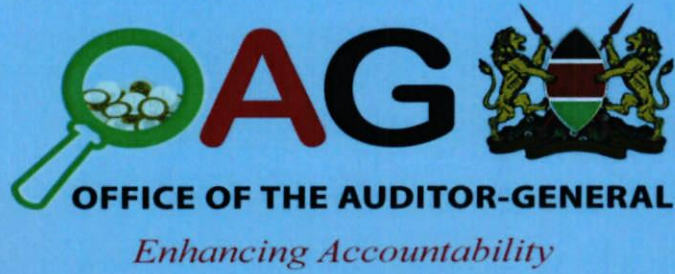


REPUBLIC OF KENYA



**REPORT**

**OF**

DATE	PAPERS LAID
3/11/21	
TABLED BY	
COMMITTEE	
CLERK AT THE TA	

**THE AUDITOR-GENERAL**

**ON**

**BUNGOMA COUNTY DISABILITY  
EMPOWERMENT FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2019**



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**BUNGOMA COUNTY DISABILITY EMPOWERMENT FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2019**

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

**Bungoma County Disability Empowerment Fund  
Reports and Financial Statements  
For the year ended 30 June 2019**

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**Bungoma County Disability Empowerment Fund**  
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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Bungoma County Disability Empowerment Fund is established by and derives its authority and accountability from THE BUNGOMA COUNTY DISABILITY EMPOWERMENT FUND REGULATIONS, 2015. The Fund is wholly owned by the County Government of Bungoma and is domiciled in Kenya.

1. The fund's objective is to:-

- (a) to provide funds to be used for granting low-interest loans to People Living with Disability with a view to scaling up their lending activities, value addition amongst other activities as may be prescribed;
- (b) to provide funds to support, revive and initiate micro-enterprises owned by PLWDs in sectors that can have an immediate impact to household economy;
- (c) to attract and facilitate investment in economic sectors that have linkages to micro, small and medium enterprises that benefit the PLWDs;
- (d) facilitating access to business development services by micro and small enterprises;
- (e) facilitating formalization and upgrading of informal micro and small enterprises; and promoting an entrepreneurial culture.

The Fund's principal activity is empower marginalised groups of the society by providing access to affordable loans and capacity building.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund are to enhance economic activities and social welfare of the marginalised persons in the society through access to loans.

**c) Fund Administration Committee**

Ref	Name	Position
1	Saphia Awil Ibrahim- Chairperson.	Prior to her appointment she worked as an advocate of the court. Academic qualification: an LLB from university of Nairobi and a diploma from LSK
2	Moses Chebonya- Administrator/Secretary.	Academics qualifications: Masters in Gender and advocacy. Bachelor of Arts Education specialising in English literature. Work Experience: Gender director affairs and prior to his appointment, was a deputy principle of a high school. Main responsibility, Oversees daily fund operations
3	Adrian Sakwa- Member/PWDs representative	Prior to his appointment, he worked as the director of disabled network of Bungoma; he is

**Bungoma County Disability Empowerment Fund**  
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4	Ummi Maloba- Member/Women Representative	also the coordinator of NCPLD Bungoma branch. Academic qualification: Bachelor of Arts linguistic religion from Kampala University and The member works as the secretary of Maendeleo ya wanawake Bungoma county. Academic qualifications; diploma in gender advocacy and mainstreaming from hamburger institute of Canada.
5	Rev Johnstone Wanyonyi- Member/CBO representative	The member is the current Bishop of Anglican church of Kenya Bungoma branch. He is also an executive member of chamber of commerce Bungoma. Masters in theology and leadership from Nazarene university.
6	Metrine Tenga- Member/Youth Representative	She is the current NYC executive member in the region. a diploma holder in corporative management from Cooperatives college University.
7	Joseph Musungu- Member/Finance Representative	He is the accountant in charge of reporting at the county government. A certified public accountant (CPA). A representative of the chief officer finance and economic planning in the fund.
8	Cynthia Nanyokia- Member/Legal Representative	She is the LLB holder from university of Nairobi, post graduate diploma from the LSK an advocate of the low court.

