

REPORT

PAPERS LAID	
DATE	13/10/22
TABLED BY	Senate Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Abdirahman M.

OF

THE AUDITOR-GENERAL

ON

**NYERI COUNTY ENTERPRISE
DEVELOPMENT FUND**

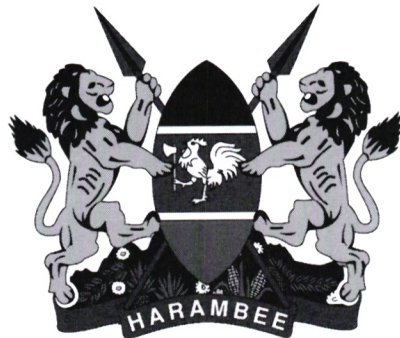
**FOR THE YEAR ENDED
30 JUNE, 2021**



OFFICE OF THE AUDITOR GENERAL
CENTRAL HUB

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P. O. Box 267-10100, NYERI



COUNTY GOVERNMENT OF NYERI
NYERI COUNTY ENTERPRISE DEVELOPMENT FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2021

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



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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Nyeri County Enterprises Development Fund is established by and derives its authority and accountability from The Nyeri County Enterprises Development Fund Act, 2018. The Fund is wholly owned by the County Government of Nyeri and is domiciled in Kenya.

The fund's objective is to:

- a) Provide affordable loans to applicants stipulated under section 20 operating in Nyeri county;
- b) support capacity building of the beneficiaries;
- c) provide training, mentorship and provision of business development services to beneficiaries;
- d) promote enterprise development in Nyeri County;
- e) support micro and small enterprises to develop linkages with large enterprises
- f) promote marketing of products and services for the enterprises;
- g) support technology acquisition, adoption and utilization by Micro and small enterprises and Cooperatives Societies; and
- h) Promote gainful employment through enterprise development.

b) Principal Activities

The Fund's principal activity is to provide affordable loans to applicants operating in The Nyeri County Enterprises Development Fund Act, 2017 and Nyeri County Enterprise Development Fund (Loan) (Amendment) regulations, 2018.

The fund issues loans that are currently attracting an interest rate of 5%.

c) Board of Trustees/Fund Administration Committee

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Ref	Position	Name
	Chairman of the Board	John Githinji Nduru
1	Chief Officer (<i>Responsible department</i>)	Ibrahim Adan
2	Chief Officer finance	John Ngugi
3	V. Chairman Board	Eunice Wangari Mwathi
4	PWLD Rep	Lydia Wanjiru Mwangi
5	Nyeri Business Community Rep	Jackson Githigi Kanyingi
6	Director Trade	Harrison Ngari
7	Fund Administrator	Anne Githinji

d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Anne Githinji
2	Fund Accountant	N/A

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Chairman of the Board	John Githinji Nduru
2	V. Chairman Board	Eunice Wangari Mwathi
3	PWLD Rep	Lydia Wanjiru Mwangi
4	Nyeri Business Community Rep	Jackson Githigi Kanyingi
5	Fund Administrator	Anne Githinji
6	Director Trade,	Harrison Ngari
7	Chief Officer, Trade, Tourism & Coop Dev	Ibrahim Adan
8	CEC, Trade, Tourism & Coop Dev	Diana Tarichia

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f) Registered Offices

Nyeri County Enterprise Development Fund Board,
P.O. Box 1112-10100
Nyeri, KENYA
Opposite Nyeri Golf Club along Kamakwa Road

g) Fund Contacts

Telephone: (254) 0207840588
E-mail: nyericountyedf@gmail.com
Website: www.nyeri.go.ke

h) Fund Bankers

KCB Bank Nyeri
Nyeri Branch
P.O. Box 192-10100
Nyeri, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser

The County Attorney
Nyeri County
P.O. Box 1112- 10100

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2. THE BOARD OF FUND ADMINISTRATION COMMITTEE

Name	Position
1. John Githinji Nduru	Chairperson / Cooperative representative
2. Eunice Wangari Mwathi	Vice-Chairperson / Youth Rep
3. Anne Wangui Githinji	Fund Administrator
4. Lydiah Wanjiru Mwangi	PWLD Rep
5. Jackson Githigi Kanyingi	Nyeri Business Community Rep
6. Ibrahim Adan	Chief Officer Trade, Tourism and Cooperative Development
7. Harrison Ngari	Representative of the Director Trade



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

Introduction

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

The key development objectives of the Nyeri County enterprise development fund is to provide affordable loans to its locals.

