

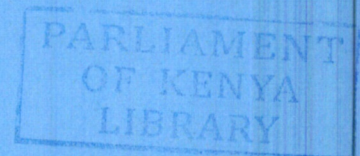
REPUBLIC OF KENYA



REPORT

PAPERS LAID	
DATE	30/5/2023
TABLED BY	SML
COMMITTEE	—
CLERK AT THE TABLE	Innocent Mbayi

OF



THE AUDITOR-GENERAL

ON

**BUSIA COUNTY CO-OPERATIVE
ENTERPRISE DEVELOPMENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**



BUSIA COUNTY CO-OPERATIVE ENTERPRISE DEVELOPMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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

Table of Content

1. Key Entity Information and Management.....	iii
2. The Board of Trustees.....	vi
3. Management team.....	viii
4. Board/Fund Chairperson's report.....	ix
5. Report of the Fund Administrator.....	x
6. Statement of Performance against the County Funds Predetermined Objectives.....	xii
7. Corporate Governance Statement.....	xiii
8. Management Discussion and analysis.....	xiv
9. Environmental and Sustainability Reporting.....	xv
10. Report of Trustees.....	xvi
11. Statement of Management's Responsibilities.....	xvii
12. Report of the Auditor General.....	xviii
13. Statement of the Financial performance for the year Ended 30 th June 2022.....	1
14. Statement of Financial Position as at 30 th June 2022.....	2
15. Statement of Changes in Net Assets for the year ended 30 th June 2022.....	4
16. Statement of Cash Flows for the Year ended 30 th June 2022.....	5
17. Statement of Comparison of Budget and Actual Amount Amounts for the Year ended 30 June 2022	7
18. Notes to the Financial statements.....	8
19. Progress On follow Up Follow up of Prior Year Auditors Recommendations.....	36

Annual Report and Financial Statements for the year ended June 30, 2022

KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Co-operative Enterprise Development Fund is a semi-autonomous Busia County Government entity established in the County Department of Trade, Investment, Industry and Co-operatives in July 2014 by an Act of the County Assembly 'Busia County Co-operative Enterprise Development Fund Act, 2014'. The Fund is domiciled and operates within Busia County in the Republic of Kenya. It is governed by the Fund Committee Members and headed by the Fund Director/Administrator and Committee Secretary who is responsible for general policy implementation and strategic direction of the Fund and the Secretary to the Committee. The aim of the Fund is to provide affordable financing to all registered co-operative institutions in Busia County.

b) Principal Activities

As stipulated in the Co-operative Enterprise Development Fund Act, 2014 the objective and the purpose for which the Fund was established is 'to provide funds to be used for granting low-interest loans to co-operative institutions in Busia County, with a view to supporting them scale up their lending activities, value addition, promote entrepreneurship and enhance production and productivity.

The mandate of the Fund as conceptualized is to:

- a. To disburse loans to deserving and qualified co-operative societies in Busia County
- b. Recover all outstanding loans disbursed
- c. Establish a viable and sustainable revolving fund

Section 4 of the Fund Act sets out the object and the purpose of the Fund as follows:-

- a. To provide funds to be used for granting low-interest loans to cooperative institutions with a view to scaling up their lending activities, value addition, promote entrepreneurship and enhance productivity.
- b. To provide funds to support, revive and initiate cooperative sector institutions in areas that can have an immediate impact to household economy;
- c. To attract and facilitate investment in cooperative sector institutions that have linkages to micro, small and medium enterprises that benefit the youth ;
- d. provide financial support to cooperative sector institutions that support strategic and high-return interventions which directly and indirectly have the potential to trigger growth and sector-wide impact;

To attract and facilitate investment in cooperative sector institution that have linkages to low- income persons, community-based organizations, and women groups; and

- e. To provide funds to cooperative sector institutions to facilitate marketing of products and services both in the domestic and the international markets.

Further, Section 10 of the Act states the functions of the Fund Committee as to: -

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

- a. formulate policy guidelines on cooperative sector funding;
- b. Ensure that all projects funded under this Act are consistent with the counties priorities specified in the relevant policy documents;
- c. Approve proposals submitted to it by the Unit under this Act;
- d. Authorize allocations from the Fund ;
- e. Formulate or approve standards, guidelines and procedures for funding proposals under this Act,
- f. Approve the organizational structure of the Unit;
- g. Provide oversight in the utilization of the Fund; and perform any other function as may be conferred on it by this Act or any other written law.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Roselyne N. Pepela	Vice- Chairperson
2	Catherine T. Nagwalla	Member
3	Oscar E. Odaba	Committee Secretary
4	Vincent J. Ombitsi	Member
5	Nelson M. Kwamini	Member
6	Rodgers A. Sekwe	Member

d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Oscar E. Odaba
2	Fund Accountant	Amos Ayieko

e) Registered Offices

P.O. Box 353-50400
Co-operative House
Assembly Road
Busia, Kenya

f) Fund Contacts

Telephone (254) 733-342435
Email: coopfundbusia@gmail.com
Website: www.busiacounty.go.ke