**Bungoma County Disability Empowerment Fund**  
**Reports and Financial Statements**  
**For the year ended 30 June 2019**

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**d) Registered Offices**

P.O. Box 437 - 50200  
County Headquarters  
Moi Avenue  
Bungoma, KENYA

**e) Fund Contacts**

Telephone: (254) 775 228598  
E-mail: [genderempowermentfunds@gmail.com](mailto:genderempowermentfunds@gmail.com)  
[www.bungoma.go.ke](http://www.bungoma.go.ke)

**f) Fund Bankers**

Cooperative Bank of Kenya  
P.O. Box 48231  
Bungoma, KENYA

**g) Independent Auditors**

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

**h) Principal Legal Adviser**

The County Attorney  
P.O. Box 437- 50200  
Bungoma, Kenya

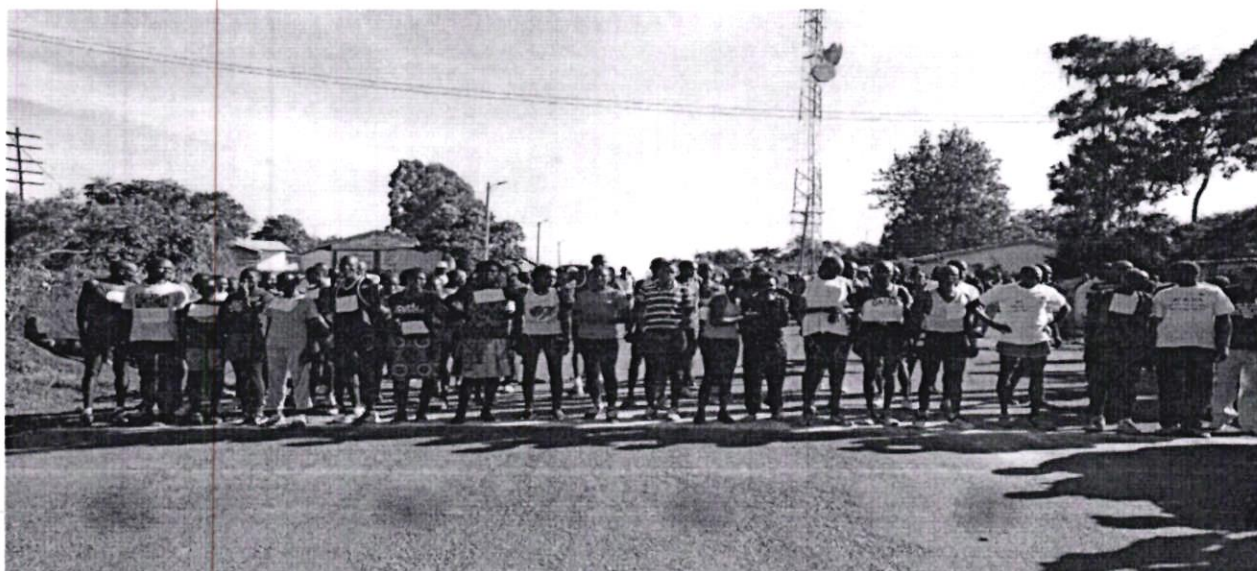
**Bungoma County Disability Empowerment Fund**  
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**2. MANAGEMENT TEAM**

<b>Name</b>	<b>Details of qualifications and experience</b>
Moses Chebonya	Academics qualifications: Masters in Gender and advocacy. Bachelor of Arts Education specialising in English literature. Work Experience: Gender director affairs and prior to his appointment, was a deputy principle of a high school. Main responsibility, Oversees daily fund operations
Washington Makata	Academics qualifications: M.B.A Finance, Bachelor of commerce finance and a certified accountant. Work Experience. worked as an internal auditor teacher Sacco, an administrator at Jomo Kenyatta university of Agriculture and technology then as an accountant up to currently Main responsibility: processing financial transactions of the fund.

**3. FUND CHAIRPERSON'S REPORT**

This year under review marks the fourth year since the establishment of Bungoma County Disability Empowerment Fund. Cumulatively, since the inception of this revolving Fund, a loan amounting to six million and nine hundred thousand (Ksh 6.9M) has been disbursed out of seven million and five hundred thousand that was received (Ksh7.5M). A number of PLWDs Groups that benefitted from the Fund need to be sensitized and capacity build on the operations of the Fund to appreciate and comply with the repayment schedule.



*Mt. Elgon marathon to sensitize the community on the fund and its products*

The Fund has recorded a number of success stories despite the various challenges with regard to its administration. They have enhanced their economic activities and social status through entrepreneurial activities and hence achieved value for money. This was informed by the monitoring and evaluation exercise that we undertake in all the forty five wards across the county yearly. The exercise is aimed at assessing the impact and success of the Fund since its inception as well as finding out the ways to effectively achieve the Fund objectives. Three groups were given loans per ward. It's apparent that many more groups are yearning for the funds to enhance their economic activities. Majority of the group keep poultry, horticulture farming, table banking, cereals and tree nurseries.

