    </u>
<i>The Fund uses Bank as opposed to Cashbook Balances when preparing the Accounts. This amount represents the difference which is expected to be nil after all the 290 cashbook balances are obtained</i>		
<b>14. CAPITAL LOAN FUND</b>		
Loan Fund B/F	5,354,400,004	5,354,400,004
Capital Grant Received	500,000,000	-
	<u>                    </u>	<u>                    </u>
	<b>5,854,400,004</b>	<b>5,354,400,004</b>
	<u>                    </u>	<u>                    </u>

*The Budgetary allocation of Kshs. 500 Million for this financial year was fully funded.*

	2017 Kshs	2016 Kshs
<b>15. RETAINED SURPLUS</b>		
Balance Brought Forward	601,771,017	220,381,398
Deficit for the year	(96,265,466)	381,389,619
	<u>                    </u>	<u>                    </u>
Balance Carried Forward	<b>505,505,551</b>	<b>601,771,017</b>
	<u>                    </u>	<u>                    </u>

	2017 Kshs	2016 Kshs
<b>16. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>(a) Increase in Account Receivable – Staff Imprests</b>		
Closing Balance	5,385,476	3,365,301
Opening Balance	3,365,301	2,022,917
	<u>                    </u>	<u>                    </u>
Balance at end of the year	<b>2,020,175</b>	<b>1,342,384</b>
	<u>                    </u>	<u>                    </u>

**GOK UWEZO FUND****Reports and Financial Statements  
For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)****16. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)**

	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(b) Reconciliation of operating profit/(loss) to Cash generated from/ (used in) operations</b>		
Operating Deficit	(96,265,466)	381,389,619
Depreciation	20,650,697	11,872,368
Amortization	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating Deficit before working capital changes	(75,614,769)	393,261,987
(Increase)/decrease in inventories	-	-
Increase other receivables – staff Imprests	(2,020,175)	(1,342,384)
Increase other payables	58,295,837	-
Cash used in operations	(19,339,107)	(391,919,603)
	=====	=====
	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(c). Decrease in Loans to Groups</b>		
Closing Balance	3,931,876,732	3,999,463,591
Opening Balance	3,999,463,591	3,537,294,865
Balance at end of the year	(67,586,859)	(462,168,726)
	=====	=====
	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(d). Grants from the Government</b>		
Grants from National Government	500,000,000	826,361,600
<b>Total</b>	500,000,000	826,361,600
	=====	=====
	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(e). Analysis of cash and cash equivalents</b>		
Cash at bank	2,412,412,986	1,877,425,470
Cash in hand	-	-
Balance at end of the year	2,412,412,986	1,877,425,470
	=====	=====

17. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks. The fund's overall risk management programme focuses on unpredictability of loan repayment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund has structures in place to ensure that credit is given only to vetted registered groups within the constituency.

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

(i) Credit risk

The Fund has exposure to credit risk, which is the risk that the government as the counterparty will be unable to transfer budgetary allocation in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as other receivables

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 Fund'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 Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund's directors, who have built an appropriate liquidity risk management framework for the

management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of budgetary allocation and actual cash flows as exchequer release and movement of loan balances

The table below represents cash flows payable by the company 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.

## **GOK UWEZO FUND**

### **Reports and Financial Statements For the year ended June 30, 2017**

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#### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

##### **(iii) Market risk**

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

The Fund 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.

#### **18. INCORPORATION**

The Fund is a public fund, constituted in Kenya under the Public Finance Management, 2012, Act laws and the Public Finance Management (Uwezo fund) Regulations, 2014 and is domiciled in Kenya.

#### **19. EVENTS AFTER THE REPORTING PERIOD**

There was no material adjusting figures. However, ERP software that had been classified as Fixed Asset has been correctly re stated as work in progress.

#### **20. EVENTS AFTER THE REPORTING PERIOD**

The amounts stated in note 7 i.e. Transfers to Constituencies in the Statement of Financial Performance and note 9 i.e. Loans to Groups are all derived from bank balances as at the end of the financial period this is because:

- (i). To maintain consistency with the previous reporting and disclosure
- (ii). The Fund operates a manual system it therefore has a challenge in getting data from all the 290 constituencies which manages a total of 870 cash books.