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

g) Fund Bankers

Co-operative Bank of Kenya-Busia Branch
P.O. Box 326-50400
Busia, Kenya

h) Independent Auditors

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

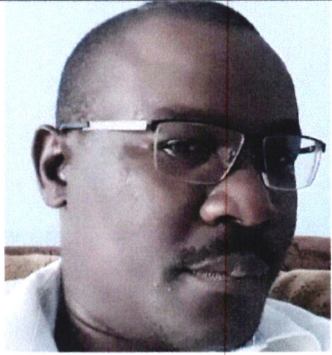
i) Principal Legal Adviser

The County Attorney
County Government of Busia
P.O. Private Bag – 50400
Busia, Kenya

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

1. THE BOARD OF TRUSTEES.

Name	Details of qualifications and experience
 Vincent Ombitsi	➤ Born 1984 ➤ Bachelor of Commerce(Accounting) ➤ Over 10 years working experience in Accounting ➤ ACCOUNTANT
 Oscar E.Odaba	➤ Born 10th Feb 1971 ➤ Member of KIM ➤ Currently undertaking PHD degree in Business Administration at Jkuat ➤ Strategic Leadership Management at KSG ➤ MBA (Management science) ➤ Over 24 years working experience ➤ FUND ADMINISTRATOR
 Nelson Kwamini	➤ Born 1981 ➤ Bachelor of Education(Arts) ➤ Over 10 years working experience ➤ ACCOUNTING OFFICER
 Catherine Nagwalla	➤ Born 12/05/82 ➤ Bachelor of commerce(supplies) ➤ Over 10 years working experience as a banker ➤ BANKER.
 Roselyne Pepela	➤ Born 1979 ➤ Masters of Arts, Community Development and Project Management ➤ Over 10 years experience in project management

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

 Rodgers.Sekwe	Born 1983 Bachelors Law Degree Over 12 years working experience as state counsel COUNTY SOLICITOR
--	---

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
 1. Oscar .E. Odaba	➤ Born 10th Feb 1971 ➤ Member of KIM ➤ Currently undertaking PHD degree in Business Administration at Jkuat ➤ Strategic Leadership Management at KSG ➤ MBA (Management science) ➤ Over 24 years working experience ➤ FUND ADMINISTRATOR
 Amos Ayieko	➤ Born 17/2/1988 ➤ Bachelor of Business Management(Finance and Banking) ➤ Over 7 years working Experience ➤ FINANCE OFFICER
 Nelson Kwamini	➤ Born 1981 ➤ Bachelor of Education(Arts) ➤ Over 10 years working experience ➤ ACCOUNTING OFFICER

Annual Report and Financial Statements for the year ended June 30, 2022

4. BOARD/FUND CHAIRPERSON'S REPORT

Overview

The Co-operative Fund has played a critical role in the County as it endeavours to promote the welfare and economic sustainability of the people of Busia County. The Fund's financial interventions are to support the promotion, initiation and revival of co-operative sector institutions in areas that can have immediate impact to household economy.

The Committee acknowledges the enormous support from all our stakeholders including but not limited to; the mother Department, cooperative societies' leadership, the cooperative movement, our staff (including Sub county Cooperative Officers and partners. Their encouragement and support have enabled us to navigate through this difficult year with the Covid-19 pandemic.

Corporate Governance

There were over 10 Board and Committee meetings that guided the organization on strategy and policy formulation. The composite Board performance index was rated at over 98%. The CEO's term of office was also renewed for another term beginning March 2019 provided valuable leadership by working closely with the Board to ensure good performance of the Board.

During the year under review the Fund accountant who was on contractual basis left the CEDF unit and Finance officer, Mr Amos Ayieko assumed the responsibility on acting capacity as Fund accountant from January 2022 up to date.

Outlook

It is important to note that in the year under review the Fund had no budgetary allocation against a loan demand of approximately Kshs, 100,000,000.

A total of Ksh. 2,443,755 was repaid during the same financial year. The repayment performance was heavily affected by the Covid-19 situation as most beneficiaries were domiciled to be dormant. For the Fund to achieve its objectives and for its sustainability, disbursements from the County Treasury need to be consistent and predictable.

On behalf of the committee I take this opportunity to thank the County Government through the Department of Trade, Investment, Industry and Co-operatives, fellow Committee Members, customers, our partners and all stakeholders for their support during the year under review. I thank the Staff and management of the Fund Unit for their dedicated commitment to our purpose of empowering the people of Busia. The Board is optimistic that this Fund can really turn around the economic fortunes of the people of Busia through the co-operative movement.

.....*Rosehine Pepela*.....

Name:

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

5. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

During the year under review the Fund had two main activities, credit provision and recovery of the disbursed loans. Given that very little budgetary allocation was given to the Fund for disbursement, more effort was directed on recoveries. However, there is need for proper planning on capacity building to the cooperatives. Most of the beneficiaries have changed their management team and therefore proper allocation for the fund to meet the expectations of the cooperatives trainings is vital.

In an effort to discourage loan defaulting the Fund Unit has plans to initiate legal measures through the office of solicitor general. The outstanding loans the end of this financial year stands at Ksh 69,725,091 as this is cumulatively with interest. We are glad; a few cooperatives have cleared their loans while others strive towards completion.