Capacity building and creating general public awareness is paramount to the success of the Fund. This includes training on group dynamics, entrepreneurial skills, project management, record keeping as well as tenders reserved for PLWDs at both county and national government level. These activities call for more resources, determination, dedication, proper management and funding to achieve the desired goals.

Currently the Fund is governed by the Bungoma County Disability Empowerment Fund regulations. This has been reviewed with an aim of increasing more lending products as well comply with the existing laws that relates to PLWDs issues. This will help tackle the specific

**Bungoma County Disability Empowerment Fund**  
**Reports and Financial Statements**  
**For the year ended 30 June 2019**

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needs of PLWDs at both individual and group levels by catering for their unique needs. The reviewed regulations will also help cut down on costs with regard to Fund administration and general needs of fund. The reviewed regulations, once put in place, will bring in to existence more products tailored for both groups and individual at group levels. Also a prompt and continuous monitoring and evaluation will be in place to ensure the desired objectives of the Fund as well as value for money are achieved. These will guarantee a revolving and self-sustaining fund in the long-term.

In conclusion, the fund is generally doing well. We are achieving the value for money of our programme. Many groups are now engaged in one or two projects that are economically viable a good number of groups are upgrading to SACCOS and also able to access more grants like the one from World Bank, USAID and UKAID. This opens more opportunities' for them and hence we are achieving the mandate as a fund.



SAPHIA AWIL IBRAHIM.

**Chairperson -Bungoma County Disability Empowerment Fund.**

**Bungoma County Disability Empowerment Fund**  
**Reports and Financial Statements**  
**For the year ended 30 June 2019**

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**4. REPORT OF THE FUND ADMINISTRATOR**

The Fund Administrator for Bungoma County Disability Empowerment 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 period ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangement 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 statement, 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 performance of the fund the financial year 2018/2019 was as follows;

Relating to the increasing default rate in group loaning repayments, we had to suspend the group loan product. The fund was approved to offer three products namely; group loaning, the LPO/LSO financing and asset financing products as stated under the Third Schedule, Sub-regulation 22 (1)-(b) of Bungoma County Disability Empowerment Fund Loan Products. This was after the advice from our county legal office to change some clauses in the regulation to do with vetting of groups. Through the fund committee directive, we suspended the advancing of the products to pave way to amend the regulations in order to seal the loopholes; it's good to report the amendment is going on well currently at county assembly for approval for all the funds

The fund is also meant to offer grants and the allocation of grants in the budget is 30 percent as per the funds regulations.

Preparation of the financial statement in accordance of the laws;

The Fund Administrator for Bungoma County Disability Empowerment Fund accepts responsibility for the Fund's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards. It's of my opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial period ended June 30, 2019, and of the Fund's financial position as at that date. The Fund Administrator for Bungoma County Disability Empowerment Fund further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund financial statements as well as the adequacy of the systems of internal financial control.

Compliance with the applicable government regulations;

The Fund Administrator for Bungoma County Disability Empowerment Fund confirms that the Fund has complied fully with applicable Government Regulations and the terms of external financing covenants, and that the funds received during the financial year/period under audit

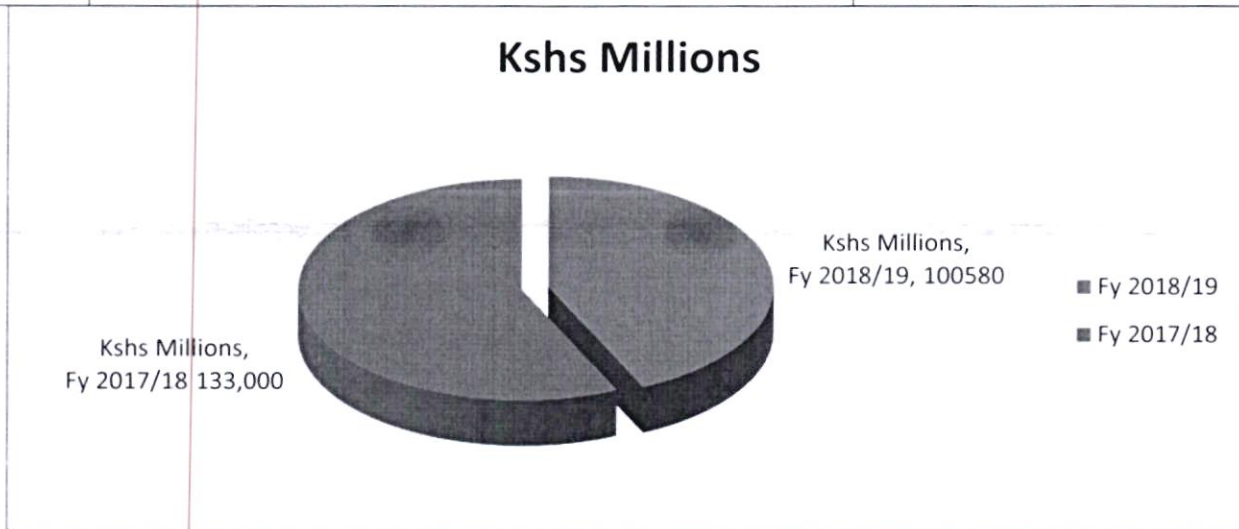
**Bungoma County Disability Empowerment Fund  
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were used for the eligible purposes for which they were intended and were properly accounted. Though what was expected was not received but the fund relied on the revolving fund portfolio

