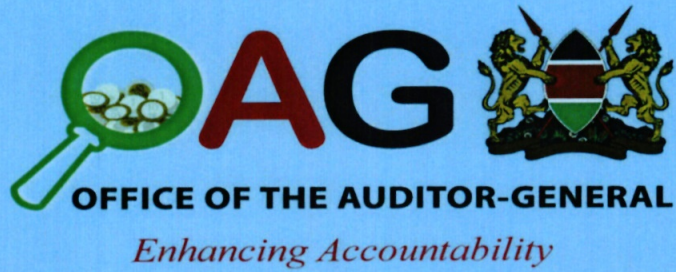


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REPORT

OF

THE AUDITOR-GENERAL

ON

KERICHO COUNTY ENTERPRISE FUND

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



**COUNTY GOVERNMENT OF KERICHO
KERICHO COUNTY ENTERPRISE FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kericho County Enterprise Fund is established by and derives its authority and accountability from Kericho County Enterprise Fund Act, 2014. The Fund is wholly owned by the County Government of Kericho and is domiciled in Kenya. The fund has been operating since 2015. During this period, the fund has financed over 178 groups and 3126 individuals. The Board and Management of the fund remain cognizant of the need to expand the fund's activities to cover its full mandate under the Kericho county Enterprise fund Act,2014.

Principal Activities

The principal activity/mission/ mandate of the Fund is to facilitate access to credit for business capital; promote enterprise development among the youth, people with disabilities, women and men; facilitate the development of conducive and appropriate business environment for enterprise development; enhance access to employment; enhance enterprise skills development and promote local economic growth. The fund's objective is to provide easy access to capital for business start-ups and to support the county strategy, in regard to improving agricultural production in order to achieve food sufficiency and income generation, promote marketing and value addition of local products and promote capacity building of cooperative leadership. In addition, the fund will support Tea and coffee farming, dairy and beef cattle farming, support capacity building for entrepreneurship and agricultural activities as well as promote access to affordable business financing mechanisms.

b) Fund Administration Committee/Board

Ref	Position	Name
1	Chairman of the Board	Mr. Charles Birech
2	Chief Officer	Mr. Victor Langat
3	Chief Officer finance	Leah j. Chumba
4	Other Committee Members	i.Ms. Rero Susan ii.Mr. Mutai Josphat iii.Mr. Kipngeno Mutai iv.Mr.Henry k Tonui

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c) Key Management

Ref	Position	Name
1	Chairperson-CECM Trade	Charles Birech
2	Secretary- CO Trade	Victor Langat
3	Fund Administrator	Leah J. Chumba

d) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Head of Internal Audit	Kenneth Omondi Ouma

f. Registered Offices

P.O. Box 112
Department of Trade Building
Adjacent to High Court, Kericho
Kericho, KENYA

g. Fund Contacts

Web: www.kericho.go.ke
Email: info@kericho.go.ke
Telephone: (254) 722305900

h. Fund Bankers

Access Bank (Account 1and 2)
P.O. BOX 34353-00100
Nairobi
www.Kenyaaccessbankplc.com

i. Independent Auditors


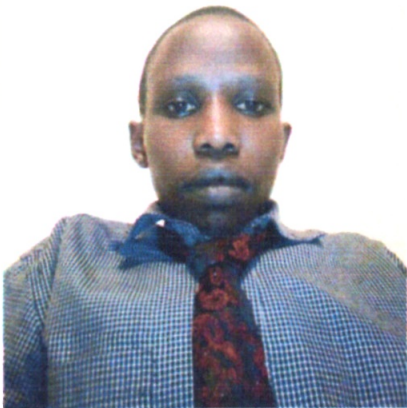


Auditor General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

j. Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

**Kericho County Enterprise Fund
Reports and Financial Statements
For the year ended June 30, 2021**

2. THE FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience	Passport size photo
1. Rero Susan	She holds a Bachelor of commerce (Banking and Finance) works at Tegat factory as a Director.	
2. Mutai Josphat	He holds a Bachelor's degree in Business Management (Accounting) formerly worked at Ndege Chai Sacco. The members are responsible for overall management and oversight of the fund.	
3. Kipngeno Mutai	He holds a Bachelor's degree in Business Management (Finance and Banking Option) with over 7years experience in credit management	
4. HenryK Tonui	He holds a Bachelor's degree in commerce (marketing) and is former employee of Chai Co-operative Savings and Credit limited.	

