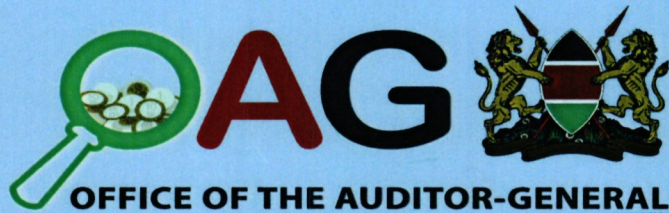


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THE NATIONAL ASSEMBLY	
P. 1	
DATE:	31 MAY 2022
	TUESDAY
TABLED BY:	Majority Whip, Hon. E. Wangwe, MP.
CLERK-AT-THE-TABLE:	Gertrude Chebet

THE AUDITOR-GENERAL

ON

MANAGEMENT AND SUPERVISION FUND

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

**STATE DEPARTMENT FOR
CO-OPERATIVES**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

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**MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES
AND CO-OPERATIVES**

STATE DEPARTMENT FOR CO-OPERATIVES

MANAGEMENT AND SUPERVISION FUND

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021.**

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

Table of Contents

1.	KEY ENTITY INFORMATION AND MANAGEMENT	2
2.	FUND ADMINISTRATION COMMITTEE.....	5
3.	STATEMENT OF PERFORMANCE AGAINST ENTITY’S PREDETERMINED OBJECTIVES ..	6
5.	FUND CHAIRPERSON’S REPORT	9
6.	REPORT OF THE FUND ADMINISTRATOR.....	10
7.	CORPORATE GOVERNANCE STATEMENT.....	11
8.	MANAGEMENT DISCUSSION AND ANALYSIS	12
9.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY	13
10.	REPORT OF THE FUND ADMINISTRATION	14
11.	STATEMENT OF MANAGEMENT’S RESPONSIBILITIES.....	15
12.	REPORT OF THE INDEPENDENT AUDITOR.....	16
13.	FINANCIAL STATEMENTS	17
13.1.	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 th JUNE 2021.....	17
13.2.	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021	18
13.3.	STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021.....	19
13.4.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021.	20
13.5.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 th JUNE 2021.	21
14.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	22
15.	NOTES TO THE FINANCIAL STATEMENTS.....	25
16.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	27

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021**

1. KEY ENTITY INFORMATION AND MANAGEMENT

The Management & Supervision Fund was established Under Co-operatives Societies Rule No. 18 and 19. The Fund is managed by the department for Co-operatives as authorized by the Co-operatives Societies Act 2004 and the Co-operatives Societies Rules.

Co-operatives Societies Act 2004 and the Co-operatives Societies Rules 18;

(1) There is hereby established a fund to be known as the Management and Supervision Fund and every registered society shall, unless exempted in writing by the Commissioner, pay into it annually an audit and supervision fee.

(2) The Commissioner shall administer the Fund and the balance of the Fund shall be kept with the accounting officer who shall be authorized to accept receipts and to make payments in accordance with the provisions of these Rules: Provided that the accounting officer shall not make any payment from the Fund unless he holds a cash balance on behalf of the Fund sufficient to cover the payment.

(3) The receipts to the fund shall consist of-

- (a) Fees under sub-rule (1) as fixed by the Commissioner for the better carrying out of the provisions and purposes of section 25 of the Act;
- (b) ten per centum of the audit fees paid by the society to the auditor in respect of the annual accounts in question; and (c) fees paid under rules 16 and 17 (2).

(4) Expenditure charged to the Fund may include expenditure for-

- (a) Purchases of specialized stationery, office machinery and equipment for use by the Commissioner in the administration of co-operative societies and the Fund;
- (b) Repairs of office machinery and equipment purchased from the management fund;
- (c) temporary extra clerical assistance, authorized by the Commissioner as necessary from time to time in connection with the audit and supervision of co-operative societies;
- (d) Payment of professional audit fees which shall be subsequently recovered wholly or in part from co-operative societies concerned;
- (e) liquidation expenses including legal fees and costs where no money~ are available to the liquidator and where in the opinion of the Commissioner such expenditure should be incurred for the proper carrying out of the liquidation; and
- (f) Any other expenditure approved by the Treasury including the investment of funds surplus to requirements.