High level of the financial performance

Cost Cutting Measures in the Fund; the financial statement of Bungoma County Disability Empowerment Fund indicates zero expenditure on expenses only the bank charges in the FY 2018/2019 against FY 2017/2018 as follows with illustrations.

N/So	Financial years	Expenses (kshs)
1	FY2018/2019	2380.00
2	FY2017/2018	338,883.00



Signed:   
**MOSES CHEBONYA**

## **5. CORPORATE GOVERNANCE STATEMENT**

According to the legal framework of the fund, Bungoma County Disability empowerment fund regulations, FIRST SCHEDULE, Sub-Regulation 16 (1) provides as to the conduct of business and affairs of the committee as relates to meetings.

The Committee meets at such place in Bungoma County as the chairperson may determine and the meetings are convened by the chairperson.

The Committee has quarterly meetings in every financial year and not more than three months elapses between one meeting and the next meeting.

Unless three quarters of the members otherwise agree, at least seven days' notice in writing of a meeting shall be given to every member by the Fund Administrator of the fund,

At the first meeting of the:

- a. County Committee, the chairperson was the Chief Officer(s) thereafter, the committee elected a chairperson of subsequent meetings from members appointed in as per Regulation 7 (1) (d)
- b. Ward Committee, the chairperson was the Ward Administrator, thereafter, the committee elected a chairperson from among the members appointed in Regulation 12 (2) (c), (d), (e)

The chairperson may, at his/her discretion or at the written request made by at least half of the members of the Committee and within seven days of the request, convenes an extraordinary meeting at such a time and place as he/she may appoint.

Meetings are presided over by the chairperson or in his or her absence by the vice- chairperson.

The members of a Committee elected a vice- chairperson from among themselves-

- (a) at the first sitting of the Committee; and
- (b) Whenever it is necessary to fill the vacancy in the office of the vice-chairperson.

Where the chairperson or vice-chairperson is absent, the members appoints from among themselves, a person to chair the meeting of the Committee.

The Committee may invite a resource person(s) to attend any of its meetings and to participate in its deliberations, but such person does not have a vote in any decision of the Committee.

### **Conflict of interest**

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

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

### **Quorum**

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

Where the persons present at a meeting of the Committee do not constitute the quorum

**Bungoma County Disability Empowerment Fund  
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For the year ended 30 June 2019**

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necessary to hold a meeting under the fund Regulations or where by reason of exclusion of a member from a meeting, the number of members present falls below the quorum necessary to hold a meeting, the Committee postpone the consideration of the matter in question until there is a quorum.

**Voting**

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

**Rules of Procedure and minutes**

The Committee always—

- (a) determine rules of procedure for the conduct of its business; and
- (b) Keep minutes of its proceedings and decisions.

**Terms and conditions of service of the County Committee Members**

The members of the Committee are paid such allowances as shall is determined by Salaries and Remuneration Commission.

Such allowance is drawn from the fund administrative allocation which is within 3 percent of the budget.