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

Introduction

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

The key development objectives of the Kericho County Enterprise Fund Government strategic plan are to:

- a) Provide affordable loans or credit for business.
- b) Providing training and skills development related to enterprise and business development.
- c) Providing technical assistance in product and market development.
- d) Facilitating technology acquisition, adoption and utilization.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience	Passport size photo
5. Charles Birech	He is the County Executive Committee Member for Trade, Industrialization, Cooperative Management, Tourism and Wildlife. He holds master's Degree in Business Administration and the Fund's chairperson as stipulated in the Kericho County Enterprise Fund Act	
6. Victor Langat	He is the Chief Officer- Trade, Industrialization, Cooperative Management, Tourism and Wildlife .He holds a master's degree in Business Administration and the Secretary of the Fund as stipulated in the Kericho County Enterprise Fund Act .	
7. Leah Chumba	She is the chief officer finance department and the administrator of the Kericho county Enterprise fund. she holds a Degree in economics and has an experience of over twenty years of service in public sector.	

5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

During the financial year 2020/21 a consultative meeting was done, the objective of the meeting was to discuss the performance of Enterprise Fund and how to recover the loan. The meeting was also for induction of the newly appointed Enterprise Board Members, to enhance their capacity on the efficient and effective administration of the fund based on the existing legal framework.

Recommendation after the meeting was:

1. Development of a strategic plan for the Fund.
2. Approval of the loan management policy.
3. Amendment of the Kericho County Enterprise Fund Act
4. Acquisition of a software to assist in analysis
5. Emphasize more on giving loans to registered groups and co-operative societies.
6. Establishment of sub-county officers so as to increase the effectiveness of the processes.



Hon. Charles Birech
**County Executive Committee Member- Trade, Industrialization, Cooperative
Management, Tourism & Wildlife**

**Kericho County Enterprise Fund
Reports and Financial Statements
For the year ended June 30, 2021**

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

This is the Kericho County Financial Statement for Enterprise Fund as at 30th June 2021. Section 167 of the PFM Act requires that the fund administrator to prepare financial statement for the fund at the end of every financial year.

The Act requires that the fund establishes a board, which was established in the financial year 2020/2021 to replace the board whose term expired. The committee members of board were appointed from the members of the Public and the selection was done through a competitive process by the County Public Service Board of Kericho.

The fund was established to disburse loans to the youth with the expectation of repayments being done as indicated in the loan application forms. The repayment has been slow because so many of the loanees have defaulted. There will be need to propose amendments to the Act so as to provide for loan collection processes and provision for collateral of the loans. The follow up on repayments of the loans already disbursed is key priority to the fund and all the efforts will be made to have a all the money recovered from the defaulters.

Signed:  _____

Leah J. Chumba

7. CORPORATE GOVERNANCE STATEMENT

In the Financial year 2020/2021 a consultative workshop was done meant to spearhead the loan repayment and to deliberate on future course of action and recommendations of the fund.

The newly appointed members of the board will be serving for a period of three years upon which the board will be reconstituted afresh or the existing board may be added another three-year term. Appointment of new members may be done after the existing committee time has expired and the new members must meet the requirements set in the Kericho county enterprise fund act, The General role and function of the committee members is to Provide overall management and oversight of the fund and advising the management team on appropriate guidelines and procedure for better management.

The fund manager will facilitate the continuity of the fund by providing information during succession.

8. MANAGEMENT DISCUSSION AND ANALYSIS

A new Kericho County Enterprise board members were appointed to replace the board whose term expired. The key activity being loan recovery in compliance with the statutory requirement. The main challenge that is being faced by the fund is default by loanees, therefore greater risk of bad debts in future if major plans for recovery is not done.

**9.CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

Kericho County Enterprise Fund main aim in sustainable growth of medium and small enterprise through provision of low interest loans and training of Entrepreneurs. Topics covered during training were life skills, on how to diversify most of the business entrepreneurs, not only to concentrate on business but to also supplement through farming. There has been continuous training of staff by taking them to seminars and workshop, for example in the financial year 2020/2021, some of the employees were trained on several fields ranging from risk management, debt management and planning.

Kericho County Enterprise Fund exists to transform lives, this is the driving force that guides what the Enterprise Fund does, as founded in Kericho County Enterprise Fund pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

1. Sustainability strategy and profile

Kericho County Enterprise Fund was developed after Kericho County Enterprise Fund Act, was passed by the County Assembly, the same Members of the county assembly should support the repayment process since the main challenge is political interference during repayment.

2. Employee welfare

Kericho County Enterprise Fund followed all the laid down regulations during the appointment of the board members, and the slots were shared as follows,

- Representative of women
- Representative of men
- Youth representative
- Representative people with disability

10. REPORT OF THE FUND ADMINISTRATION COMMITTEE

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

10.1 Principal activities

The principal activities of the Fund is to facilitate access to credit for business capital; promote enterprise development among the youth, people with disabilities, women and men; facilitate the development of conducive and appropriate business environment for enterprise development; enhance access to employment; enhance enterprise skills development and promote local economic growth

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 4.