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021**

Accounts of the Fund 19;

(1) Fifty per cent of the annual receipts received by the Fund shall be payable half yearly to the Government as appropriations-in-aid.

(2) All expenditure from the Fund shall be supported by vouchers and authorized by the Commissioner in the same manner as for other Government expenditure.

(3) The Fund shall be audited annually by the Controller and Auditor General.

a) Principal Activities

The principal activity of the fund is the sale of co-operatives audit services and annual registration of auditors.

Vision

“The fund of choice for the promotion of accountability and audit in Co-operatives societies.

Mission

To mobilize funds from Co-operatives societies and other sector players and utilize the same towards the attainment of a globally competitive and sustainable co-operative sector.

Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

b) Key Management

Ref	Name	Position
1	Ali Noor Ismail, CBS	Accounting Officer
2	David K. Obonyo	Commissioner for Co-operatives
3	Javel Murira	Director Co-operatives Audit (AIE Holder)
4	Peter Mokobo	Deputy Accountant General

c) Registered Offices

P.O. Box 30547-00100
NSSF Building
Bishop Road
Nairobi, Kenya.

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021**

d) Fund Contacts

Telephone: (254) 020-273531-9

E-mail: ps.ushirika@gmail.com

Website: www.go.ke

e) Fund Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya.

Note: No other Commercial Banks

f) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

g) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya.

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021**

2. FUND ADMINISTRATION COMMITTEE

Management and Supervision fund has no board of trustees only a management team under Co-operatives director of Audit in the office of Commissioner for Co-operatives.

Ref	Name	Position
1	Ali Noor Ismail, CBS	Accounting Officer
2	David K. Obonyo	Commissioner for Co-operatives
3	Javel Murira	Director Co-operatives Audit (AIE Holder)
4	Peter Mokobo	Deputy Accountant General

3. STATEMENT OF PERFORMANCE AGAINST ENTITY'S PREDETERMINED OBJECTIVES

Guidance

Refer to the entity's annual budget and program plan report on the extent of the county government entity's progress in attaining the plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the entity in implementation of its program plan. Refer to the strategic plan if the entity has one.

Introduction

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

The key development objectives of the Management and supervision fund (Co-operative Accounts and Audit) are to:

- a) Implement policy and operational guidelines on Co-operative Audit services
- b) Regulate and monitor compliance with the provisions of the Co-operative Societies Act and subsidiary legislation
- c) To promote good governance in co-operative societies
- d) To ensure effective and efficient service delivery

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:-

Program	Objective	Outcome	Indicator	Performance
Governance and accountability	Implement policy and operational guidelines on Co-operative Audit services	Guidelines were issued to cooperative societies	Two technical updates completed and signed	Developed two technical updates and achieved the targets by 100%
	Regulate and monitor compliance with the provisions of the Co-operative Societies Act and subsidiary legislation	Promotion of accountability through registration of 4107 Audited accounts	4107 audited accounts	Registered 4107 audited accounts against a target of 3800, hence a score of 108%.
		Regulation of audit services and promoted ethical practices	351 Audit firms were registered and approved to audit cooperatives	Approved list of auditors for 2021 done

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021**

		Enforcement of the legal requirements on audit	Compliance audit of societies in the 47 Counties	Compliance audits were carried out in the Counties and reports issued
	To promote good governance in co-operative societies	Promotion of accountability during liquidation of societies	Reviewed 7 liquidators' schemes of distribution and society status	Records of 7 societies against a target of 5 were reviewed and reports issued
		Inquiry and investigation of suspected mismanagement and fraud	Cooperative Auditors took part in 11 inquiries and inspections of societies	Cooperative auditors were assigned inspection and inquiry work in 11 societies
	To ensure effective and efficient service delivery	Lender services to the public in accordance with Citizen Service Delivery Charter	Attendance to public requests and complaints	Attended to all the customer requests and provided the necessary assistance.