#### **21. CURRENCY**

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

#### **22. TAX LIABILITY**

The Fund is Tax Exempt as provided for under Income Tax Act CAP. 470 section 10

#### **23. RELATED PARTY DISCLOSURES**

The Government of Kenya is the principal shareholder of the UWEZO FUND, holding 100% of the Fund's equity interest.

Other related parties include:

The Parent Ministry; the Ministry of Public Service, Gender and Youth Affairs

**GOK UWEZO FUND**

**Reports and Financial Statements  
For the year ended June 30, 2017**

**XVIII. PROGRESS ON FOLLOW UP OF AUDITOR 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe : (Put a date when you expect the issue to be resolved)</b>
<b>1.</b>	<b>Accuracy of Financial Statements – 2015/2016</b>				
	Inaccuracies noted in financial statements	Errors corrected and availed the Amended Statements and Reports for Audit Review	Peter N. Mogire (CA) / Naumy Kemboi (CA)		31/12/2017
<b>2.</b>	<b>Cash and Cash Equivalent</b>				
<b>2.1</b>	<b>Prior Year Audit Matters:</b>				
	Report of 2014/2015 had no bank Reconciliation Statements for 9 bank accounts with balances totalling Kshs. 1,831,106,831 out of Kshs. 1,993,553,997 prepared	Bank Reconciliation Statements for the 9 bank accounts has been prepared and presented for Audit Review.	Peter N. Mogire (CA) / Naumy Kemboi (CA)		31/12/2017
<b>2.2</b>	<b>Current Years Issues: Cash and Cash Equivalent</b>				
(i)	Recovery of amounts held in three bank Accounts for Machakos Town Constituency in Chase bank that is under statutory management by the Central Bank of Kenya.	The Fund wrote to The National Treasury to have the money recovered. The National Treasury responded by reckoning that when a bank is under receivership the law applies uniformly to all depositors, vide letters reference nos. UWZ/FIN/5/19/ (46) dated 14 <sup>th</sup> August, 2017 and AG. 13/78 Vol. 1/46 dated 18 <sup>th</sup> August, 2017 respectively	Naumy J. Kemboi Chief Accountant		The matter shall remain pending until that time, the Chase Bank, CBK and The National Treasury finalises the case.

**GOK UWEZO FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2017**

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)
(ii)	Unexplained difference of Kshs. 119,868,296 arising from Note 12 bank balance of Kshs. 242,989,421 at Kenya Commercial Bank. However cash book analysis shows a balance of Kshs. 362,857,421. - Balance of Kshs. 1,877,425,470	The correct balance is Kshs. 362,857,421 as per the cash book analysis and not Kshs. 242,989,421 reported.	Peter N. Mogire (CA) / Naumy Kemboi (CA)		31/12/2017
(iii)	Board of Survey Certificates were not made available for audit examination	The Fund has written to the appointing authority to have board of survey constituted to confirm government assets on 30 <sup>th</sup> June, 2016	Peter N. Mogire (CA) / Naumy Kemboi (CA)		31/12/2017
(iv)	Kshs. 1,877,425,470 not supported by cash books, bank statements, bank certificates of balance and bank reconciliation	The Kshs. 1,877,425,470 is a total of bank balances for Constituencies bank accounts. The office has called for the certified copies of cash books, bank statements, bank certificates of balance and bank reconciliation to be brought to the headquarters.	Peter N. Mogire (CA) / Naumy Kemboi (CA)		1 year
(v)	Non Inclusion of Kshs.46,121,430 unutilized amount transferred to constituencies to Kshs. 1,877,425,470	This amount is included in Cash and Cash Equivalent	Peter N. Mogire (CA) / Naumy Kemboi (CA)		31/12/2017
3.	<b>Property, Plant and Equipment:</b>				