10.3 The Administration Committee

shown on page 3. The changes in the Board during the financial year are as shown below:

10.4 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. Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board

Sign: 

Name: CHARLES BIRECUT

Chair of the Board

Date: 30TH SEPTEMBER 2021

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

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kericho County Enterprise Fund Act, 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date.

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

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

**Kericho County Enterprise Fund
Reports and Financial Statements
For the year ended June 30, 2021**

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 SEP 2021 2021

and signed on its behalf by:

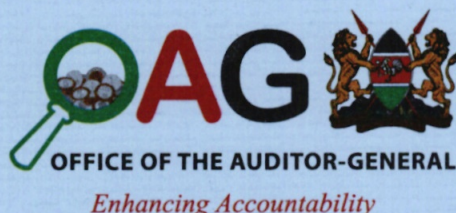


Name: Leah J. Chumba

Administrator of the Kericho County Enterprise Fund

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kericho County Enterprise Fund set out on pages 15 to 28, which comprise of the statement of financial position as at 30 June, 2021 and the statement of financial performance, statement of changes in net

Report of the Auditor-General on Kericho County Enterprise Fund for the year ended 30 June, 2021

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kericho County Enterprise Fund as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kericho County Enterprise Fund Act, 2014 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Accounts Receivables

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.76,492,150. However, as previously reported, the amounts have been outstanding for more than twenty-four (24) months contrary to Section 8(1) of the Kericho County Enterprise Fund Act, 2014. Further, the Fund Management had not taken any measures to recover the outstanding loans.

In the circumstances, the recoverability of the outstanding loan balance of Kshs.76,492,150 is doubtful and the Fund may not meet its objective.

2. Cash and Cash Equivalents

As disclosed in Note 4 to the financial statements, the statement of financial assets reflected the cash and cash equivalents balance of Kshs.12,144,537 as at 30 June, 2021. However, the balance was not supported with cashbooks balances but were drawn directly from the bank confirmation certificates. Further, Management did not provide the bank Account reconciliation statement for an account held in a local commercial bank for audit verification.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.12,144,537 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kericho County Enterprise 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 comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.2,023,129 and Kshs.86,520 respectively resulting to an under-funding of Kshs.1,936,659 or 95% of the budget. Similarly, the Fund expended an amount of Kshs.1,889,952 against an approved budget of Kshs.2,023,129 resulting to an under-expenditure of Kshs.133,227 or 6.5% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, and Report on Lawfulness and Effectiveness in Use of Public Resources, Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref AG.4/16/2 Vol.3(72) dated 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Public Sector Accounting Standards Board (PSASB)

The financial statement did not comply to the guidelines on preparation of the financial statements as per the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB) revised 30 June, 2021. The statement of comparison of budget and actual amounts was not drawn to show the deviations between the budget and actual performance. Further, Management did not provide explanations of material

differences between actual and budgeted amounts with deviation of 10% as prescribed in the format recommended by the Public Sector Accounting Standards Board.

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

2. Non-Compliance with the Public Management Act ,2012

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. Kshs.2,023,179 and Kshs.2,041,930 respectively resulting to an under-funding of Kshs.18,751 or 1% of the budget. Similarly, the Fund expended Kshs.1,872,603 against an approved budget of Kshs.2,023,179 resulting to an under-expenditure of Kshs.150,576 or 7% of the budget. However, Management did not provide an approved budget for audit review contrary to section 149 (2)(h) of the Public Management Act ,2012 that requires the accounting officer to prepare estimates of the expenditure of the entity with strategic plan and Section 149(2)(i) which requires the Accounting to submit the estimates of an entity which is not a County Corporation to the Executive Committee Member for Finance.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 controls, 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 Fund's or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 the Management.
- Conclude on the appropriateness of the management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund's to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund's to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 October, 2022

13. FINANCIAL STATEMENTS

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

	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
<i>Public contributions and donations</i>		-	-
Transfers from the County Government		-	-
Fines, penalties and other levies		-	-
		-	-
Revenue from exchange transactions			
Interest income	1	86,520	266,671
Other income		-	-
		-	-
Total revenue		86,520	266,671
Expenses			
Fund administration expenses	2	1,862,800	-
General expenses	3	27,152	62,400
Finance costs		-	40,001
Total expenses		1,889,952	102,401
Other gains/losses			
Gain/loss on disposal of assets			
Surplus/(deficit) for the period		(1,803,432)	164,270