4. MANAGEMENT TEAM



Principal Secretary Ali Noor Ismail, CBS

Mr Ali Noor Ismail, CBS born in 1959 is the Principal Secretary (PS) in the State Department for Co-operatives, Ministry of Agriculture, Livestock, Fisheries and Co-operatives. He holds a Master's of Science Degree in Human Resource Management. His career spans over 35years at management level in both private and public sectors. He has held the position of Principal Secretary since his appointment by H.E the President of the Republic of Kenya. He was the Principal Secretary in the Ministry of Environment and Forestry and Principal Secretary in the Ministry of Labour, Social Security and Services, and the State Department for Co-operatives.



**Mr. David K. K. Obonyo
Commissioner for Co-operative Development**

The Commissioner for Co-operatives Development and currently the Head Finance and Marketing Division. Born in 1966,he holds a Masters of Arts Rural Economics and Co-operation (Bundelkhand University, India); Bachelor of Arts, Economics, Sociology and Political Science and Diploma Industrial Relations. Has 24 years' service in the Co-operatives Administration serving as Ag. Secretary Ethics Commission for Co-operatives Societies (ECCOS), Head of Department, Co-operatives Finance and Banking, Co-operatives County commissioner, Provincial Co-operatives Officer and District Co-operatives Officer. A member of Kenya Society for Professional Co-operators. (KSPC).



**Javel Muthee Murira
Director Co-Operative Audit.**

He holds a MBA in Finance, B.A in economics and sociology. KACE and KCE. He is a professional Accountant; Born in 1968,he is currently the Director of Co-operatives Audit State department for Co-operatives. He has worked in various government units from the year 1994 to date. He is a member of ICPAK and Institute of internal auditors (IIA).



**CPA Peter M. Mokobo
Deputy Accountant General: Head of Accounting Unit.**

Peter M. Mokobo assumed the position of Head of Accounting Unit in June 2019. Born in 1968, he is in charge of accounting and financial reporting as well as designing, implementing and fair presentation of financial statements. He holds a Master's of Business Administration from JKUAT, Bachelor of Business Administration JKUAT and CPA (K) finalist.

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021**

5. FUND CHAIRPERSON'S REPORT

It is my pleasure to present, the Management and supervision fund financial statements for the year ended 30th June, 2021. The financial statements present the financial performance of the fund over the past year.

Sustainability

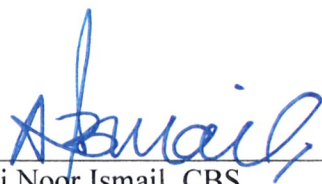
The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

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.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the State Department for Co-operatives, Co-operative Auditors, and other Stakeholders, for their continued support which made us achieve these results.

I look forward to your continued support in the years to come.



Ali Noor Ismail, CBS
PRINCIPAL SECRETARY

6. REPORT OF THE FUND ADMINISTRATOR

Review of performance

Income

The fund earned revenues amounting to KShs.16.4 M from audit supervision fees.

Expenditures

The total expenditures during the period amounted to KShs.15.6 M out of which were general expenses and AIA transfers.

Entity's compliance with statutory requirements

During the reporting period the fund has complied with all statutory requirements. The institution has no non-compliance that may expose it to potential contingent liability.

Key projects and investment decisions the entity is planning/implementing

There is no any key project or investment the fund is planning to implement.

Major risks facing the entity

The fund are exposed to liquidity risk .The fund overall risk management framework focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risk on its performance by setting acceptable levels of risk.

Material arrears in statutory/financial obligations

During the reporting period the Fund has no material arrears and any financial obligations

The entity's financial probity and serious governance issues

During the reporting period the fund has no case of financial improbity reported and no governance issues were raised.

Conclusion

Good progress was made in the Financial Year and the momentum has been created to enable Management and supervision Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank all staff who we have worked hand in hand to ensure that Management and supervision Fund achieves its mission.



Signed: _____

David K. Obonyo

Commissioner for Co-operative Development

7. CORPORATE GOVERNANCE STATEMENT

STATEMENT OF COMPLIANCE

The fund has throughout the FY2020/2021 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The management are responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

Strategic Plan

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis.