The board has so far approved 121 applications worth Kenya shillings 37,935,000.00. Out of these, 101 of the applicants have completed the process of security perfection and a total of Kenya shillings Thirty Two Million, Eight hundred and Fifty Nine Thousand, and One Hundred and fifty. (32,859,150.00) has already been disbursed

Most of the disbursed loans have continued to perform exemplary well with the exception of a few despite the hostile business environment occasioned by the Covid-19 pandemic. Out of the Kenya shillings 32,859,150 that has been disbursed, a principal amount of Kenya shillings.12, 415,439.00 had been collected by 30th June 2021. As at this date, the fund had also collected interest on loans amounting to Kenya shillings 1,270,237.00

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Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Enterprise Development loans	To promote enterprise development in Nyeri County	- Expansion of 101 businesses. - Training of 101 Entrepreneurs	Kenya shillings. Thirty Two Million, Eight hundred and Fifty Nine Thousand, and One Hundred and fifty issued out as loans.	In FY 20/21 we increased loan disbursement by 149.83%. Increased number of loan beneficiaries increased from 25 to 101 beneficiaries in FY 2020/2021



4. MANAGEMENT TEAM

Name of the Staff	Responsibility
Ibrahim Adan	Chief Officer Trade, Tourism and Cooperative Development
Harrison Ngari	Representative of the Director Trade
Anne .W. Githinji	Fund Administrator

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5. BOARD CHAIRPERSON'S REPORT

I am honoured to present highlights for the financial year 2020/2021. The year presented significant challenges majorly attributed by low administrative funds available to run the fund.

In the year, 2018/2019, the fund rollout kicked off with sensitization and training for the key stakeholders in the implementation. The county assembly committee for trade tourism and co-operative development was taken through the Act, Regulations, the workout plan, the process of loan application, loan appraisal and vetting and thereafter approval. The next group to be sensitized were the administrators at the ward and sub-county. They were a key pillar in implementing the fund as they had a role in receiving the loan applications and submit them to the secretariat. The administrators were also sensitized on the processes, the laws and regulations so that they could handle any questions.

In the current year, 2020/2021, sensitization conducted at the sub-county level, before call for application. Campaigns through various channels were employed like advertising in the County Government's Website and official social media pages inviting all interested individuals to submit their applications.

A total of 54 applications were received, appraisal, verification and vetting was then carried out by the secretariat which consists of technical people with experience and skills in loan analysis, appraisal and monitoring. Forty four (44) applications met the minimum requirements and qualified for business visits while ten (10) were disqualified.

The Business Visits were conducted as required within the year. The main purpose of the business visit is to verify that the applicants have operational businesses or they are engaging in the activities that they had indicated in their applications. The board is required to approve the loans after the business visits are completed.

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In the coming year, the board is committed in ensuring that the entire amount is disbursed to qualifying entrepreneurs within Nyeri County as this is the purpose of the fund. More products offering will be launched. Sensitization and induction exercises will be conducted throughout the county to ensure the target groups are aware of the availability of the fund, requirements, process and procedure of applying for the loans as well as prudent management of the loan upon disbursement

Signed: _____

John Githinji Nduru

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6. REPORT OF THE FUND ADMINISTRATOR

It is with great pleasure on behalf of the Board Members to present Nyeri County Enterprise Development Fund for the 2020/2021 financial statements.

The Fund received Kenya shillings 30 Million as its seed capital late in the financial year 2017/2018. The Board has received support from the County Government of Nyeri in rolling out the fund and have made significant milestones towards implementation of the fund. We have however faced a few challenges but the successes exceed all the challenges. We have continuously learnt from the challenges and our strategy is well informed.