**Kericho County Enterprise Fund
Reports and Financial Statements
For the year ended June 30, 2021**

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	12,144,537	13,947,969
Current portion of long- term receivables from exchange transactions		-	-
Receivables from Non- exchange transactions		-	-
Prepayments		-	-
Inventories		-	-
		12,144,537	13,947,969
Non-current assets			
Long term receivables from exchange transactions	5	76,492,150	76,492,150
Property, plant and equipment		-	-
Intangible assets		-	-
Total assets		88,636,687	90,440,119
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		-	-
Provisions		-	-
Current portion of borrowings		-	-
Employee benefit obligations		-	-
		-	-
Non-current liabilities			
Long term portion of borrowings		-	-
Non-current employee benefit obligation		-	-
Total liabilities		-	-
Net assets		88,636,687	90,440,119
Revolving Fund		87,000,000	87,000,000
Accumulated surplus		1,636,687	3,440,119
Total net assets and liabilities		88,636,687	90,440,119

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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

30th SEPT 2021 and signed by:



Administrator of the Fund

Name: Leah J. Chumba



Chief Accountant

Name: Fernandes korir

ICPAK Member Number:13966

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	87,000,000	-	3,275,849	90,275,849
Surplus/(deficit) for the period	-	-	164,270	164,270
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	87,000,000	-	3,440,119	90,440,119
		-		
Balance as at 1 July 2020	87,000,000	-	3,440,119	90,440,119
Surplus/(deficit) for the period	-	-	(1,803,432)	(1,803,432)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	87,000,000		1,636,687	88,636,687

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

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		86,520	266,671
Receipts from other operating activities		-	-
Total Receipts		86,520	266,671
Payments			-
Fund administration expenses		1,862,800	-
General expenses		27,152	102,401
Finance cost		-	-
Total Payments		1,889,952	102,401
Net cash flows from operating activities		(1,803,432)	164,270
			-
Cash flows from investing activities			-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		-	-
			-
Cash flows from financing activities			-
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(1,803,432)	164,270
Cash and cash equivalents at 1 JULY	4	13,947,969	13,778,689
Cash and cash equivalents at 30 JUNE	4	12,144,537	13,947,969

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2021	2021	2021	2021	2021
Revenue	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	
Transfers from County Govt.	-	-	-	-	
Interest income	2,023,179	-	2,023,179	86,520	4.3
Other income	-	-	-	-	
Total income	2,023,179	-	2,023,179	86,520	4.3
Expenses					
Fund administration expenses	1,923,179	-	1,923,179	1,862,800	96.8
General expenses	100,000	-	100,000	27,152	27.2
Finance cost	-	-	-	-	
Total expenditure	2,023,179	-	2,023,179	1,889,952	93.4
Surplus for the period	-	-	-	(1,803,432)	

Budget Note

Statement of comparison of budget and actual amounts for the period ended 30th June 2021, has been done for account number.0100130000032 and account number 010013000002.

4.3% is the interest income earned from the bank.

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

Standard/ Amendments :	Impact
Applicable: 1st January 2021:	
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS

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<p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p>	<p>26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.</p>
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b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

c) Early adoption of standards

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

1.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.

2.Budget information

The original budget for FY 2020/2021 was approved by the Kericho County Enterprise Board Members on 4th August 2020. 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 actuals as per the statement of financial performance has been presented under section 13.5 of these financial statements.

3. 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.

4. 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.

5. 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.

6. 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.

7. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa.

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

8. 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 Access Bank.

9. Comparative figures

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

10. Ultimate and Holding Entity

The entity is a County Public Fund established by Kericho County Enterprise Act under the Department of Trade, Industrialization, Cooperative Management, Tourism and Wildlife. Its ultimate parent is the County Government of Kericho.

11. Currency

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

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14. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	86,520	266,671
Total interest income	86,520	266,671

This is interest earned on deposits

2. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 6a)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	1,862,800	-
Total	1,862,800	-

3. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Electricity and water expenses	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	62,400
Rental costs	-	-
Security costs	-	-
Bank Charges	18,203	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	8,949	40,001
Total	27,152	102,401

4. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Kericho county enterprise fund account	12,144,537	13,947,969
Current account	-	-
Others	-	-
Total cash and cash equivalents	12,144,537	13,947,969

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

		2020/2021	2019/2020
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Current account		12,144,537	13,947,969
Access Bank	0100130000002	11,975,210	11,924,790
Access Bank	01000130000032	169,327	2,023,179
Sub- total		-	-
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand			
Mobile Money			
Sub- total			
Grand total		12,144,537	13,947,969

5. Receivables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Current Receivables		
Interest receivable	-	-
Current loan repayments due	-	-
Less: impairment allowance	-	-
Total Current receivables		
Non-Current receivables		
Long term loan repayments due	76,492,150	76,492,150
Total Non- current receivables	-	-
Total receivables from exchange transactions	76,492,150	76,492,150

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**15. 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)
1.	Inaccuracies In Financial Statement	Financial Statements was amended	Resolved	
2.	Long-term receivables	Recovery strategies	Not resolved	3years
3.	Previous year matters	Financial Statement was amended	Resolved	