Management Team

The management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

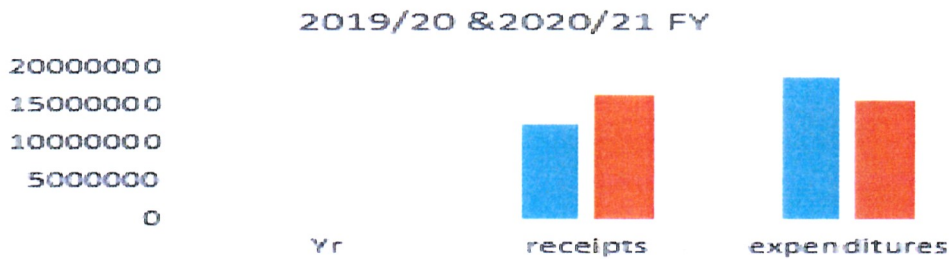
Auditor

The fund is audited by the Auditor-General.

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021**

8. MANAGEMENT DISCUSSION AND ANALYSIS

The fund earned revenues amounting to KShs.16.4 M from audit supervision fees. The total expenditures during the period amounted to KShs.15.6 M out of which were general expenses and AIA transfers.



During the reporting period the fund has complied with all statutory requirements. The institution has no non-compliance that may expose it to potential contingent liability.

With the expected operationalization of the new National Cooperative Policy and finalization of the new Cooperative Bill, the management and supervision fund revenue streams will be streamlined with that at the county level.

Key challenges:

The activities for the year slowed down because of the Covid-19 Pandemic which affected the business because of the restrictions in movement, lockdowns, ban on gatherings and many people working from home. The restrictions affected the general performance of the economy which in turn reduced sale of cooperative shares and society property due to limited liquidity.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY

The Management & Supervision Fund is operated under the office of the Commissioner for Co-operatives and it does not have structures by itself.

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021**

10. REPORT OF THE FUND ADMINISTRATION

The fund administrator submits the report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Fund affairs.

Principal Activities

The principal activity of the fund is the sale of co-operatives audit services and annual registration of auditors.

Performance

The fund earned revenues amounting to KShs.16.4 M from audit supervision fees. The total expenditures during the period amounted to KShs.15.6 M out of which were general expenses and AIA transfers.

Administrator of the Fund is the Director Audit Services under the Commissioner for Cooperatives as shown in page 5.

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.



Signed: _____

David K. Obonyo

Commissioner for Co-operative Development

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

The Administrator of the 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. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the 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

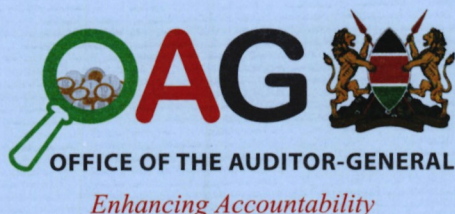
The Fund's financial statements were approved by the Accounting officer on 28th September 2021 and signed by:



Ali Noor Ismail, CBS
PRINCIPAL SECRETARY

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MANAGEMENT AND SUPERVISION FUND FOR THE YEAR ENDED 30 JUNE, 2021 - STATE DEPARTMENT FOR CO-OPERATIVES

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Management and Supervision Fund set out on pages 17 to 27, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

Under-Payment of Appropriations-In-Aid (AIA)

The statement of financial performance reflects revenue from non-exchange transactions totalling Kshs.16,401,646 and transfer of Appropriations-In-Aid (AIA) of Kshs.4,000,000 under expenses for the year ended 30 June, 2021. The Fund apparently transferred an amount of Kshs.4,000,000 to the State Department instead of Kshs.8,200,823 resulting in an underpayment by Kshs.4,200,823 or 24% of the total revenue collected. This is contrary to Section 19(1) of the Cooperative Societies Rules, 2004 which states that fifty (50) per cent of the annual receipts received by the Fund shall be payable half yearly to the Government as Appropriations-In-Aid.

In the circumstances, the validity, accuracy and completeness of the transfer of AIA of Kshs.4,000,000 for the year ended 30 June, 2021 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Follow Legal Provisions for Writing-Off Debts

Examination of debtor ledgers revealed that the Management wrote-off debts amounting to Kshs.24,022,267 owed to the Fund without submitting relevant loss and write-off authorization reports to The National Treasury and the Auditor-General or applying the provisions of Regulations 145(b) and 148(5), (6) and (7) of the Public Finance Management (National Government) Regulations, 2015.