The Board has been able to disburse loans amounting to Kenya shillings Thirty-two million, eight hundred and fifty nine thousand, and One Hundred and Fifty shillings (32,859,150) to one Hundred and One (101) loan applicants.

An amount of Kenya shillings Five hundred thousand (500,000) was issued in the year 2018/2019. Kenya shillings Nine, million two hundred and fifty thousand (9,250,000) was issued in the year 2019/2020 while Kenya shillings Twenty three million one hundred and nine thousand, one hundred and fifty shillings (23,109,150) was issued in the current financial year.

The loan repayment in the year 2019/2020 amounted to Kenya shillings One million, eight hundred and twenty two thousand, and six hundred and seventy five shillings (1,822,675). While Kenya shillings Ten million, five hundred and ninety two thousand, seven hundred and sixty four shillings (10,592,764) was repaid in the current financial year. Interest amounting to Kenya shillings 1,041,952 was earned on loans.

Within the year, the Board invested the Funds in a fixed deposit account that earned Kenya shillings 193,939.

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Key challenge is that some of the loanees are not paying their loans consistently. The secretariat team has however relentlessly called the applicants reminding them of their obligations. This is a great milestone to where we are.

The Board looks forward to disbursing the loans out of the entire kitty of the fund and maintaining a healthy portfolio book. We are positive the fund will grow to compete with tier one financial institutions. This fund will promote the micro and small enterprises in Nyeri County.

The board members are committed to continually serve the citizenry of Nyeri in this Fund.

Our appreciation goes to the Management team and the secretariat for their immense support and selfless service that has seen this fund to where it is now. May the Almighty bless you.

Signed: _____



Anne Githinji.

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7. CORPORATE GOVERNANCE STATEMENT

The Board held two meetings in the financial year and all meetings had a quorum. A launching activity of the fund was also conducted within the year.

The secretariat has young technical people to ensure succession.

The Board charter has not been developed though the activities undertaken by the secretariat are included in the department's charter.

The nominations procedure was issued by the County Executive Committee Member for Trade as follows:

- a. Representative of the Business Community
 - i. Two groups/associations with major representation of the Business Community
 - ii. Each groups/associations to nominate two people of the opposite gender
 - iii. The nominees should be residents of Nyeri County
 - iv. The nominees should not be from the same Sub-County to ensure regional balance.
 - v. One person will then be appointed to represent this particular category.

- b. Youth
 - i. Two groups/associations with major representation of the youth in creative industry
 - ii. Each groups/associations to nominate two people of the opposite gender
 - iii. The nominees should be residents of Nyeri County

- iv. The nominees should not be from the same Sub-County to ensure regional balance
- v. One person will then be appointed to represent this particular category
- c. Cooperative
 - i. Two cooperatives with major of membership from Nyeri County
 - ii. Each cooperative to nominate two people of the opposite gender
 - iii. The nominees should be residents of Nyeri County
 - iv. The nominees should not be from the same Sub-County to ensure regional balance
 - v. One person will then be appointed to represent this particular category
- d. Persons living with disability (PLWD)
 - i. National Council for persons living with disability has been identified as the most representative association for PLWD involved in the county.
 - ii. Submit names of two Nominees who should be residents of Nyeri County
 - iii. The nominees should be running a micro and small enterprise development
 - iv. The nominees should not be from the same Sub-County to ensure regional balance
 - v. Only one will then be appointed from the two nominees.

For a person to be eligible for appointment as a member the following criteria should be met -

(a) is a Kenyan citizen;

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- (b) holds a minimum of a diploma from a recognized institution in Kenya;
- (c) has operated a business which is a micro and small enterprise in the County for a period of three years;
- (d) Satisfies the requirements of Chapter Six of the Constitution.

The members of the Board may be removed from office for-

- (a) gross violation of the Constitution or any other law;
- (b) gross misconduct, whether in the performance of the member's functions or otherwise;
- (c) Physical or mental incapacity to perform the functions of office; or
- (d) Incompetence or neglect of duty.