**Bungoma County Disability Empowerment Fund**  
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**6. MANAGEMENT DISCUSSION AND ANALYSIS**

The management report on the operational and financial performance of the Fund

*Fund allocation versus releases.*

<b>Financial yrs.</b>	<b>Allocations</b>	<b>Releases</b>
FY 2015/16	15,000,000	7,535,256
FY 2016/17	18,000,000	0
FY 2017/18	23,000,000	0
FY 2018/19	20,000,000	0
<b>Total</b>	<b>86,000,000</b>	<b>7,535,256</b>

The total loan allocated as at now is kshs 76M out of which we have received kshs 7.5M representing 8.72 percent

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

The main purpose of the loan or the scheme is to advance cheap loan facilities to the community with a view of scaling up their micro enterprises activities and borrowing capacity. Through the fund committee there are some measures being considered to initiate investment activities within the county where groups will get more asset financing from this pilot projects

Investment activities will also bring in more revenue as a source of the fund income to reduce on depending on the exchequer which is not forthcoming as well as reducing liquidity risk in the fund.

**Fund's compliance with statutory requirements,**

**Regulations of the fund:**The Public Finance Management Act No 18 of 2012. The Executive Committee Member of Finance has made and gazettes the regulations to operationalize the fund "THE BUNGOMA COUNTY DISABILTY EMPOWERMENT FUND REGULATIONS, 2015"  
COMPLIANCE WITH 3% ON EXPENDITUERE IN THIS PARTICULAR FINANCIAL YEAR UNDER REVIEW.

**Appointment of the fund Administrator:** under PFM Act 2012, the CECM finance and planning has designated the fund Administrator to oversee the running of the fund on a day to day basis.

**Preparation of the financial statements:** 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 BUNGOMA COUNTY DISABILTY EMPOWERMENT FUND REGULATIONS,

**Bungoma County Disability Empowerment Fund**  
**Reports and Financial Statements**  
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2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

**Guiding Principles of operating the Fund:** In the exercise of the powers or the performance of functions under the funds Regulations, the Executive Committee Member, the Committee and the fund administrator shall be guided by the following principles:-

- (a) Public participation and financial inclusiveness;
- (b) Protection of the interests of the marginalized, persons with disability, women and youth; and
- (c) Local ownership and sustainability.

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

- (a) Liquidity risk
- (b) Credit risk
- (c) Capital risk management

**Bungoma County Disability Empowerment Fund**  
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**7. REPORT OF THE TRUSTEES**

The Committee Members submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Fund's affairs.

**Principal activities**

The principal activities of the Fund are

1. To provide funds to be used for granting low-interest loans, support, revive and initiate micro-enterprises in sectors that can have an immediate impact to household economy;
2. To attract and facilitate investment in economic sectors that have linkages to micro, small and medium enterprises
3. Promoting an entrepreneurial culture.

**Results**

The results of the Fund for the year ended June 30, 2019 are set out on page 5 -8

**Committee Members**

The members of the Committee who served during the year are shown on page 1 In accordance with Bungoma county Disability empowerment fund Regulation, No committee member is due for retire by rotation.

The committee members have been able to effectively discharge their duties through quarterly meetings as well as special meeting during the year under review. Special meetings were necessitated by the change of Chief Officers in charge of the Department of Gender and Culture, that is concerned with the Funds and who is also a committee member, the renewal of substantive Fund Administrator as per PFM Act by CECM in charge of Finance and Economic Planning and the other needs to review regulations of the Fund.

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Fund Committee  
MOSES CHEBONYA  
Secretary, Bungoma County Women Empowerment Fund  
Bungoma  
Date:...../...../20...

**Bungoma County Disability Empowerment Fund  
Reports and Financial Statements  
For the year ended 30 June 2019**

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**8. STATEMENT OF FUND'S 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 BUNGOMA COUNTY DISABILITY EMPOWERMENT FUND REGULATIONS, 2015 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 THE BUNGOMA COUNTY DISABILITY EMPOWERMENT FUND REGULATIONS, 2015. 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, 2019, 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**

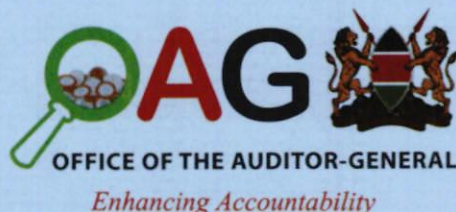
The Fund's financial statements were approved by the Committee on \_\_\_\_\_ 2019  
and signed on its behalf by:



Fund Administrator

# REPUBLIC OF KENYA

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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 BUNGOMA COUNTY DISABILITY EMPOWERMENT FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Bungoma County Disability Empowerment Fund set out on pages 18 to 35, which comprise of 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 the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Bungoma County Disability Empowerment 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 Bungoma County Disability Empowerment Fund Regulations, 2015 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1.0 Discrepancies Between the Financial Statements and Trial Balance**

The balances reflected in the financial statements differed with the trial balances as follows:

- a) The trial balance as at 30 June, 2019 reflects bank charges of Kshs.2,361 which differ with Kshs.2,380 reported in Note 1 to the financial statements by Kshs.19.
- b) Further, the trial balance reflects bank balance of Kshs.38,714, whereas the statement of financial position as at 30 June, 2019 shows a corresponding figure of Kshs.38,694, resulting in an un-reconciled variance of Kshs.20.
- c) In addition, the trial balance reflects total debits of Kshs.4,855,092 which differs with the recomputed total of Kshs.4,852,732, by an un-reconciled variance of Kshs.2,360.