According to the Regulations, the term losses includes non-collection of any moneys due or belonging to National Government and, if the loss falls within the Accounting Officer's powers under Section 69(1) of the Public Finance Management Act, 2012, he shall authorize the write-off of the loss up to an amount not exceeding hundred thousand (Kshs.100,000) shillings in any one incidence. Further, if the loss falls within the Cabinet Secretary's powers under Section 69 (2) of the Act, the Accounting Officer shall seek the approval of the Cabinet Secretary to authorize him to write-off the loss of an amount exceeding one hundred thousand (Kshs.100,000) shillings but not exceeding one percent of the National Government's entity's approved estimates excluding the Consolidated Fund Services in any one incidence.

Although it was explained that the Management wrote-off the debts by invoking Rule 18(1) of the Co-operative Societies Rules, 2004 under Co-operative Societies Act, 1997, where every registered society shall unless exempted in writing by the Commissioner pay into it annually an audit and supervision fee, the Management was nevertheless in breach of the law because a write off is not the same an exemption.

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 overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL
Nairobi

21 March, 2022

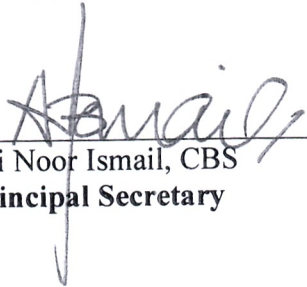
Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021

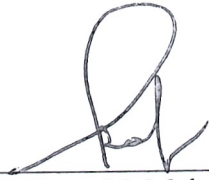
13. FINANCIAL STATEMENTS

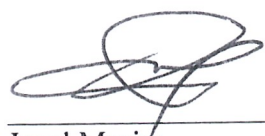
13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th
JUNE 2021.

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Audit and supervision fees	1	13,548,646	11,226,457
Inquiry Fees	1	2,853,000	1,241,500
Expenses		<u>16,401,646</u>	<u>12,467,957</u>
Transfers AIA	2	4,000,000	4,000,000
General expenses	3	11,684,780	14,637,164
Total expenses		<u>15,684,780</u>	<u>18,637,164</u>
Surplus/(deficit) for the period		716,866	(6,169,207)

The notes set out form an integral part of these Financial Statements. The entity financial statement was approved on 28th September 2021 and signed by:


Ali Noor Ismail, CBS
Principal Secretary


CPA Peter M. Mokobo
Deputy Accountant General
ICPAK Number: 4097



Javel Murira
Director for Co-operative Audit

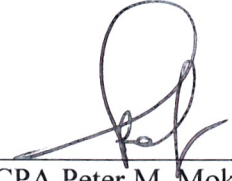
**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021**

13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	2,597,894	1,732,278
Management & Supervision fees- Debtors	7	10,219,347	10,219,347
Non-current assets			-
Property, plant and equipment	5	579,921	728,671
Total assets		13,397,162	12,680,296
Liabilities			
Payables		-	-
Net Assets		13,397,162	12,680,296
Financed by;			
Management & Supervision Fund Capital	6	12,680,296	18,894,544
Prior year adjustment		-	(45,041)
Accumulated surplus/deficit		716,866	(6,169,207)
Total equity		13,397,162	12,680,296

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 28th September 2021 and signed by:


 Ali Noor Ismail, CBS
 Principal Secretary


 CPA Peter M. Mokobo
 Deputy Accountant General
 ICPAK Number: 4097


 Javel Murira
 Director for Co-operatives Audit

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021**

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

	Fund/Capital	Accumulated surplus	Total
		KShs	KShs
Balance bf July 1st, 2019	18,894,544		
Accumulated Surplus/(deficit) for the period	-	(6,214,248)	(6,214,248)
Funds received during the year	-	-	-
Balance as at 30 June 2020	18,894,544	(6,214,248)	12,680,296
Surplus/(deficit) for the period	-	-	716,866
Funds received during the year	-	-	-
Balance as at 30 June 2021	12,680,296	716,866	13,397,162

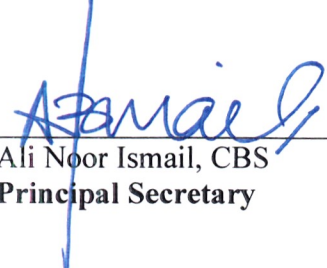
Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021

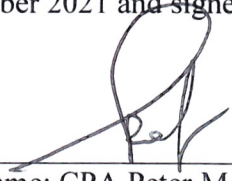
13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021.