The Nyeri County Enterprise Development Fund further provides that the County Executive Member responsible for Trade may, upon the recommendation of the Board, revoke the appointment of a member of the Board on any of the above mentioned grounds.

The following reasons may result in the ceasing to be a member of the Board: -

- (a) resignation in writing, to the County Executive Member for the time being responsible for Trade;
- (b) conviction of a criminal offence resulting in a sentence to a term of imprisonment of not less than six months;

(c) being declared bankrupt;

(d) being unable to perform the functions of his or her office by reason of mental or physical incapacity; or

(e) Dies.

Where a vacancy occurs in the membership of the Board, the County Executive Member for the time being responsible for Trade shall, if the vacancy relates to non-ex-officio members appoint a new member in accordance with the provisions of this Act.

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8. MANAGEMENT DISCUSSION AND ANALYSIS

In June 2018 the Nyeri county Enterprise development fund received Kenya shillings 30,000,000.00 from the Nyeri Government County treasury.

In the year 2018/2019 only a loan amounting to Kenya shillings 500,000 was issued. The low amounts issued were as a result of the delay occasioned by the procurement of a partnering financial institution that was withdrawn by the financial institution at an advanced stage.

In the year 2019/2020, loans approved amounted to Sixteen million, six hundred and ninety thousand (16,690,000). By the end of year only nine million, two hundred and fifty thousand (9,250,000) had been issued after security perfection. The remainder was still in the process of security perfection. An amount of Kenya shillings One million eight hundred twenty two thousand, six hundred seventy five (1,822,675) had been repaid. A fixed deposit of Kenya shillings six hundred and one thousand, one hundred and one shillings. (601,101) was earned within the year.

In the current year 2020/2021 loans amounting to Nineteen million Eight hundred shillings were approved by the board. During the year loans amounting to Kenya shillings Twenty Three million, One Hundred and Nine Thousand, One Hundred and Fifty shillings (23,109,150) were issued. This amounted to a total of Kenya shillings Thirty Two Million, Eight Hundred and Fifty Nine Thousand, One Hundred and Fifty (32,859,150) loans issued since inception.

The fund has no outstanding debts to any institution or individual. However, the loan balance stood at Kenya shillings Twenty Million, Four Hundred and Twenty Three Thousand, and Four Hundred and Thirty Seven shillings (20,423,437). One loanee, Levancom Limited , has never repaid any amount owing to the fund. This has amounted to Kenya shillings Three hundred ninety five thousand, eight hundred and thirty three shillings. (395,833)

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The Fund has observed all statutory provisions and envisions to continue being compliant. The risks likely to face the Fund are default risk which has been mitigated by having all applicants provide security for their loans. Insurance against death and permanent disability will be undertaken for all borrowers.

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9. REPORT OF THE BOARD

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Nyeri county Enterprise development fund affairs.

Principal activities

The principal activities of the entity are to provide affordable loans to applicants stipulated under The Nyeri County Enterprises Development Fund Act, 2017 and Nyeri county Enterprise Development Fund (Loan) (Amendment) regulations, 2018 operating in Nyeri County.

Results

The results of the entity for the year ended June 30, 2021 are set out on page 2-6.

Directors

The members of the Board of Directors who served during the year are shown on page v. During the year 2020 -2021 no director retired/ resigned.

Dividends/Surplus remission

In accordance with the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Any surplus by the fund is meant to be added back to form a revolving fund. No amounts were supposed to be remitted to the consolidated fund.

Auditors

The Auditor - General is responsible for the statutory audit of the Nyeri county Enterprise development fund in accordance with Article 229 of the Constitution of Kenya and section 35 of the Public Audit Act, 2015.

