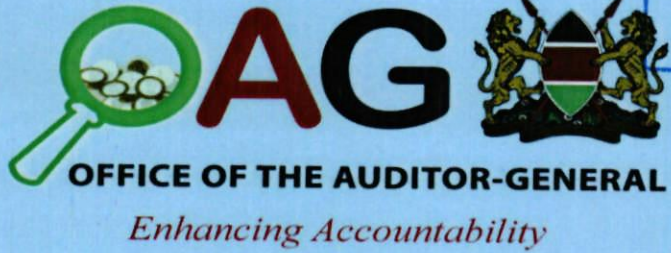


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REPORT

OF

THE AUDITOR-GENERAL

ON

LAIKIPIA COUNTY ENTERPRISE FUND

FOR THE YEAR ENDED
30 JUNE, 2019

PAPERS LAID	
DATE	16/02/2022
TABLED BY	LEADER OF MAJORITY
COMMITTEE	
CLERK AT THE TABLE	M. ADJIBODOU



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LAIKIPIA COUNTY ENTERPRISE FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

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LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The fund was established upon enactment of the Laikipia County Enterprise fund Bill into law on 19TH of JUNE 2014 with amendments onto the same on 28th June 2017 and 2018

The fund was gazetted vide legal notice number 18 ACT NO.10 on 19-06-2014 established by Legal Notice No.10 of 2014.

The administration of the fund is vested in the ministry of Trade, Tourism, Enterprise and cooperatives Development with the administrative powers being delegated to the fund

b) Key Management

Ref	Name	Position
1	Biwott Tirop	County Executive Member Trade Tourism and Enterprise Development
2	Murungi Ndai	County Executive Member Finance and Economic Planning
3	Cecilia Wanjiru Maina	Fund manager
4.	Archangel Gachoka	Fund Accountant

c) Registered Offices

P.O. Box 1271 – 10400
Interim County Headquarter Building
County Government of Laikipia
Nanyuki, KENYA

d) Fund Contacts

Telephone: (254) 0202352720
E-mail: info@laikipia.go.ke
Website: www.laikipia.go.ke

LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

e) Fund Bankers

Kenya Commercial Bank
Nanyuki Branch

f) Independent Auditors

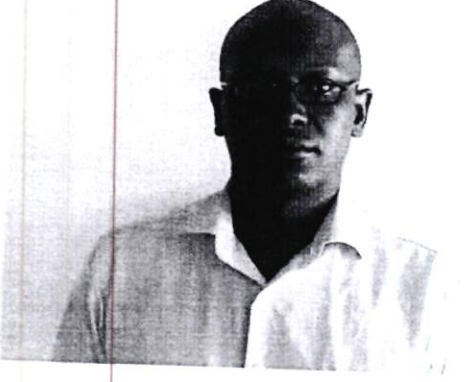


Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(g) County Legal Adviser




Alex Muchemi
P.O Box 1271-10400,
Interim County Headquarter Building
Kenyatta Avenue
Nanyuki, Kenya

LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

2. THE BOARD OF TRUSTEES

Name	Details of qualifications and experience
<p>George Mwangi - Chairman</p> 	<p>Holds an MBA Strathmore university Business School, Bachelor of Science in International Business Administration USIU, CPAK and CPS holder</p>
<p>Daniel Thuo Njoroge Butti-Member representing youth</p> 	<p>Holds a bachelor degree on Entrepreneurship and small business management and masters in Economic policy and management Energy economic speciality from Makerere university. Has been into private practice for 11 years Is an economic and policy analysis lecturer at the school of Business at Karatina University.</p>
<p>Monicah Masiano Lenanyokie-Member representing women</p> 	<p>Holds a bachelor degree in economics and sociology Works in cooperative bank as a banker Maralal.</p>

LAIKIPIA COUNTY ENTERPRISE FUND
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<p>Joseph Lerina-Member representing people with disability</p> 	<p>Holds a diploma in community development and social work, Worked in Social work and National police service.</p>
<p>Cecilia W Maina- Secretary to Board</p> 	<p>Holds a Bachelor of Commerce from Kabarak University, CPAK holder and member of ICPAK, ongoing MBA in strategic management in KEMU university. Works as fund manager in Laikipia county Enterprise fund.</p>
<p>Jemima Mburugu- Ag Chief Officer Trade, Tourism and Co-operatives</p> 	<p>Holds a Bachelors of Art(Economics) She is the Accounting Officer Trade Tourism and Co-operatives</p>

LAIKIPIA COUNTY ENTERPRISE FUND
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**Annette Muriuki- Ag Chief officer
Education, ICT and Sports**



Advocate of the High Court of Kenya. She is also a Certified Secretary (CS) with the Institute of the Certified Secretaries of Kenya (ICS). She also has a post graduate in Community Development.