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Audit and Supervision fees	1	13,548,646	11,226,457
Inquiry fees	1	2,853,000	1,241,500
Total Receipts		<u>16,401,646</u>	<u>12,467,957</u>
Payments			
General expenses	3	11,684,780	14,637,164
Transfer to treasury-AIA	2	4,000,000	4,000,000
Total Payments		<u>15,684,780</u>	<u>18,637,164</u>
		716,866	(6,169,207)
Add Depreciation	3	148,750	187,794
Adjust for changes in receivables/payables/Prior Year	8	-	(45,041)
Net cash flows from operating activities		<u>865,616</u>	<u>(6,026,454)</u>
Purchase of property, plant, equipment and intangible assets			
Net cash flows used in investing activities			
Net increase/(decrease) in cash and cash equivalents		<u>865,616</u>	<u>(6,026,454)</u>
Cash and cash equivalents at 1 July bf	4	1,732,278	7,758,732
Cash and cash equivalents at 30 June	4	2,597,894	1,732,278

Note: Changes in prior year are from adjustments on cashbook closing bank balances for the fund.
General expenses includes depreciation.

The entity financial statements were approved on 28th September 2021 and signed by:


Ali Noor Ismail, CBS
Principal Secretary


Name: CPA Peter M. Mokobo
Deputy Accountant General
ICPAK Number: 4097


Javel Murira
Director for Co-operatives Audit

Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021

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

	Original budget 2021	Adjustments 2021	Final budget 2021	Actual on comparable basis 2021	Performance difference 2021	% utilisation 2021
Revenue	KShs	KShs	KShs	KShs	KShs	
Audit and Supervisory Fee	8,000,000	-	8,000,000	16,401,646	(8,401,646)	205%
Annual registration	900,000	-	900,000	-	900,000	0
Fund Bf	1,732,278	-	1,732,278	-	1,732,278	0
Total income	10,632,278	-	10,632,278	16,401,646	(5,769,368)	154%
Expenses						
Transfer AIA	4,000,000	-	4,000,000	4,000,000	-	100%
Use of goods	1,932,278	-	1,932,278	1,975,930	(43,652)	101%
Travelling and Subsistence	4,000,000	-	4,000,000	9,040,100	(5,040,100)	226%
Training/hire	600,000	-	600,000	520,000	120,000	87%
Other General expenses	100,000	-	100,000	148,750	(48,750)	148%
Total expenditure	10,632,278	-	10,632,278	15,684,780	(5,052,502)	147%
Surplus/Deficit	0		0	716,866	(716,866)	

Note: Subsequent revision of the budget was underway before the reporting period ended but the process stalled due to inconveniences resulting from Covid -19 pandemic where some items in the budget needed to be revised upwards.

- i) The 226% utilization was in anticipation of the revised budget on travel and subsistence.
- ii) The amount of kshs 16,401,646 includes all the revenues from audit and inquiry which is captured as one line item in ifmis though it contains other receipts too.

14. 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) Accrual. 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

3. Revenue recognition

i) Revenue from non-exchange transactions

Audit and supervision fees

Audit and supervision fees is recognised when audited accounts is presented to commissioner for approval or registration are billed for payments. Currently no registration of accounts is allowed without full payments having been done.

The income relates to

1. 10% of audit fees from private auditors
2. 30% of audit and supervision fees from county Co-operative Auditors
3. Annual registration fees from private audit firms at Ksh.3000 per year.

4. Budget information

The original budget for FY 2020/2021 was approved by the Accounting officer on February 2021 and no subsequent revisions were made. 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. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under item 13.5 of these financial statements.

5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. The Assets have been depreciated as Furniture and fittings at 20% and Computers ICT at 33% on a straight line basis.

6. Fund surplus fees

Fund surplus are realised from excess income over expenditure, the surplus are carried forward to the next financial year.