In the circumstances, the accuracy of the Fund's financial statements for the year ended 30 June, 2019 could not be confirmed.

## **2.0 Non-Recovery of Loans and Accrued Interest**

The statement of financial position reflected Kshs.4,811,657 for long term receivables from exchange transactions. The long-term loan repayment status schedule provided for audit review reflected that total loans advanced amounted to Kshs.6,100,000 of which, only Kshs.1,288,343 representing 21% had been recovered through loan repayments as at 30 June, 2019.

Management attributed non-recovery of the loans to political interference and explained that the County was adopting a strategy to solve the problem by amalgamating all the funds under the Bungoma County Government into one fund.

In the circumstances, full recoverability of the outstanding loan balance of Kshs.4,811,657 could not be confirmed which may have a negative impact on the ability of the Fund to sustain delivery of services to persons with disabilities in the County.

## **3.0 Inaccuracies in the Financial Statements**

### **3.1 Misstatement of Cash and Cash Equivalentents**

The statement of financial position reflects cash and cash equivalentents balance of Kshs.38,694, whereas the cashbooks and the certificates of bank balances reflected balances totaling Kshs.38,209. The resulting variance of Kshs.485 between the two balances was not reconciled.

### **3.2 Variances in Comparative Balances and Audited Financial Statements**

The statement of financial position reflects comparative long-term receivables from exchange transactions balance of Kshs.4,811,657 instead of the audited balance amounting to Kshs.4,680,499 reflected in the audited financial statements for the previous year. The difference amounting to Kshs.131,158 was not adequately explained.

Further the statement of financial position reflects revolving fund brought forward balance of Kshs.5,191,614, which, however, differs with the audited comparative balance totalling Kshs.5,060,456 reflected in the financial statements for the year ended 30 June, 2018 resulting to a variance of Kshs.131,158 between the two sets of records. Although Management explained that the variance resulted from adjustment of the initial loan disbursed, documentary evidence including journal voucher in respect to the adjustments was not provided for audit verification.

### **3.3 Misstatement of Accumulated Deficit**

The statement of financial position reflects accumulated deficit of Kshs.2,380 as at 30 June, 2019 which differed with the recomputed accumulated deficit of Kshs.909,504 by an unexplained variance of Kshs.907,124 as detailed below:

<b>Financial Year</b>	<b>Amount (Kshs.)</b>
2015/2016	663,076
2016/2017	(1,231,317)
2017/2018	(338,883)
2018/2019	(2,380)
<b>Total</b>	<b>(909,504)</b>

Further, the accumulated deficit of Kshs.2,380 in the statement is erroneously described as accumulated surplus.

### **3.4 Statement of Changes in Net Assets**

- a) The statement of changes in net assets reflects a revolving fund balance of Kshs.5,191,614 as at 1 July, 2017 which however, differs with the revolving fund balance of Kshs.6,291,773 reflected in the re-stated statement of financial position as at 30 June, 2017 by an un-reconciled variance of Kshs.1,100,159.
- b) Similarly, the statement reflects total net assets as at 1 July, 2017 of Kshs.4,852,731 which differs with a corresponding re-stated figure of Kshs.5,060,456 shown in the statement of financial position as at 30 June, 2017. The difference of Kshs.761,276 has not been explained.
- c) The statement also reflects accumulated deficit of Kshs.341,263 which differs with accumulated deficit of Kshs.2,380 shown in the statement of financial position as at 30 June, 2019 by an un-reconciled difference of Kshs.338,883.

In view of these anomalies, the Fund's financial statements for the year ended 30 June, 2019 are inaccurate.

### **4.0 Progress on Follow Up of Auditor's Recommendations**

Progress on follow up of auditor's recommendations statement at Note 13 does not include the status of issues in the Report of the Auditor-General for the year ended 30 June, 2018 as required by the Public Sector Accounting Standards Board.