She is the Accounting Officer Education, ICT and Sports

**Paul Njenga- Ag Chief Officer Finance
and Economic Planning**







Holds an MBA (finance option) Certified institute of purchasing and suppliers(CIPSUK), Member of KISM and currently pursuing a PHD in business administration finance option.




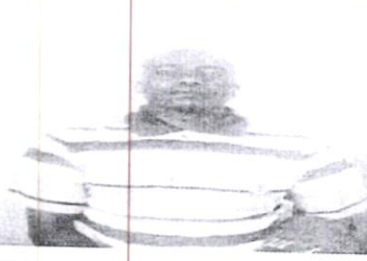

He is the Accounting Officer Finance and Economic Planning

LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

3. MANAGEMENT TEAM

Name		Details of qualifications and experience
Cecilia W Maina-Fund Manager		<p>Holds a Bachelor of Commerce from Kabarak University, CPAK holder and member of ICPAK, ongoing MBA in strategic management in KEMU university.</p> <p>Works as fund manager in Laikipia county Enterprise fund.</p>
Jane W Kamwana-Ward Credit officer		<p>Holds Diploma in business management(public relations)</p>
Mariam W Githaiga- Ward Credit officer		<p>Holds Certificate in business administration and management, course in project monitoring and evaluation, course in supervisory management.</p>
Jane Maina- Ward Credit officer		<p>Holds Diploma in purchasing and supplies management, certificate course in management</p>

LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

<p>Joseph Ndung'u- Ward Credit officer</p> 	<p>Holds Diploma in business management, attended course in advanced supervisory skills and performance management.</p>
<p>Christopher Mwai- Ward Credit officer</p> 	<p>Holds Certificate in business management</p>
<p>Nancy Wandia Gitonga- Ward Credit officer</p> 	<p>Holds Diploma in project management, certificate course in management</p>
<p>Isaac Mirara- Ward Credit officer</p> 	<p>Holds a degree in business management</p>
<p>Archangel Gachoka-Accountant</p> 	<p>Hold a Bachelors degree in Business Management CPAK ,ICPAK No. 13294 Ongoing MBA Finance</p>

LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

4. BOARD CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the board, the Laikipia County Enterprise Development Fund financial statements for the year ended 30th June 2019. The financial statements present the financial performance of the fund over the past year.

The Enterprise Fund is intended to provide access to affordable credit to Small & Micro Enterprises (SMEs) to enable them compete and graduate into vibrant enterprises. By making credit accessible to them through enterprise Fund the county government seeks to place women, persons with disability and youth at the center of job creation in the county. We believe that the enterprise Fund will play a significant role in promoting women and youth led enterprises thereby generating gainful self-employment in the short to medium term. These efforts, coupled with a robust capacity building and mentorship framework will propel the expected impacts into perpetuity and spur a culture of saving

Thereafter, we expect to see women, persons with disability and youth groups taking advantage of the public procurement preferences and reservations, and sustain proactive engagement in securing the 30% government contracts for goods and services reserved for these and other eligible enterprises. I therefore encourage women, persons with disability and youth groups to actively take up this opportunity, and exploit it to its full capacity.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

Board and Management Changes

The board is in its second term. The current board started its operations in October 2018.

Review of performance

Loans

The board has managed to give loans to 162 individuals and 162 groups totaling KShs 30,386,000. These funds have greatly supported enterprises which include businesses for stock addition, crops and livestock farming, innovations which are already at production stage.

Staffing

The fund has also hired 7 additional staffing who include credit officers and interns. The credit officers are in charge of wards and assist in the loaning and recovery process.

LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

Income

The fund revenues amounted to KShsl.826.160.00 from the interest income.

Projects implementation during the period were carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to a favourable opening cash balance of kshs 956,097 at the beginning the year.

Future outlook

The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the county government and to have development partners to aid in the realization of its mandate.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the county government, stakeholders, management, staff and fellow board members for their continued support which made us achieve these results.