Financial Performance

In the financial year under review no interest income was realised because interest on loans was not charged up front as is the practice. This was due to the smaller amounts involved.

Challenges

During the year the Fund faced a number of challenges that negatively affected the Fund's ability to deliver on its mandate. These challenges are summarised below:

- (i) Budgetary constraints for monthly field visit.
- (ii) Non allocation of fund to the unit has hindered board meetings and therefore no policies can be examined.
- (iii) Lack of transport for use in the field to monitor and do recoveries of disbursed funds.
- (iv) Not having loan officers at all the sub county offices. At the moment, the Fund has only three loan officers serving seven sub-counties.
- (v) Lack of an Enterprise Resource Planning system, especially a loan management system. Currently all Fund operations are manual.
- (vi) Lack of autonomy of the Fund. At the moment the Fund is just a unit within the Department of Trade, Investment, Industry and Co-operatives despite the fact that there is a Fund Committee that is supposed to be a body corporate. This limits the Fund's ability to mobilise resources from external sources.
- (vii) None allocation of a recurrent budget to the Fund. The money allocated to the fund has always been treated as development, thus limiting the Fund's education and training activities for beneficiaries.

Way forward

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

In order to address the above mentioned challenges and to make the Fund Sustainable the following issues need to be addressed both by the Fund Committee and the County Treasury

- (i) A Fund needs to operate with a certain minimum amount of seed capital. We suggest that the Treasury needs to give the Fund at least kshs100 million annually for at least five years for the fund to be able to be sustainable and to meet its objectives.
- (ii) The cost to be incurred on beneficiary education and training should be treated as a development vote.
- (iii) To facilitate faster delivery of services, including monitoring and recovery of disbursed loans, the Fund needs to have loan officers at all sub county offices.
- (iv) The Fund will continuously review the loan portfolio to address the portfolio in arrears.
- (v) The Fund needs to be gazetted as a semi-autonomous county government entity for it to fully realise the objectives for which it was established



.....
Name: OSCAR E. ODABA

Fund Administrator

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

6. Statement of Performance against the County Fund's Predetermined Objectives

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 Busia County Co-operative Enterprise Development Fund are to:

- To provide funds to be used for granting low interest loans to co-operative institutions with a view to up scaling their lending activities, value addition, promote entrepreneurship and enhance productivity.
- To provide funds to support, revive and initiate co-operative institutions in areas that can have an immediate impact to household economy.
- To attract and facilitate investments in co-operative sector institutions that have linkages to micro, small and medium enterprises that benefit the youth.
- To attract and facilitate investments in co-operative sector institutions that have linkages to low-income persons, community-based organisations, and women groups.
- To provide funds to co-operative sector institutions to facilitate marketing of products and services both in the domestic and international markets.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Lending to Co-operative Societies	To provide co-operative societies with affordable credit	Amounts disbursed increased	Amount disbursed	No funds disbursed.
	To recover disbursed funds	Increased revolving funds	Amount recovered/repaid	Kshs. 2,443,755 was repaid
Beneficiary Education and Training	To impart knowledge and skills in the use of borrowed funds	Increased efficiency and effectiveness in the utilization of borrowed funds	No. of beneficiaries trained	None

7. CORPORATE GOVERNANCE STATEMENT

i. Introduction

The Committee of The Fund is committed to upholding the principals of corporate governance that will promote the interest of the people of Busia County, build confidence in its leadership and strengthen the accountability of the committee.

ii. Committee.

a. Mandate

The committee's responsibilities are to formulate guidelines on cooperative sector funding; ensure that all projects funded under the Fund's Act are consistent with the county's priorities specified in relevant policy documents; approve proposal submitted to it by the unit under the Act; authorise allocations from the Fund; formulate or approve standards, guidelines and procedures for funding proposals under the Act; approve the organisation structure of the unit; provide oversight in the utilisation of the fund and; perform any other function as may be conferred on it by the Act or any other written law.

The committee's operations are governed by the Cooperative Enterprise Development Fund Act, 2014

b. Membership and size

The membership comprises of long serving public and non-public servants helping the Fund with diverse experience. The committee currently comprises of six members, two from the private sector and the four from the public sector. The committee is satisfied with the commitment of each member.

c. Operations

The chairperson together with the Fund administrator ensures that the committee operates effectively and in accordance with the Fund's Act. The CEDF Unit comprises of three loan officers that assist in the daily running of the fund, appraisals and recovery of the loans as stipulated in Fund Act.

d. Committee compensation.

The committee members are paid allowances as per the Salaries and Remuneration Commission guidelines.

e. Separation of roles.

The roles of the Chairperson and the Fund Administrator are separately held and the division of their responsibilities is clearly established to ensure no duplication or conflict of roles. The Chairperson is responsible for ensuring effective communication with stakeholders including donors, promoting high level of corporate governance and serving as a resource to management in matters of strategic importance to the Fund.