**GOK UWEZO FUND**

**Reports and Financial Statements  
For the year ended June 30, 2017**

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe : (Put a date when you expect the issue to be resolved)</b>
	The accuracy and existence of ERP that was included in Kshs. 75,916,659 could not be confirmed.	The books have been amended to reflect ERP as Work - in - Progress and that the office is in active communication with relevant offices.	Justus Ileri Head of Supply Chain Management/ Naumy J. Kemboi Chief Accountant		Subject to PPRA
<b>4.</b>	<b>Loans to Groups</b>				
	The balance of Kshs. 3,999,463,591 is not supported by details, Schedules for each constituencies group. Further, no ledgers, listing and aging analysis have been provided for audit verification, consequently, the accuracy and validity cannot be confirmed.	The kshs. 3,999,463,591 is Supported by Certificate of balance from all the 290 constituencies.	Eunice Mbonga/ Head of Administration Peter Lengapian Head of Programmes/ Naumy J. Kemboi Chief Accountant/ Elizabeth Njagi Head of ICT/ Ann Njau Head of Loans.		1 Year
<b>5.</b>	<b>Unsupported Amounts / Balances</b>				
(i)	Directors expenses totalling 12,334,200 out of total cost of Kshs.15,416,840	This amount is supported with payment vouchers	Eunice Mbonga / Head of Administration .Naumy J. Kemboi Chief Accountant		31/12/2017
(ii)	Administration expenses transferred to constituencies of Kshs. 145,216,262	This amount is supported with AIEs and Certificate of Bank Balances	Peter N. Mogire (CA) / Naumy Kemboi (CA)		31/12/2017

**GOK UWEZO FUND**

**Reports and Financial Statements  
For the year ended June 30, 2017**

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)
<b>6.</b>	<b>Insurance Costs</b>				
	Justification of comprehensive insurance cover of KShs. 1,533,322 included in Kshs. 9,582,469 to government vehicles not provided	The Board Membership in composed of some members who are non-civil servants. In executing their duties of oversight as provided for under PFM (UWEZO) Regulations, 2014, they use GOK vehicles. The Fund was therefore guided by Code of Regulations section K.19 (6) to have the GOK vehicles insured.	Regina Bundi Head of Transport / Gad Head of HRM /Naumy J. Kemboi (CA)		31/12/2017
<b>7.</b>	<b>Variances Between the Financial Statements and the Ledger</b>				
	The balances/amounts reflected under Note 7 to financial statements for various expenditure items differs with ledger figures.	The balances/amounts have been corrected to reflect the true position, explained and presented for audit review as Amended Financial Reports and Statements	Peter N. Mogire (CA) / Naumy Kemboi (CA)		31/12/2017

**Guidance Notes:**

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

Head of Secretariat

Date.....

Chairman of the Board

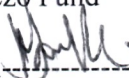
Date.....

**GOK UWEZO FUND****Reports and Financial Statements  
For the year ended June 30, 2017****APPENDIX 1: INTER-FUND TRANSFERS**

<b>FUND NAME:</b>		<b>UWEZO FUND</b>		
<b>Break down of Transfers from the State Department of Gender</b>				
<b>FY 16/17</b>				
<b>a. Recurrent Grants</b>				
Ref. No	Bank Statement Date	Amount (KShs)	Financial Year	
FT1626005LGY	16/09/2016	45,718,750	2016/2017	
FT16349X2PYP	14/12/2016	45,718,750	2016/2017	
FT17053FVC6T	22/02/2017	45,718,750	2016/2017	
FT17139NFVBG	19/05/2017	45,718,750	2016/2017	
<b>Recurrent Total</b>		<b><u>182,875,000</u></b>		
<b>b. Development Grants</b>				
	Bank Statement Date	Amount (KShs)	Financial Year	
FT16285YC7NY	11/10/2016	125,000,000	2016/2017	
FT17109MVFB1	19/04/2017	125,000,000	2016/2017	
FT17013DK411	13/01/2017	125,000,000	2016/2017	
FT171395L8CR	19/05/2017	125,000,000	2016/2017	
<b>Development Total</b>		<b><u>500,000,000</u></b>		
<b><u>Grand Total</u></b>		<b><u>682,875,000</u></b>		

The above amounts have been communicated to and reconciled with the parent Ministry  
Finance Manager  
Uwezo Fund

Head of Accounting Unit  
State Department of Gender

Sign-----  


Sign-----  