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

### **Key Audit Matters**

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

## Other Matter

### Budgetary Control and Performance

As reflected in the statement of comparison of budget and actual amounts for the year under review, the Fund had budgeted to receive Kshs.18,030,000 during the year, but did not actually receive any amount. Further, the Fund incurred expenditure of Kshs.2,380 against a budget of Kshs.450,000, resulting in under absorption of Kshs.447,620 or 99.5%.

The Fund may not have achieved its objective of delivering services to the persons with disabilities in Bungoma County.

Further, the statement reflects the following original budget, adjustments and final budget amounts which were not supported with the relevant approved original and supplementary estimates:

Revenue/Expense Item	Original Budget (Kshs.)	Adjustments (Kshs.)	Final Budget (Kshs.)
<b>Revenues</b>			
Transfers from County Government	14,550,000	2,910,000	17,460,000
Interest Income	450,000	90,000	540,000
Other Income	30,000	-	30,000
<b>Total Income</b>	<b>15,030,000</b>	<b>3,000,000</b>	<b>18,030,000</b>
<b>Expenses</b>			
Fund Administration Expenses	200,000	-	200,000
General Expenses	250,000	-	250,000
<b>Total Expense</b>	<b>450,000</b>	<b>-</b>	<b>450,000</b>

Consequently, the accuracy of the final budget could not be ascertained.

## 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

#### Non-Compliance with Revolving Fund Principles

As at 30 June, 2019, the Fund had, since its inception in the financial year 2015/2016, received grants totalling Kshs.7,535,256 from the County Executive of Bungoma. The revolving fund principles dictates that the fund balance should be equal to the initial funds

disbursed or it should increase in value which was not the case as at 30 June, 2019 as analyzed below:

<b>Details</b>	<b>Amount (Kshs.)</b>
<b>Amount disbursed since inception of the Fund</b>	<b>7,535,256</b>
Bank Balance as at 30 June, 2019	38,714
Outstanding Loans	4,811,657
<b>Total</b>	<b>4,850,371</b>
<b>Deficit in the Fund Account Utilized as Expenditures not Recoverable</b>	<b>(2,684,885)</b>

In view of the above, the purpose of the Fund may not be achieved as desired and sustainability of service may be hampered.

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 effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

##### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the 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 financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 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 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.



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**03 November, 2021**

**Bungoma County Disability Empowerment Fund**  
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**10. FINANCIAL STATEMENTS**

**10.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
30 JUNE 2019**

	Note	2018/2019	2017/2018
		KShs	Kshs
<b>Revenue</b>		-	-
<b>Expenses</b>			
General expenses	1	2,380	338,883
<b>Total expenses</b>		<b>2,380</b>	<b>338,883</b>
<b>Deficit for the period</b>		<b>(2380)</b>	<b>(338,883)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

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**10.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	2018/2019	2017/2018
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	38,694	41,074
long term receivables from exchange transactions	3	4,811,657	4,811,657
<b>Total assets</b>		<b>4,850,351</b>	<b>4,852,731</b>
<b>Net assets</b>			
Revolving Fund Brought Fwd.		4,852,731	5,191,614
Accumulated surplus/deficit	1	2380	338,883
<b>Total net assets and liabilities</b>		<b>4,850,351</b>	<b>4,852,731</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's revised financial statements were approved on \_\_\_\_\_ 2019 and signed by:



\_\_\_\_\_  
 Administrator of the Fund  
 Moses Chebonya



\_\_\_\_\_  
 Fund Accountant  
 Washington Makata  
 ICPAK Member Number:

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**10.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019**

	<b>Revolving Fund</b>	<b>Accumulated surplus</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Balance as at 1 July 2017</b>	5,191,614	(338,883)	4,852,731
Surplus/(deficit) for the period		0	0
<b>Balance as at 30 June 2018</b>	5,191,614	(338,883)	4,852,731
<b>Balance as at 1 July 2018</b>	5,191,614	(338,883)	4,852,731
Surplus/(deficit) for the period		(2380)	(2,380)
<b>Balance as at 30 June 2019</b>	5,191,614	341,263	4,850,351

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

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**10.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018/2019	2017/2018
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from other operating activities		-	56,200
<b>Total Receipts</b>		-	<b>56,200</b>
<b>Payments</b>			
General expenses	1	2,380	338,883
<b>Total Payments</b>		<b>2,380</b>	<b>338,883</b>
<b>Net cash flows from operating activities</b>		<b>(2,380)</b>	<b>(282,683)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,380)</b>	<b>(282,683)</b>
Cash and cash equivalent as at 1 JULY		41,074	319,871
<b>Cash and cash equivalents at 30 JUNE</b>		<b>38,694</b>	<b>41,074</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

**Note:** The cashbook balance is erroneously overstated by ksh 485 therefore overstating cash and cash equivalent balances to ksh 38,694.