The committee secretary/CEO is responsible for managing day-to-day operations of the Fund, execution of strategy and policy approved by the committee. He is also accountable for the Fund performance and reports to the committee.

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

8. MANAGEMENT DISCUSSION AND ANALYSIS

A. Operational and Financial Performance of the Fund

As at the year ended 30 June 2022 the Fund's assets were valued at Ksh 73,608,540. The Total receivables as at 30th June 2022 stands at 69,725,091. Total paid amount from inception stands at Ksh 44,161,936.62. Total revolving loan stands at Ksh 115,005,000.

There were no key decisions and projects implemented under the year of review by the Management.

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The fund did not carry out any CSR activities under the year of review.

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

10. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to provide funds to be used for granting low interest loans to co-operative institutions operating in Busia County

Results

The results of the Fund for the year ended June 30, 2022, are set out on page 1- 7

Trustees

The members of the Board of Trustee / *Administration Committee* who served during the year are shown on page vi

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Sign: Rosemary Pepelo.

Name: Rosemary Pepelo.
Chair of the Board/ ~~Fund~~ *Administration Committee*

Date: 28-09-2022

Annual Report and Financial Statements for the year ended June 30, 2022

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

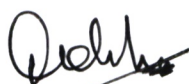
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) 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 Busia County Cooperative Enterprise Development Fund Act, 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 28th September, 2022 and signed on its behalf by:



Fund Administrator

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON BUSIA COUNTY CO-OPERATIVE ENTERPRISE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2022

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 the 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 Busia County Co-operative Enterprise Development Fund set out on pages 1 to 40, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance,

Report of the Auditor-General on Busia County Co-operative Enterprise Development Fund for the year ended 30 June, 2022

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Busia County Co-operative Enterprise Development Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the Public Finance Management Act, 2012 and the Busia County Co-operative Enterprise Development Fund Act, 2014.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The financial statements reflect comparative balances for nine (9) items with balances that were at variance with the audited financial statements for the year ended 30 June, 2021 as indicated below:

Description	Closing Balances in 2020/2021 Financial Statements (Kshs)	Comparative Balances in 2021/2022 Financial Statements (Kshs)	Absolute Variances (Kshs)
Statement of Financial Performance			
Transfers from County Government	2,000,000	0	2,000,000
Statement of Financial Position			
Cash and Cash Equivalents	2,207,207	207,207	2,000,000
Revolving Fund	114,945,000	115,005,000	60,000
Statement of Cash Flows			
Transfers from the County Government	2,000,000	0	2,000,000
Net Cash Flows used in Operating Activities	(1,935,129)	(3,644,858)	1,709,729
Net Cash Flows used in Investing Activities	1,731,272	(1,731,272)	3,462,544

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Inaccurate Receivables from Exchange Transactions

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.69,725,091, which as disclosed in Note 12 to the financial statements relates to current loans repayments due. However, the balance is at

variance with the balance of Kshs.71,497,855 shown in the supporting schedule by Kshs.1,772,764 which was not explained or reconciled.

Further, Management did not maintain an updated ledger showing the dates the loans were issued and when they were due for recovery.

In the circumstances, the accuracy, completeness and fair valuation of the current portion of long-term receivables from exchange transactions balance of Kshs.69,725,091 could not be confirmed.

3. Failure to Disclose Depreciation Method and Depreciation Rates

The financial statements do not include, under significant accounting policies, the depreciation method and depreciation rates used in depreciating the Fund's assets. This is contrary to Paragraph 73 of the International Public Sector Accounting Standards (IPSAS) 17 on property, plant and equipment which requires that the financial statements should disclose, for each class of property, plant and equipment recognized in the financial statements the measurement bases used for determining the gross carrying amount and the depreciation methods used and the useful lives or the depreciation rates used.

In the circumstances, the financial statements do not comply with the International Public Sector Accounting Standards.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final receipts budget and actual on comparable basis of Kshs.7,427,652 and Kshs.2,650,962 respectively, resulting to under-funding of Kshs.4,776,690 or 64% of the budget. Similarly, the statement reflects actual expenditure of Kshs.2,846,471 against approved budget of Kshs.7,427,652, resulting to under-performance of Kshs.4,581,181 or 62% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit of the previous year, several issues were raised in the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although Management has indicated in the progress on follow up of prior year auditor's recommendations section of the financial statements that some issues have been resolved, the issues remained unresolved as at 30 June, 2022.