I look forward to your continued support in the year 2019/2020



George Mwangi

Laikipia County Enterprise Fund Board Chairman

LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

5. REPORT OF THE FUND ADMINISTRATOR

The Enterprise Fund was formed through an act of Assembly that was enacted in 2014. Further Amendments have been done to the act in 2017 and 2018 respectively. The fund is managed by a board comprising of 7 members with the fund manager being an ex- official member and secretary to the board.

The objectives of the fund are;

- To facilitate access to credit for business capital to Small and Micro Enterprises for them to be competitive and growth to big enterprise
- To promote enterprise among the youth, women, persons with disabilities and needy persons
- To enhance enterprise skills development
- To promote local economic growth

Financial Performance

Loans

During the financial year 2018/2019, the fund disbursed 324 new loans bringing the total loan beneficiaries to date to 411. Below is an analysis of loans disbursed in 2018/2019

CATEGORY	NUMBER	AMOUNT
Groups	162	14,760,000
Individuals	162	15,626,000
TOTALS		30,386,000

Repayments

Loan repayments amounted to kshs 9,814,029 which includes principal and interest amount. The individuals received their loans in March 2019, while Groups were funded in November 2019.

Loans aging

CATEGORY	0-90 DAYS	90-120 DAYS	120-180 DAYS	OVER 360 DAYS	TOTALS
GROUPS	8,721,082	0	472,615	1,945,777.84	11,139,474
INDIVIDUALS	11,646,036	848,000	7,950	0	12,501,986
TOTALS	20,367,118	848,000	480,565	1,945,777.84	23,641,460

Cash flows

In the FY 2018/2019 the cash and cash equivalents increased from KShs 956,097.00 as at 30th June 2018 to KShs 15,197,130.00 as at 30th June 2019.

Conclusion

FY 2018/2019 good progress was made and the momentum has been created to enable Laikipia County Enterprise Revolving Fund continue into prosperity. We have also identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank the board for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Fund achieves its mission.

Signed: 

Cecilia Maina
Laikipia Enterprise Fund Manager

LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

6. CORPORATE GOVERNANCE STATEMENT

6.1 BOARD MEETINGS

Under the provision made in the Act Quorum- at least 5 members of the board shall form the quorum to dispose any business. The following board meetings were held:

BOARD MEMBERS MEETING ATTENDANCE									
NO	DATES	George mwangi	Daniel Thuo	Joseph Lerina	Monica Mosiano	Paul Njenga	Annette Muriuki	Jemima Mburugu	Cecilia Maina
1	27/7/18	✓	✓	✓	✓	✓		✓	✓
2	3/9/2018	✓	✓	✓	✓	✓	✓		✓
3	30/10/18	✓	✓	✓		✓	✓		✓
4	3& 4/10/18		✓	✓	✓	✓	✓	✓	✓
6	7/11/2018			✓	✓	✓	✓	✓	✓
7	11/1/2019		✓	✓	✓		✓	✓	✓
8	13/2/2019		✓	✓	✓	✓		✓	✓
10	22/5/19	✓	✓	✓		✓	✓	✓	✓
11	14/6/19		✓	✓	✓	✓	✓	✓	✓
12	21/6/19		✓	✓	✓	✓	✓		✓

6.2 SUCCESSION PLAN

The board members shall serve for a term of three years and may be renewed for one further term after which the person shall retire from the board for at least two years before being eligible for reappointment to the board.

6.3 APPOINTMENT AND REMOVAL OF OFFICE OF THE BOARD

This is clearly stipulated in Section 6(i) and schedule on Provision as to the conduct of business and affairs of the board

6.4 ROLES AND FUNCTIONS OF THE BOARD

Section 7(1) of the act stipulates clearly the functions of the board.

6.5 BOARD INDUCTION AND TRAINING, BOARD AND MEMBER PERFORMANCE, CONFLICT OF INTEREST, BOARD REMUNERATION, ETHICS AND CONDUCT / GOVERNANCE AUDIT

The board has been inducted, no conflict of interest noted. Remuneration is inform of sitting allowances as per guidelines from county Treasury.

7. MANAGEMENT DISCUSSION AND ANALYSIS

SMES continue to play a major role in the development of the County economy. During the formulation of the C.I.D.P. it was noted that one of the issues of SMES was inadequate working capital. To address this issue, the County Government created the fund with a prime objective of availing cheap and affordable credit to SMES with the purposes that are in tandem with the Laikipia County Integrated Development plan. Key flagship areas where enterprises are expected to play a role include; innovations, value addition to products and services, manufacturing, financial services, Boda Boda sector, wholesale and retail trade. It was envisaged that Enterprises will be assisted and strengthened to brand and market county products for both local and national markets.