By Order of the Board

The Nyeri County Enterprise Development Fund

Name: Anne W. Githinji

Sign- -----

Chair of the Board

Date: John Githinji Nduru

Sign- -----

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10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by The Nyeri County Enterprises Development Fund Act, 2017 and Nyeri County Enterprise Development Fund (Loan) (Amendment) regulations, 2018 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Nyeri

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County Enterprises Development Fund Act, 2017 and Nyeri County Enterprise Development Fund (Loan) (Amendment) regulations, 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 3.8. 2021 and signed on its behalf by:

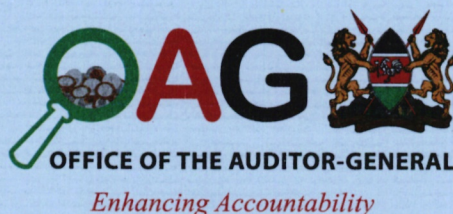
Name: Anne W. Githinji



Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NYERI COUNTY ENTERPRISE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2021

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 intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nyeri County Enterprise Development Fund set out on pages 25 to 68, which comprise of the statement of financial

position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nyeri County Enterprise Development Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Nyeri County Enterprise Development Fund Act, 2018.

Basis for Qualified Opinion

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

The statement of comparison of budget and actual amounts reflects nil balances under surplus for the year ended 30 June, 2021. However, the statement of financial performance reflects a deficit of Kshs.288,019 for the year. Further, the statement of comparison of budget and actual amounts does not indicate the budgeted revenues and actual revenue received in the year.

In the circumstances, the accuracy of the statement of comparison of budget and actual amounts for the year ended 30 June, 2021 could not be confirmed.

2.0 Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.19,668,634 and as disclosed in Note 11 to the financial statements. Included in the balance is an amount of Kshs.694,894 owed by two loan beneficiaries issued with a loan of Kshs.1,000,000. However, the two loan beneficiaries have since defaulted. No provision for bad and doubtful debts was made in the financial statements.

In the circumstances, the accuracy and recoverability of the long-term receivables totalling Kshs.694,894 could not be confirmed.

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

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Prepare a Budget for the Fund

As previously reported, an approved budget for the Fund was not submitted for audit review. Absence of a budget estimate is contrary to Section 10(n) of the Nyeri County Enterprise Development Fund Act, 2017 (Amendment) 2018, which states that the Board shall prepare or cause to be prepared estimates of the revenue's expenditure of the Fund for that financial year.

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

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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 July, 2022

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12. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021.

	Note	2020/2021	2019/2020
		Kenya shillings	Kenya shillings
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	-	-
Other income	5	-	-
		-	-
Total revenue		-	-
Expenses			
Fund administration expenses	6	172,500	256,000
General expenses	7	94,983	220,160
Finance costs	8	-	-
Total expenses		267,483	476,160
Other gains/losses		(20,536)	-
Gain/loss on disposal of assets	9		
Surplus/(deficit) for the period		(288,019)	(476,160)

The notes set out on pages 1 to 6 form an integral part of these Financial Statements.

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13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021 Kenya shillings	2019/2020 Kenya shillings
Assets			
Current assets			
Cash and cash equivalents	10	11,454,816	22,963,224
Current portion of long- term receivables from exchange transactions	11	754,804	2,039,570
Receivables from Non- exchange transactions	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
		12,209,620	25,002,794
Non-current assets			
Long term receivables from exchange transactions	11	19,668,634	5,927,588
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Total Non-Current assets		19,668,634	5,927,588
Total assets		31,878,254	30,930,382
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
		-	-
Non-current liabilities			
Long term portion of borrowings	19	-	-
Non-current employee benefit obligation	20	-	-
		-	-
Total liabilities		-	-
Net assets			
Revolving Fund		33,038,888	31,802,996
Reserves		-	-
Accumulated surplus		(1,160,634)	(872,614)
Total net assets and liabilities		31,878,254	30,930,382

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 3.8.2021 and signed by:



Administrator of the Fund

Name: Anne Githinji



Head of Finance

Name: John Ngugi

ICPAK Member Number: 2613

13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kenya shillings	Kenya shillings	Kenya shillings
Balance as at 1 July 2019	30,000,000	-	-	30,000,000
Prior year adjustment	973,610		(396,455)	577,155
Surplus/(deficit) for the period	829,386	-	(476,160)	353,226
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	31,802,996	-	(872,615)	30,930,381
Balance as at 1 July 2020	31,802,996	-	(872,615)	30,930,381
Surplus/(deficit) for the period	1,235,892	-	(288,019)	947,873
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	33,038,888	-	(1,160,634)	31,878,254