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, I confirm that, nothing 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

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 its 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 Management.
- Conclude on the appropriateness of 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 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 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

12 April, 2023

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND
Annual Report and Financial Statements for the year ended June 30, 2022

13. Statement of Financial Performance For The Year Ended 30th June 2022

		2021-2022	2020-2021
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	0	0
Transfers From the County Government	2	0	0 R
Fines, Penalties and Other Levies	3	0	0
Revenue From Exchange Transactions			
Interest Income	4	0	0
Other Income	5	0	0
		-	
Total Revenue			0 R
Expenses			
Employee Costs	6	209,314	542,278
Use of goods and services	7	2,389,827	3,102,580
Depreciation and Amortization Expense	8	247,330	290,271
Finance Costs	9	-	-
Total Expenses		2,846,471	3,935,129
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit) For The Period		(2,846,471)	(3,935,129) R

R-Restated figure for 2020/2021

The notes set out on pages 8 to 35 form an integral part of these Financial Statements

.....
 Name: **OSCAR E. ODADA**
 Administrator of the Fund

.....
 Name:
 Fund Accountant
 ICPAK Member Number:

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

14. Statement of Financial Position As At 30 June 2022

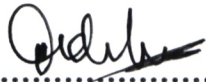
	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	51,821	207,207 R
Current Portion of Long- Term Receivables From Exchange Transactions	12	69,725,091	72,168,846
Prepayments	13	-	-
Inventories	14	-	-
Non-Current Assets			
Property, Plant and Equipment	15	3,831,628	4,078,958
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions		-	-
Total Assets		73,608,540	76,455,011 R
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17		
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
		-	-
Non-Current Liabilities			
Non-Current Employee Benefit Obligation		-	-
Long Term Portion of Borrowings		-	-
Total Liabilities		-	-
Net Assets			
Revolving Fund		115,005,000	115,005,000 R
Reserves		-	-
Accumulated Surplus		(41,396,460)	(38,549,989) R
Total Net Assets and Liabilities		73,608,540	76,455,011 R

R-Restated figures for 2020/2021

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

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 Sep. 2022 and signed by:



.....
Name: OSCAR E. ODABA
Administrator of the Fund



.....
Name: Amos Ayiero
Fund Accountant
ICPAK Member Number:

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND
Annual Report and Financial Statements for the year ended June 30, 2022

15. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Revolving	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	113,005,000	-	(34,614,860)	78,390,140
Surplus/(Deficit) For the Period	-	-	(3,935,129) R	(3,935,129) R
Funds Received During the Year	2,000,000	-		2,000,000
Transfers	-		-	
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	115,005,000	-	(38,549,989) R	76,455,011 R
Balance As At 1 July 2021	115,005,000	-	(38,549,989)	76,455,011
Surplus/(Deficit) For the Period		-	(2,846,471)	(2,846,471)
Funds Received During the Year	-	-	-	-
Transfers	-			
Revaluation Gain	-	-	-	
Balance As At 30 June 2022	115,005,000		(41,396,460)	73,608,540

R-Restated figure for 2020/2021



Name: **OSCAR E. OMBABA**
Administrator of the Fund



Name: **Amos Ayieko**
Fund Accountant
ICPAK Member Number:

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022

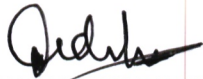
16. Statement of Cash Flows for the Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Ksh	Ksh
Cash flows from operating activities			
Receipts			
Public contributions and donations		0	0
Transfers from the county government	1	0	0 R
Interest received		0	0
Receipts from other operating activities			
Total receipts		0	0 R
Payments			
Fund administration expenses			
Use of goods and services	7	2,389,827	3,102,580
Finance cost		-	-
Employee costs	6	209,314	542,278
Total Payments		2,599,141	3,644,858 R
Net cash flows from operating activities		(2,599,141)	(3,644,858) R
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		2,443,755	3,981,272
Loan disbursements paid out		-	(2,250,000)
Net cash flows used in investing activities		2,443,755	(1,731,272)
Cash flows from financing activities			
Proceeds from County treasury		-	2,000,000
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	2,000,000
Net increase/(decrease) in cash & cash equivalents		(155,386)	86,414 R
Cash and cash equivalents at 1st July 2021		207,207	120,793
Cash and cash equivalents at 30 June 2022	11	51,821	207,207 R

R-Restated figure for 2020/2021

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND

Annual Report and Financial Statements for the year ended June 30, 2022



.....
Name: **OSCAR E. EDRABA**
Administrator of the Fund



.....
Name: **Amos Ayieku**
Fund Accountant
ICPAK Member Number:

BUSIA COUNTY COOPERATIVE DEVELOPMENT FUND
Annual Report and Financial Statements for the year ended June 30, 2022

17. Statement Of Comparison Of Budget And Actual Amounts For The year ended 30th June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Balance brought forward	207,207	-	207,207	207,207	-	100%
Transfers From County Govt.					-	
Interest Income	1,397,073	-	1,397,073	-	1,397,073	0%
Principal loan repayment	5,615,831	-	5,615,831	2,443,755	3,172,076	44%
Income from admin fee	207,541	-	207,541	-	207,541	0%
Total Income	7,427,652		7,427,652	2,650,962	4,776,690	36%
Expenses						
Loan disbursements paid out	3,610,467	-	3,610,467	-	3,610,467	0%
Fund Administration Expenses						
Training of funded coop	600,000	-	600,000	-	600,000	0%
Use of goods and services	2,117,185	-	2,117,185	2,389,827	(272,642)	113%
Employee costs	200,000		200,000	209,314	(9,314)	105%
Monitoring and evaluation	400,000		400,000	-	400,000	0%
Research and feasibility studies	500,000		500,000	-	500,000	0%
Depreciation and Amortization expenses.	0		0	247,330	(247,330)	0%
Total Expenditure	7,427,652		7,427,652	2,846,471	4,581,181	38%
Surplus For The Year	-		-	(195,509)	195,509	

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

18. Notes to the Financial Statements

1. General Information

Busia county cooperative Enterprise Development Fund is established by and derives its authority and accountability from Busia county cooperative Enterprise Development Fund Act 2014 .The entity is wholly owned by the Busia County Government and is domiciled in Kenya. The entity's principal activity is disburse loans to deserving and qualified co-operatives in Busia County

2. 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.