The fund focuses on the Laikipia County manifesto of creating 30,000 jobs opportunities in the county. However, to achieve this, the fund has to established partnership and collaborations with strategic institution with the capacity to build strong and vibrant framework. These institutions may include FOSAs and other micro finance institutions operating in the county. The strategy is to support more of agri-business as opposed to funding employer based institutions and thus create more enterprises in the rural areas.

The fund has to critically look into how best to start more MSMEs in the rural areas and identified specific viable value chain. These may include Poultry, milk, maize, livestock fattening and marketing, sand and coffee are basically the key community livelihood supporting value chain.

To address the issue of food shortage and unemployment, deliberate affirmative action through this programme has been taken in a professional manner that will encourage co-operative in agri-business sector to develop their skills so as to invest back in the economy. The partnership will focus on key areas of promoting professional extension services, imparting agribusiness skills and providing financial support to the development of the identified value chain. The programme will also focus more on the youth and women groups as the most disadvantage people in the community. The purpose of using FOSAs is to enable the fund support the value chain groups in the rural areas that are not co-operatives based.

In this context the fund will organize events to educate, inspire, connect and engage SMES in agriculture sector and also provide them with business links to value chain development related organizations. This will enhance development of sustainable agribusiness in the county

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Currently the fund trains Groups on by-laws and guides on registration process

LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

9. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are as highlighted in fund administrators report

Results

The results of the Fund for the year ended June 30, 2019 are set out on page 5

Trustees

The members of the Board of Trustees who served during the year are shown on page. The changes in the Board during the financial year are as shown below:

Board members who exited

- 1 .Moses Njoroge-Representing the youth
- 2 .Liberata Mbatia-Representing the Women
- 3 Ekam Nabos-Chief officer –Trade
- 4 Henry Kimani-Chief Officer –Finance
- 5 Veronica Gakenga-Chief officer-Gender and social service

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR [Certified Public Accountants were nominated by the Auditor General to carry out the audit of the Enterprise Fund for the year/period ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board

Member of the Board

Date: _____

LAIKIPIA COUNTY ENTERPRISE FUND
Reports and Financial Statements
For the year ended June 30, 2019

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 Laikipia County Enterprise Fund Act 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

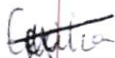
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) 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 Laikipia County Enterprise Fund Act 2014. 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, 2018, 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

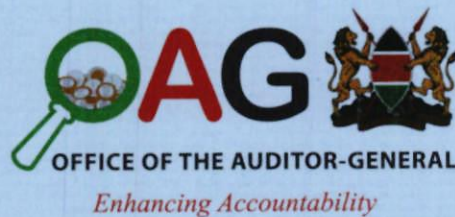
The Fund's financial statements were approved by the Board on August 2019 and signed on its behalf by:



Administrator of the Laikipia County Enterprise Fund

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON LAIKIPIA COUNTY ENTERPRISE FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Laikipia County Enterprise Fund set out on pages 18 to 49, which comprise the statement of financial position as at 30 June, 2019, 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Laikipia County Enterprise Fund as at 30 June, 2019, 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.

Basis for Qualified Opinion

Long Outstanding Loans

The statement of financial position as at 30 June, 2019 reflects a balance of Kshs.26,874,517 in respect of current portion of long term accounts receivables from exchange transactions which includes an amount of Kshs.1,541,731 advanced to sorghum farmers in Laikipia County. The farmers were contracted by East Africa Breweries Company Limited to plant the crop and later sell the produce to the company. The farmers were issued with loans from the Fund on condition that the loans would be repaid within six months. However, the farmers have defaulted in repayment of the loans.

Further, the loans were not insured or backed by any collateral from farmers. In addition, no record was presented indicating that the farmers were vetted before issuing the loans. Although the recoverability of these debts is doubtful, no provision in respect of the same have been made or disclosed in these financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Laikipia County Enterprise Fund 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 discussed 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

Irregular Transfer of Funds

During the financial year 2018/2019 the CECM – Finance and Economic Planning authorized transfer of funds amounting to Kshs.4,344,000 from Laikipia County Enterprises Fund Account No.1176375156 held at Kenya Commercial Bank to the Laikipia County Imprest Account No. 01141366378701 held at Co-operative Bank contrary to Section 116(4) of the Public Finance Management Act, 2012. The law requires that an administrator of a county public fund shall ensure that money held in the fund, including any earnings or accruals is spent only for the purposes for which the fund was established.