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**10.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Transfers from County Government	14,550,000	2,910,000	17,460,000		17,460,000	0%
Interest income	450,000	90,000	540,000		540,000	0%
Other income	30,000	-	30,000		30,000	0%
<b>Total income</b>	<b>15,030,000</b>	<b>3,000,000</b>	<b>18,030,000</b>		<b>18,030,000</b>	<b>0%</b>
<b>Expenses</b>						
Fund administration expenses	200,000	-	200,000	2,380	197,620	1.2%
General expenses	250,000	-	250,000		250,000	0%
<b>Total expenditure</b>	<b>450,000</b>	<b>-</b>	<b>450,000</b>	<b>2,380</b>	<b>447,620</b>	<b>0.5%</b>
<b>Surplus for the period</b>	<b>14,580,000</b>	<b>3,000,000</b>	<b>17,580,000</b>	<b>(2,380)</b>	<b>18,018,883</b>	<b>0%</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

Note:

- We expected to receive ksh 15,000,000 in exchequer but the fund didn't receive the transfer from the county government
- The expenditure allocation was the 3% allocation for the administration kshs 450,000. We managed to spend only ksh 2,380 leading to 0.5% of utilization.
- 0% on other income was expected on the outstanding loans but loans were not paid hence we did not realize the income

11 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.

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

Standard	Effective date and impact:
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> 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 which are covered purely under Public Sector combinations as amalgamations.

b) Early adoption of standards

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

2. 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.

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**3. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly and 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 a deduction appropriation of Kshs 5M on the 2018-2019 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under section 12 (e) of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**4. Financial instruments**

**Financial assets**

*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 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 cashflows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- The debtors or 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.

**5. 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.

## **Bungoma County Disability Empowerment Fund**

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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.

#### ***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.

#### **6. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. In this case the entity did not maintain any reserve.

#### **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.

#### **7. 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.

#### **8. 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.

#### **9. 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.

## **Bungoma County Disability Empowerment Fund**

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#### **10. Comparative figures**

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

#### **11. Events after the reporting period**

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

#### **12. Ultimate and Holding Entity**

The entity is a County Public Fund established by THE BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND REGULATIONS, 2015 under the Ministry of Gender, Culture, Youth Affairs and Sports. Its ultimate parent is the County Government of Bungoma.

#### **13. Currency**

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

#### **14. 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.

Judgements, estimates and assumptions made:

**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

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➤ Changes in the market in relation to the asset

**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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**15. 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 company'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:

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 company 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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i. Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company'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.

**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:

## 12 NOTES TO THE FINANCIAL STATEMENTS

## 1. General expenses

Description	2018/2019	2017/2018
	Kshs	Kshs
Consumables		331,100
Bank charges	2,380	7,783
<b>Total</b>	<b>2,380</b>	<b>338,883</b>

## 5. Cash and cash equivalents

Description	2018/2019	2017/2018
	Kshs	Kshs
Current account	38,694	41,074
<b>Total cash and cash equivalents</b>	<b>38,694</b>	<b>41,074</b>

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

Financial institution	Account number	2018/2019	2017/2018
		Kshs	Kshs
<b>Current account</b>			
Kenya Commercial bank		38,694	41,074
<b>Total</b>		<b>38,694</b>	<b>41,074.20</b>

## 3. Receivables from exchange transactions

Description	2018/2019	2017/2018
	Kshs	Kshs
<b>Current Receivables</b>		
Current loan repayments due	4,811,657	4,811,657
<b>Total Current receivables</b>	<b>4,811,657</b>	<b>4,811,657</b>

## 4. 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:

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

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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)
	Sustainability of the fund	We have removed all staff salaries and any other expenses that can be charged from the mother ministry estimates We are trying to seek funding from the partners like world bank, USAID, UKAID	Fund administrator And fund committee	<i>Resolved</i>	30 <sup>th</sup> Dec 2018
	Funding of the fund through exchequer	We have resorted to requesting funding through partners and donors as well as treasury.	The chairperson and chief officer mother ministry	<i>Not Resolved</i>	30 <sup>th</sup> June 2018
	Gazetting of the regulation of the fund	We have gazetted the regulation	County legal attorney	<i>Resolved</i>	30 <sup>th</sup> June 2018