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13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		Kenya shillings	Kenya shillings
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		-	-
Receipts from other operating activities		-	-
Total Receipts		-	-
Payments			
Fund administration expenses		(172,500)	(256,000)
General expenses		(94,983)	(220,160)
Finance cost		-	-
Total Payments		(267,483)	(476,160)
Net cash flows from operating activities		-	-
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		10,592,764	1,822,675
Loan disbursements paid out		(23,109,150)	(9,250,000)
Net cash flows used in investing activities		(12,516,386)	(7,427,325)
Cash flows from financing activities			
Proceeds from revolving fund receipts		1,275,462	789,553
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		1,275,462	789,553
Net increase/(decrease) in cash and cash equivalents		(11,508,408)	(7,113,932)
Cash and cash equivalents at 1ST JULY 2020	10	22,963,224	30,077,155
Cash and cash equivalents at 30TH JUNE 2021	10	11,454,816	22,963,224

**13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE PERIOD ENDED 30th JUNE 2021.**

	Original budget	Adjust ments	Final budget	Actual on comparable basis	% utilis ation
	2021	2021	2021	2021	2021
Revenue	Kenya shillings	Kenya shillings	Kenya shillings	Kenya shillings	
Public contributions and donations	-	-	-	-	-
Transfers from County Govt.	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total income	-	-	-	-	-
Expenses					
Fund administration expenses	(314,000)		(314,000)	(172,500)	54%
General expenses	(455,190)		(455,190)	(94,983)	20%
Finance cost	-	-	-	-	
Total expenditure	(769,190)		(769,190)	(267,483)	34%
Surplus for the period	-	-	-	-	

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments : Applicable: 1 st January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.

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<p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>	<p><i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i></p>
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

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Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly in 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded no additional appropriations on the FY 2020/2021 budget.

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 0.00 of these financial statements.

5. Property, plant and equipment

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

2. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments

a) 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.

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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)

b) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

4. Inventories

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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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

5. 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.

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.

6. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

7. 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.

8. Employee benefits – Retirement benefit plans

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

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the payment of retirement benefits are charged against income in the year in which they become payable.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

9. 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.

10. 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.

11. 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.

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Members of key management are regarded as related parties and comprise the directors/Trustee, the Fund Managers and Fund Accountant.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. 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 KCB bank 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.

13. Comparative figures

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

14. Events after the reporting period

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

15. Ultimate and Holding Entity

The entity is a County Public Fund established under The Nyeri County Enterprises Development Fund Act, 2017 and Nyeri County Enterprise Development Fund (Loan) (Amendment) regulations, 2018 under the Department of Trade, Tourism and Cooperative Development. Its ultimate parent is the County Government of Nyeri.

16. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. 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:

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

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

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

18. Financial risk management

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

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

a) Credit risk

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Kenya shillings	Fully performing Kenya shillings	Past due Kenya shillings	Impaired Kenya shillings
At 30 June 2021				
Receivables from exchange transactions	20,423,438	754,804	1,888,037	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	20,423,438	754,804	1,888,037	-
At 30 June 2020				
Receivables from exchange transactions	7,967,158	2,039,570	5,927,588	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	7,967,158	2,039,570	5,927,588	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from Kenya shillings 1,888,037.00.