Further, the amount had not been refunded to the Fund as at the time of the audit.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional 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 going concern 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 ability of Laikipia County Enterprise Fund 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 sustaining 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 Laikipia County Enterprise 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

14 January, 2022

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12. FINANCIAL STATEMENTS

12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	40,000,000.00	1,802,112.00
Fines, penalties and other levies	3	-	-
Revenue from exchange transactions			
Interest income	4	1,823,160.00	87,267.84
Other income	5	-	-
Total revenue		41,823,160.00	1,889,379.84
Expenses			
Fund administration expenses	6	675,720.00	-
General expenses	8	1,914,412.80	1,328,680.00
Finance costs	9	16,836.50	39,367.00
Total expenses		2,606,969.30	1,368,047.00
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		39,216,190.70	521,332.84


*The figures have been explained in the notes.

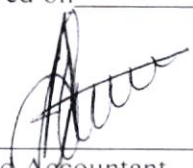
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12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	15,197,130.50	956,097.00
Current portion of long term receivables from exchange transactions	12	26,768,517.34	1,992,192.84*
Prepayments	13	-	-
Inventories	14	-	-
Non-current assets			
Property, plant and equipment	15	198,832.70	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	-	-
Total assets		42,164,480.54	2,948,289.84
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			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
Total liabilities		-	-
Net assets			
Revolving Fund		2,948,289.84	2,426,957.00
Reserves		-	-
Accumulated surplus		39,216,190.70	521,332.84
Total net assets and liabilities		42,164,480.54	2,948,289.84

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 _____ 2019 and signed by:


 Administrator of the Fund
 Name: **CECILIA N MAINA**


 Fund Accountant
 Name: **GACHOKA NGŪGŪ**
 ICPAK Member Number:
13294

*Reinstated Figures.

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12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2015	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-	-	4,349,430.00	4,349,430.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2016	-	-	4,349,430.00	4,349,430.00
Balance as at 1 July 2016	4,349,430.00	-	-	4,349,430.00
Surplus/(deficit) for the period	-	-	(1,922,473.00)	1,922,473.00
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2017	4,349,430.00	-	(1,922,473.00)	2,426,957.00
Balance as at 1 July 2017	2,426,957.00	-	-	2,426,957.00
Surplus/(deficit) for the period	-	-	521,332.84	521,332.84
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	2,426,957.00	-	521,332.84	2,948,289.84
Balance as at 1 July 2018	2,948,289.84	-	-	2,948,289.84
Surplus/(deficit) for the period	-	-	39,216,190.70	39,216,190.70
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 Jun 2019	2,948,289.84	-	39,216,190.70	42,164,480.54

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12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		40,000,000.00	1,802,112.00
Interest received		588,410.13	22,634.70*
Receipts from other operating activities			-
Total Receipts		40,588,410.13	1,824,746.70
Payments			
Fund administration expenses		675,720.00	-
General expenses		1,914,412.80	1,328,680.00
Finance cost		16,836.50	39,367.00
Transfers to County Government		2,374,000.00	-
Total Payments		4,980,969.30	1,368,047.00
Net cash flows from operating activities	21	35,607,440.83	456,699.70
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(198,832.70)	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		9,218,425.37	354,610.30*
Loan disbursements paid out		(30,386,000.00)	(1,454,464.00)
Net cash flows used in investing activities		(21,366,407.33)	(1,099,853.70)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		14,241,033.50	(643,154.00)
Cash and cash equivalents at 1 JULY 2018	11	956,097.00	1,599,251.00
Cash and cash equivalents at 30 JUNE 2019	11	15,197,130.50	956,097.00

*The figures have been explained in the note 12

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12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019