7. Changes in accounting policies and estimates

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

8. Cash and cash equivalents

Bank account balances include amounts held at the Central Bank of Kenya at the end of the financial year.

9. Comparative figures

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

10. Events after the reporting period

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

11. Currency

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

12. 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

Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021.

- Availability of funding to replace the asset
- Changes in the market in relation to the asset

13. Provisions

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

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

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. The Fund has a related party relationship with the State Department for Co-operatives which managed the Fund under the office of Commissioner for Co-operative Development.

Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021.

15. NOTES TO THE FINANCIAL STATEMENTS

1. Inquiry and Audit Fees

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Audit & Supervision Fees	13,548,646	11,226,457
Inquiry fees	2,853,000	1,241,500
Total	<u>16,401,646</u>	<u>12,467,957</u>

2. Transfer AIA

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Transfer to treasury-AIA	4,000,000	4,000,000
Total	4,000,000	4,000,000

3. General expenses

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Use of goods	1,975,930	1,570,890
Travelling and Subsistence	9,040,100	11,599,080
Repairs and maintenance	-	-
Training	520,000	507,400
Hospitality	-	772,000
Depreciation and amortization costs	148,750	187,794
Other expenses	-	-
Total	11,684,780	14,637,164

4. Cash and cash equivalents

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Cash at bank	2,597,894	1,732,278
Total cash and cash equivalents	2,597,894	1,732,278

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021.**

5. Property, plant and equipment

	Furniture and fittings 0.2	Computers ICT 0.33	Total
Cost	KShs		KShs
NBV as at June 2019 cd	881,843	34,622	916,465
Additions			
Disposals	-	-	
Less Depreciation	176,369	11,425	187,794
NBV as at June 2020 cd	705,474	23,197	728,671
Additions	-	-	-
Disposals	-	-	
Less Depreciation	141,095	7,655	148,750
NBV as at June 2021 cd	564,379	15,542	579,921

6. Management & Supervision Fund-Capital

	FY2020/2021	FY2019/2020
Management & Supervision Fees-Debtors	10,219,347	10,219,347
Cash at Bank/PMG	2,597,894	1,732,278
Assets NBV as at June 2020	579,921	728,671
Total Capital	13,397,162	12,680,296

7. Management & Supervision Fees-Debtors.

Annexure: *Detailed List Attached.*

8. Adjustment for changes in Receivables-payables/Prior year balances

	FY2020/2021	FY2019/2020
Closing Balances as per the cashbook	19,076,278	7,803,773
Under/overstated	-	(45,041)
Opening balances	19,076,278	7,758,732

Balances are as follows: Detailed Breakdown attached

Balances as per the Cashbook Items	Amounts
Management Fund	2,597,894
General deposits (retentions)	16,478,384
Totals	<u>19,076,278</u>

Note: The closing balances in the cashbook includes items of general deposits due to the fund sharing a bank account with general deposits.

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021.**

16. 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)
1454	Inaccuracies in the Financial Statements	The State Department revised books of accounts to reflect the correct balance	DAG	Resolved	
1455	Failure to submit Financial Statement from 2004 to 2012	Management prepared the Financial Statements and submitted to the Auditor General as evidenced in the report of Auditor General Report 2009/2010	DAG	Resolved	
1455.2	Late Submission of Financial Statements	Matter was brought before Parliamentary Committee and resolved	DAG	Resolved	
1455.3	Unsupported balances Statement of Financial Performance	Management availed all the supportive documents for Audit verification	DAG	Resolved	
1455.3.2	Statement of Financial position	Management availed the supportive documents	DAG	Resolved	
1455.4	Inaccuracies of the Financial Statements	Management has Reconciled the books of Accounts to Eliminate the errors	DAG	Resolved	

**Management and supervision Fund
Annual Report and Financial Statements
For the year ended June 30, 2021.**

Management Fund manual Trial balance

Accounts	DR	Cr
Audit & Supervision		13,548,646
Inquiry fees		2,853,000
Fund Capital		12,680,296
Cash/bank	2,597,894	
AIA transfers	4,000,000	
Use of goods/Purchases	1,975,930	
DSA	9,040,100	
Training	520,000	
Depreciation	148,750	
Debtors	10,219,347	
PPE	579,921	
	29,081,942	29,081,942