3. Adoption of new and revised standards

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.)
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<i>Applicable 1st January 2023</i> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

(iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

4. Significant Accounting Policies

a) 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.

b) Budget information

The original budget for FY 2021-2022 was approved by the CEDF committee on 9th June 2021. 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 of statements of comparison and on actual at the financial statements.

Summary Of Significant Accounting Policies (Continued)

c) Property, plant and equipment

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

d) Intangible Assets

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

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

e) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Summary Of Significant Accounting Policies (Continued)
Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

Summary Of Significant Accounting Policies (Continued)

f) Inventories

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

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

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

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

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

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

g) Provisions

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

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

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

Contingent liabilities

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

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Summary Of Significant Accounting Policies (Continued)
Contingent assets

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

h) Nature and purpose of reserves

The Entity 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

i) 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.

j) Employee benefits– Retirement benefit plans

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

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

k) Foreign currency transactions

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

Summary Of Significant Accounting Policies (Continued)

l) 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.

m) 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.

n) 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.

o) Comparative figures

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

p) Events after the reporting period

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

q) Ultimate and Holding Entity

The entity is a County Public Fund established by Busia County Cooperative Enterprise Development Fund Act 2014 under the Department of Trade and Cooperatives of Busia.. Its ultimate parent is the County Government of Busia.

r) Currency

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made e.g.

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

b) Useful lives and residual values

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

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

c) 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 xxx.

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.

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

6. Notes To The Financial Statements

1. Public contributions and donations

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	0	0
Contributions From The Public	0	0
Total	0	0

2. Transfers from County Government

Description	2021-2022	2020-2021
	Ksh	Ksh
Transfers From County Govt. –Operations	0	0 R
Payments By County On Behalf Of The Entity	0	0
Total		

R – Restated figure for 2020/2021

3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Ksh	Ksh
Late Payment Penalties	0	0
Fines	0	0
Total	0	0

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Loans		
Interest Income from fixed Deposits		
Total Interest Income		

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the Financial Statements Continued

5. Other income

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	0	0
Income From Sale Of Tender Documents	0	0
Miscellaneous Income		
Total Other Income	0	0

6. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	172,634	468,578
Staff Gratuity	0	0
Staff Training Expenses	36,680	73,700
Social Security Contribution	0	0
Total	209,314	542,278

7. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	765,050	2,499,880 R
Loan Processing Costs	-	-
Telephone and communication expense	186,000	220,000
Training	0	344,800
Motor vehicle Maintenance expense	499,402	0
Committee Allowance	25,400	0
Domestic travels	57,975	0
Bank Charges	0	0
Computer repairs and maintenance	13,000	0
Fuel And Oil Costs	50,000	13,000
Postage	9450	18,900
Printing And Stationery	168,200	0
Other expenses	0	6,000

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Subsistence allowances	615,350	0
Total	2,389,827	3,102,580 R

R-Restated figure for 2020/2021

8. Depreciation and Amortization Expense

Description	2021/22	2020/21
	Kshs.	Kshs.
Property ,Plant and Equipment	247,330	290,271
Intangible Assets	0	0
Total	247,330	290,271

9. Finance costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest On Bank Overdrafts	0	0
Interest On Loans From Banks	0	0
Total	0	0

10. Gain/(loss) on disposal of assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Property ,Plant And Equipment	0	0
Intangible Assets	0	0
Total	0	0

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Account	51,821	207,207 R
Others	0	0
Total Cash And Cash Equivalents	51,821	207,207 R

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

		2021-2022	2020-2021
Financial Institution	Account number	Kshs	Kshs
Current account			
Kenya Cooperative Bank	01141236664000	2669.3	2,700
	01141236664001	2028.07	21,669
	01141236664002	47093	182,838
Sub- Total		51,821	207,207 R

R – Restated figure for 2020/2021

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable	0	0
Current Loan Repayments Due	69,725,091	72,168,846
Other Exchange Debtors		
Less: Impairment Allowance		
Total Current Receivables	69,725,091	72,168,846
Non-Current Receivables		
Long Term Loan Repayments Due	0	0
Total Non- Current Receivables	0	0
Total Receivables From Exchange Transactions	0	0

Additional disclosure on interest receivable

Description	2021-2022	2020-2021
	Ksh	Ksh
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	0	0
Accrued interest receivable from of long-term loans of previous years	0	0

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Interest receivable from current portion of long-term loans issued in the current year	0	0
Current loan repayments due	0	0
Current portion of long-term loans from previous years	0	0
Accrued principal from long-terms loans from previous periods	0	0
Current portion of long-term loans issued in the current year	0	0

13. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	0	0
Prepaid Insurance	0	0
Prepaid Electricity Costs	0	0
Other Prepayments (Specify)	0	0
Total	0	0

14. Inventories

Description	2021-2022	2020-2021
	Ksh	Ksh
Consumable Stores	0	0
Spare Parts And Meters	0	0
Catering	0	0
Other Inventories (Specify)	0	0
Total Inventories At The Lower Of Cost And Net Realizable Value	0	0

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND**Annual Report and Financial Statements for the year ended June 30, 2022****Notes To The Financial Statements (Continued)****15. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Ksh	Ksh	Ksh	Ksh	Ksh
At 1st July 2020	-	5,092,046	360,720	427,450	5,880,216
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2021	-	5,092,046	360,720	427,450	5,880,216
At 1st July 2021		5,092,046	360,720	427,450	5,880,216
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2022	-	5,092,046	360,720	427,450	5,880,216
Depreciation And Impairment					
At 1 st July 2020		881,943	244,535	384,509	1,510,987
Depreciation		203,682	43,648	42,941	290,271
Impairment		-	-	-	-
At 30th June 2021		1,085,625	288,183	427,450	1,801,258
At 1st July 2021		1,085,625	288,183	427,450	1,801,258
Depreciation		203,682	43,648	-	247,330
Disposals		-	-	-	-
Impairment		-	-	-	-

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND**Annual Report and Financial Statements for the year ended June 30, 2022**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Ksh	Ksh	Ksh	Ksh	Ksh
Transfer/Adjustment	-	-	-	-	-
At 30th June 2022	-	1,289,307	331,831	427,450	2,048,588
Net Book Values	-				
At 30th June 2021	-	4,006,421	72,537	0	4,078,958
At 30th June 2022	-	3,802,739	28,889		3,831,628

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

16. Intangible assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At Beginning Of The Year	0	0
Additions	0	0
At End Of The Year	0	0
Amortization And Impairment		
At Beginning Of The Year	0	0
Amortization	0	0
At End Of The Year	0	0
Impairment Loss	0	0
At End Of The Year	0	0
NBV	0	0

17. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	0	0
Refundable Deposits	0	0
Accrued Expenses	0	0
Other Payables	0	0
Total Trade And Other Payables	0	0

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	0	0	0	0
Additional Provisions	0	0	0	0
Provision Utilised	0	0	0	0
Change Due To Discount And Time Value For Money	0	0	0	0
Transfers From Non -Current Provisions	0		0	-0
Balance At The End Of The Year (30.06.2022)	0	0	0	0

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND

Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)**19. Borrowings**

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance At Beginning of The Period	0	0
External Borrowings During the Year	0	0
Domestic Borrowings During the Year	0	0
Repayments Of External Borrowings During the Period	0	0
Repayments Of Domestic Borrowings During the Period	0	0
Balance At End of The Period	0	0

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

	2021-2022	2020-2021
	Ksh	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	0	0
Sterling Pound Denominated Loan From 'Y Organisation'	0	0
Euro Denominated Loan from Z Organization'		0
Domestic Borrowings	0	0
Kenya Shilling Loan From KCB	0	0
Kenya Shilling Loan from Barclays Bank	0	0
Kenya Shilling Loan from Consolidated Bank	0	0
Borrowings From Other Government Institutions	0	0
Total Balance at End Of The Year	0	0

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	0	0
Long Term Borrowings	0	0
Total	0	0

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0	0	0		0
Non-Current Benefit Obligation	0	0	0	0	0
Total	0		0	0	0

21. Cash generated from operations

	2021-2022	2020-2021
	Ksh	Ksh
Surplus/ (Deficit) For the Year Before Tax		
Adjusted For:	0	0
Depreciation		
Amortisation		
Gains/ Losses On Disposal Of Assets		-
Interest Income		-
Finance Cost		-
Working Capital Adjustments		
Increase In Inventory		
Increase In Receivables		-
Increase In Payables		-
Net Cash Flow From Operating Activities	0	0

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures

22. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

	2021-2022	2020-2021
	Ksh	Ksh
Transfers From Related Parties'	0	0
Transfers To Related Parties		-

c) Key management remuneration

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	0	0
Key Management Compensation	0	0
Total	0	0

d) Due from related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	0	0
Due From County Government	0	0
Total	0	0

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures Continued

e) Due to related parties

	2021-2022	2020-2021
	Ksh	Ksh
Due To Parent Ministry	0	0
Due To County Government	0	0
Due To Key Management Personnel	0	0
Total	0	0

23. Contingent assets and contingent liabilities

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Case Against The Fund	0	0
Bank Guarantees	0	0
Total	0	0

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures Continued
24. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount Kshs	Fully performi ng Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	0	0	0	
Receivables From Non-Exchange Transactions				
Bank Balances	0	0	0	
Total	0	0	0	
At 30 June 2021				
Receivables From Exchange Transactions				
Receivables From Non Exchange Transactions				
Bank Balances				
Total	0	0	0	

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

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

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

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Ksh	Ksh	Ksh	Ksh
At 30 June 2022				
Trade Payables				-
Current Portion Of Borrowings				-
Provisions			0	-
Employee Benefit Obligation				-
Total	0	0	0	0
At 30 June 2021				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	0	0	0	0

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.