	Original budget		Adjustments		Final budget		Actual on comparable basis	
	2019	2019	2019	2019	2019	2019	2019	2019
Revenue	KShs		KShs		KShs		KShs	
Public contributions and donations	-	-	-	-	-	-	-	-
Transfers from County Govt.	40,000,000.00	-	-	-	-	-	40,000,000.00	-
Interest income	2,300,000.00	-	-	-	-	-	1,823,160.00	-
Other income	-	-	-	-	-	-	-	-
Total income	42,300,000.00	-	-	-	-	-	41,823,160.00	-
Expenses								
Fund administration expenses	1,200,000.00	-	-	-	-	-	675,720.00	-
General expenses	3,000,000.00	-	-	-	-	-	1,914,412.80	-
Finance cost	20,000.00	-	-	-	-	-	16,836.50	-
Total expenditure	4,220,000.00	-	-	-	-	-	2,606,969.30	-
Surplus for the period	38,080,000.00	-	-	-	-	-	39,216,190.70	-

Budget notes

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

12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

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

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

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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

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Standard	Effective date and impact:
	<p>model that is applicable to all financial instruments subject to impairment testing; and</p> <ul style="list-style-type: none"> • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 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.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The Fund had no budget allocation in FY 2018/19. Amount received was allocation from the previous financial year by the County Government

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

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

Changes in accounting policies and estimates

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

11. Employee benefits – Retirement benefit plans

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

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

12. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Borrowing costs

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

14. Related parties

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

15. Cash and cash equivalents

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

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

The entity is a County Public Fund established by Laikipia County Enterprise Fund Act under the Ministry of Trade. Its ultimate parent is the County Government of Laikipia

19. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. Significant judgments and sources of estimation uncertainty

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

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

Useful lives and residual values

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

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

Provisions

No Provisions were raised. The fund is in the process of drafting policies relating to provisions for bad and doubtful debts

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. 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.

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

	Total amount	Fully performing	Past due	Impaired
	KShs	KShs	KShs	KShs
At 30 June 2019				
Receivables from exchange transactions	1,823,160.00	1,823,160.00	-	-
Receivables from non exchange transactions	40,000,000.00	40,000,000.00	-	-
Bank balances	15,197,130.50	15,197,130.50	-	-
Total	57,020,290.50	57,020,290.50	-	-
At 30 June 2018				
Receivables from exchange transactions	87,267.84	87,267.84	-	-
Receivables from non exchange transactions	1,802,112.00	1,802,112.00	-	-
Bank balances	956,097.00	956,097.00	-	-
Total	2,845,476.84	2,845,476.84	-	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The entity has significant concentration of credit risk on amounts due from loans.

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

SUMMARY OF 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.

i. Foreign currency risk

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

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2019			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables			
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

		Change in currency rate	Effect on surplus/ deficit	Effect on equity
		KShs	KShs	KShs
2019				
Euro		10%	-	-
USD		10%	-	-
2018				
Euro		10%	-	-
USD		10%	-	-

ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019	2018
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	2,426,957.00	2,948,289.84
Accumulated surplus	521,332.84	-
Total funds	39,216,190.70	39,216,190.70
Total borrowings	-	-
Less: cash and bank balances	15,197,130.50	956,097.00
Net debt/(excess cash and cash equivalents)	(15,197,130.50)	(956,097.00)
Gearing	-39%	-2%

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12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from County Govt. – operations	40,000,000	1,802,112
Payments by County on behalf of the entity	-	-
Total	40,000,000	1,802,112

3. Fines, penalties and other levies

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest income from loans(mortgage or car loans	1,823,160.00	87,267.84
Total interest income	1,823,160	87,268

The difference in computation of interest has occurred due to change in policy from cash to accrual basis.

New loans - 1,454,464

6% of 1,454,464 = **87,267** for interest receivables

Repayments -377,245

6% of 377,245= **21,353** for interest received

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5. Other income

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
Total other income	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Fund administration expenses

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Staff costs (Note7)	271,800.00	
Loan processing costs	403,920.00	-
Professional services costs	-	-
Total	675,720.00	-

7. Staff costs

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	141,300.00	-
Social security contribution	-	-
Other staff costs	130,500.00	-
Total	271,800.00	-

8. General expenses

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	246,600.00	-
Training and Capacity	393,400.00	-
Security costs	-	-
Telecommunication	-	-
Hospitality/board meetings	556,300.00	-
Depreciation and amortization costs	99,267.30	-
Other expenses	618,845.50	1,328,680.00
Total	1,914,412.80	1,328,680.00

9. Finance costs

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest on Bank overdrafts	-	-
Finance costs-Bank charges	16,836.50	39,367.00
Interest on loans from banks	-	-
Total	16,836.50	39,367.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Gain/(loss) on disposal of assets