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kenya shillings	Kenya shillings	Kenya shillings	Kenya shillings
At 30 June 2021				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

d) Foreign currency risk

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Kenya shillings	Other currencies Kenya shillings	Total Kenya shillings
At 30 June 2021			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables			
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kenya shillings	Kenya shillings	Kenya shillings
2021			
Euro	10%	-	-
USD	10%	-	-
2020			
Euro	10%	-	-
USD	10%	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kenya shillings - (2021: Kenya shillings -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kenya shillings - (2020 – Kenya shillings -)

f) Capital risk management

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

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13. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Late payment penalties	-	-
Fines	-	-
Levies	-	-
Licences	-	-
Total	-	-

(Provide brief explanation for this revenue)

4. Interest income

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income/Interest on fixed deposits	-	-
Total other income	-	-

6. Fund administration expenses

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Staff costs (Note 6a)	54,500	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees- Board meetings	118,000	256,000
Total	172,500	256,000

6A. Staff costs

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	54,500	-
Total	54,500	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	6,000	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	28,648	21,300
Rental costs	-	-
Security costs	-	-
Telecommunication	10,000	6,550
Bank Charges	6,475	1,810
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	43,860	190,500
Total	94,983	220,160

8. Finance costs

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

9. Gain/(loss) on disposal of assets

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	11,454,804	22,960,224
Others (Cash in hand)	12	3,000
Total cash and cash equivalents	11,454,816	22,963,224

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

Financial institution	Account number	2020/2021	2019/2020
		Kenya shillings	Kenya shillings
a) Fixed deposits account			
Kenya Commercial bank		11,454,804	22,960,224
Equity Bank, etc.		-	-
Sub- total		-	-
b) On - call deposits		-	-
Kenya Commercial bank		-	-
Equity Bank - etc.		-	-
Sub- total		-	-
c) Current account		-	-
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		12	3,000
Mobile Money		-	-
Sub- total		-	-
Grand total		11,454,816	22,963,224

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Current Receivables		
Interest receivable	-	-
Current loan repayments due	754,804	2,039,570
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables	754,804	2,039,570
Non-Current receivables		
Long term loan repayments due	19,668,634	5,927,588
Total Non- current receivables	19,668,634	5,927,588
Total receivables from exchange transactions	20,423,438	7,967,158

Additional disclosure on interest receivable

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	66,856	-
Accrued interest receivable from of long-term loans of previous years	86,529	-
Interest receivable from current portion of long-term loans issued in the current year	135,108	-
Current loan repayments due		-
Current portion of long-term loans from previous years	3,628,781	-
Accrued principal from long-terms loans from previous periods	3,398,759	-
Current portion of long-term loans issued in the current year	16,794,656	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.Receivables from Non-Exchange transaction

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Transfer from County Executive	-	-
Transfer from Fund	-	-
Total receivables from non-exchange transactions	-	-

13. Prepayments

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

14. Inventories

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kenya shillings	Kenya shillings	Kenya shillings	Kenya shillings	Kenya shillings
At 1st July 2019	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
At 1st July 2020					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
Depreciation and impairment					
At 1 st July 2019	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
At 1st July 2020					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-

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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kenya shillings	Kenya shillings	Kenya shillings	Kenya shillings	Kenya shillings
At 30th June 2021	-	-	-	-	-
Net book values					
At 30th June 2020	-	-	-	-	-
At 30th June 2021	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

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18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kenya shillings	Kenya shillings	Kenya shillings	Kenya shillings
Balance at the beginning of the year (1.07.2020)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Balance at the end of the year (30.06.2021)	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
Balance at end of the period	-	-

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

	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
External Borrowings		
Dollar denominated loan from no organisation'	-	-
Sterling Pound denominated loan from no organisation'	-	-
Euro denominated loan from no organisation'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

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

21. Cash generated from operations

	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Surplus/ (deficit) for the year before tax	-	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Related party balances

a) Nature of related party relationships

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

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d) Due from related parties

	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
Total	-	-

e) Due to related parties

	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

23. Contingent assets and contingent liabilities

Contingent liabilities	2020/2021	2019/2020
	Kenya shillings	Kenya shillings
Court case against the Fund	-	-
Bank guarantees	-	-
Total	-	-

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

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

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

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15. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the County Executive of Nyeri County Government				
FY 2020/2021				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kenya shillings)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kenya shillings)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kenya shillings)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	

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

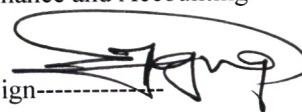
Fund Administrator
Nyeri County Enterprise Development Fund

Sign



Chief Officer.
Finance and Accounting

Sign



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