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

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

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

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

i. Foreign currency risk

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

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

		Other currencies	Total
	Ksh	Kshs	Kshs
At 30 June 2021			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

		Change in currency rate	Effect on surplus/ deficit	Effect on equity
		Ksh	Ksh	Ksh
2022				
Euro		-	-	-
USD		-	-	-
2021				
Euro		-	-	-
USD		-	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Ksh -(2022: Ksh -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Ksh - (2021 – Ksh -

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:

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

	2021-2022	2020-2021
	Ksh	Ksh
Revaluation reserve	-	-
Revolving fund	115,005,000	115,005,000 R
Accumulated surplus	-41,396,640	-38,549,989 R
Total funds	73,608,540	76,455,011 R
Total borrowings	-	-
Less: cash and bank balances	51,831	207,207 R
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

R-Restated figures for 2020/2021

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

1. Progress on Follow up of Prior Year Auditor's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	Inaccuracy in General Expenses Balance The statement of financial performance reflects an expenditure of Kshs.3,392,851 under general expenses which, as disclosed in Note 5 to the financial statements, comprises of expenditures on eight (8) expenditure items. However, the balance differs from the cumulative balance of Kshs.3,102,580 shown in the supporting schedules for the expenditure items, resulting to an unexplained variance of Kshs.290,271. In the circumstances, the accuracy of the expenditure of Kshs.3,392,851 could not be confirmed	The variance of Ksh 290,271 was as a result of the depreciation figure as shown in the depreciation schedule for the year under review.	solved	
1.	Other Matter Budgetary Control and Performance The statement of comparison of budget and actual amounts indicates that the Fund had a final approved budget of Kshs.9, 817,816 for the year under review. However, the Fund only realized actual receipts of Kshs.6,102,066 or	The fund had a final budget of Ksh 9,817,816 for the year under review; however the Fund realized receipts of	Resolved, The casual employees' contracts were not renewed. The fund has reduced the wage bill.	



BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	62% of the budget. Similarly, the statement of comparison reflects disbursement of loans amounting to only Kshs.2,250,000 against a target of Kshs.7,295,504 or 31% of the budget. Further, there was failure to carry out any research and feasibility studies, failure to carry out any training and failure to carry out any monitoring and evaluation activities during the year, although they were all budgeted for. The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.	Ksh 6,102,066 and a disbursement of 2,250,000, was only done. The fund had four employees on contractual basis which were paid salaries; field claims and airtime by the fund. This adversely affected the fund to be disbursed. This made the fund to over stretch all receipts funds as most ended up on expenses. The fund does not receive any amount for operations, relying on interest alone as revenue hinders the		

Qudus

BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
		operations of the fund thus repayments being absorbed as usage on use of good and services.		
2.	Unresolved Prior Year Matters Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.	The management is in the process of solving once a new board is constituted	Not solved	By February 2023
1.	Lawfulness Failure to Hold Adequate Committee Meetings Records provided for audit review, including Board minutes, indicated that the Fund Committee, which is charged with the responsibility of policy formulation and giving overall	This was affected during Covid 19 pandemic where public meetings were discouraged by the	Solved.	



BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	guidance and direction to the Fund, met only twice in the year under review. This is contrary to the provisions of Section 2 of the First Schedule of Busia County Co-operative Enterprise Development Fund Act, 2014, which provides that the Committee shall hold at least four (4) meetings in every financial year and that not more than three (3) months shall elapse between one meeting and the next meeting. In the circumstances, the Fund Committee was in breach of the law.	government . Hence it affected the sittings of the board members.		
2.	Non-compliance with Public Sector Accounting Standards Board Requirements The Fund submitted financial statements for audit during the financial year under review. However, it was noted that the financial statements did not contain the background information like the name of key Managers, passport size photos, academic qualifications and related experience contrary to the Public Sector Accounting Standards Board (PSASB)	The issue is sorted.	resolved	



BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	guidelines. In the circumstances, the fund did not adhere to guidelines of the Public Sector Accounting Standards Board (PSASB) on presentation of the financial statements			
	Ineffective Governance During the year under review, the Executive Committee operated with two (2) non-public officers instead of the required four (4) contrary to the provisions of Section 7(1)(d) of Busia County Cooperative Enterprise Development Fund Act, 2014. The Act states that the Committee shall comprise of four (4) persons, one of whom shall be the Chairperson of the Committee, not being public officers, who shall be appointed by members of the Executive Committee, through a competitive and transparent recruitment process with approval of the County Assembly. In addition, the Chairman of the Committee resigned during the year and had not been replaced by the time of audit. In the circumstances, it could not be confirmed whether the Fund received effective governance.	The CEDF unit is in the process of advertising for new board members positions as their term expired.	Not resolved	By February. 2023



BUSIA COUNTY COOPERATIVE ENTERPRISE FUND
Annual Report and Financial Statements for the year ended June 30, 2022