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11. Cash and cash equivalents

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	15,197,130.50	956,097.00
Others	-	-
Total cash and cash equivalents	15,197,130.50	956,097.00

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

	FY2018/2019	FY2017/2018
Financial institution	KShs	KShs
a) Fixed deposits account		
	-	-
	-	-
Sub- total	-	-
b) On - call deposits		
	-	-
	-	-
Sub- total	-	-
c) Current account		
Kenya Commercial bank	15,197,130.50	956,097.00
	-	-
Sub- total	15,197,130.50	956,097.00
d) Others(specify)		
Cash in transit	-	-
Cash in hand	-	-
M Pesa	-	-
Sub- total	-	-
Grand total	15,197,130.50	956,097.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from exchange transactions

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Current Receivables		
Balance b/d	1,992,192.84	827,706.00
New loans	30,386,000.00	1,454,464.00
Interest receivable	1,823,160.00	87,267.84
Current loan repayments-Principal	(9,218,425.37)	(354,610.30) *
Current loan repayments-Interest	(588,410.13)	(22,634.70) *
Other debtors	2,374,000.00	0.00
Less: impairment allowance	-	-
Total Current receivables	26,768,517.34	1,992,192.84
Non-Current receivables		
Long term loan repayments due	-	-
Total Non-current receivables	-	-
Total receivables from exchange transactions	26,768,517.34	1,992,192.84

Explanation of opening figures as adjusted in financial statement

Interest receivable and interest received were not recorded.

$$6\%/106 \text{ of } 377,245(\text{Repayments})= 21,353$$

$$6\% \text{ of } 1,454,464 \text{ (New loans)} = 87,267$$

Interest receivable - 87,267.84

Current loan repayments-Interest - 21,353

$$377,245 - 21,353 = 355,892$$

$$6 * 377,245 = 22,634.70$$

$$377,245 - 22,634.70 = 354,610.30$$

13. Prepayments

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Inventories

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
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

	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KShs	KShs	KShs	KShs
Cost				
At 1st July 2016	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At 30th June 2017	-	-	-	-
At 1st July 2017	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Transfer/adjustments	-	-	-	-
At 30th June 2018	-	-	-	-
Depreciation and impairment				
At 1st July 2017	-	-	-	-
Additions	-	-	-	-
Depreciation	-	-	-	-
Impairment	-	-	-	-
At 30th June 2018	-	-	-	-
At 1st July 2018	-	-	-	-
Additions	-	-	298,100.00	298,100.00
Depreciation	-	-	(99,267.30)	(99,267.30)
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer/adjustment	-	-	-	-
At 30th June 2019	-	-	198,832.70	198,832.70
Net book values				
At 30th June 2018	-	-	198,832.70	198,832.70

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2018/2019	2017/2018
	KShs	KShs
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	2018/2019	2017/2018
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	--
Total trade and other payables	-	-

18. Provisions

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2018/2019	2017/2018
	KShs	KShs
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 domestics borrowings during the period	-	-
Balance at end of the period	-	-

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

	2018/2019	2017/2018
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from zzz 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	-	-

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

Description	2018/2019	2017/2018
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

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

21. Cash generated from operations

	2018/2019	2017/2018
	KShs	KShs
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	-	-

Related party balances

a) Nature of related party relationships

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

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

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b) Related party transactions

	2018/2019	2017/2018
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	2,374,000.00	-

c) Key management remuneration

	2018/2019	2017/2018
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2018/2019	2017/2018
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

e) Due to related parties

	2018/2019	2017/2018
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

22. Contingent assets and contingent liabilities

Contingent liabilities	2018/2019	2017/2018
	KShs	KShs
Court case xxx against the Fund	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

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13. 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unconfirmed opening and comparative figures	The financial statements have been prepared from inception of fund	Archangel Gachoka Fund accountant	Resolved	JUNE 2019
2	Outstanding Loans	Vetting reports have been prepared by department of agriculture. loan provisions have been addressed in regulation which is at final stages	Lincon Njiru Agriculture Officer	On going	SEPT 2019
3	Revolving fund	The financial statements have been prepared and there is no resultant difference.	Archangel Gachoka Fund accountant	Resolved	JUNE 2019
4.	Unsupported expenditure	The issue has been addressed	Archangel Gachoka Fund accountant	Resolved	JUNE 2019

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Guidance Notes:

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