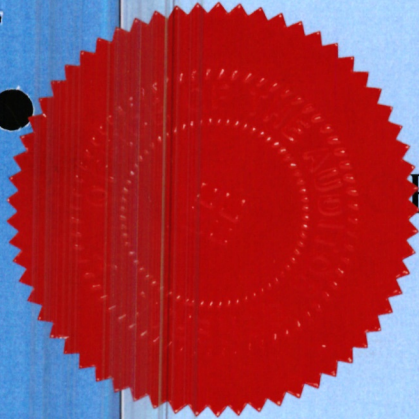


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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| THE NATIONAL ASSEMBLY<br>PAPERS LAID |   |
| DATE: 27 MAR 2019                    | DAY: Wed                                    |
| TABLED BY: OF                        | Mgonyi Party Whip<br>Hon. Benjamin Wadhvani |
| CLERK AT THE TABLE:                  | Miniam Mado                                 |

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**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
RURAL ENTERPRISE FUND**

**FOR THE YEAR ENDED  
30 JUNE 2018**



---

**THE NATIONAL TREASURY**

**RURAL ENTERPRISE FUND**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FOR THE FINANCIAL YEAR ENDED**

**JUNE 30<sup>TH</sup>, 2018**

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

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
RURAL ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)**

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| <b>TABLE OF CONTENTS</b>                                      | <b>PAGE</b> |
|---|-------------|
| I. NATIONAL TREASURY INFORMATION AND MANAGEMENT.....          | 1-7         |
| II. FORWARD BY THE CABINET SECRETARY.....                     | 8-10        |
| III. OVERVIEW OF THE RURAL ENTERPRISE FUND.....               | 11          |
| IV. STATEMENT OF MANAGEMENT RESPONSIBILITIES.....             | 12          |
| V. REPORT OF INDEPENDENT AUDITORS ON THE FUND STATEMENTS..... | 13          |
| VI. STATEMENT OF RECEIPTS AND PAYMENTS.....                   | 14          |
| VII. STATEMENT OF ASSETS AND LIABILITIES.....                 | 15          |
| VIII. STATEMENT OF CASH FLOW.....                             | 16-17       |
| IX. SIGNIFICANT ACCOUNTING POLICIES.....                      | 18          |
| X. NOTES TO THE FINANCIAL STATEMENTS.....                     | 19-25       |
| XI. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS.....   | 26          |
| ANNEX I. ANALYSIS OF RURAL ENTERPRISE FUND ACCOUNT.....       | 27-29       |

## **1. NATIONAL TREASURY INFORMATION AND MANAGEMENT**

### **(a) Background Information**

The National Treasury was established via the Executive Order No. 2 of May 2013. The basis for establishment of the National Treasury is found in Article 225 (i) of the Constitution of Kenya which states that an Act of Parliament shall provide for the establishment, functions and responsibilities of the National Treasury. This has been actualized in Section 11 and 12 of the Public Finance Management (PFM) Act 2012.

At Cabinet Level, the National Treasury is represented by the Cabinet Secretary for Finance, who is responsible for the general policy and strategic direction of the Ministry.

#### **Vision**

An institution of excellence in economic and public financial management.

#### **Mission**

To promote economic transformation for shared growth through formulation, implementation and monitoring of prudent economic and financial policies at national and county levels of government.

#### **Core Values**

The National Treasury is committed to providing quality services to all and is guided by the following core values: Customer Focus, Results Oriented, Stakeholder Participation, Professionalism, Accountability, Integrity and Transparency, Teamwork and Staff as key asset and Equity, Fairness and Inclusion.

#### **Mandate of the National Treasury**

The National Treasury derives its mandate from Article 225 of the Constitution, Public Finance Management Act 2012 and the Executive Order No.2/2013. The National Treasury will be executing its mandate in consistency with any other legislation as may be developed or reviewed by Parliament from time to time.

The core functions of the National Treasury as derived from the above legal provisions include;

- Formulate, implement and monitor macro-economic policies involving expenditure and revenue;
- Manage the level and composition of national public debt, national guarantees and other financial obligations of national government

- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;
- Mobilize domestic and external resources for financing national and county government budgetary requirements;
- Design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting.
- In consultation with the Accounting Standards Board, ensure that uniform accounting standards are applied by the national government and its entities;
- Develop policy for the establishment, management, operation and winding up of public funds;
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill;
- Strengthen financial and fiscal relations between the national government and county governments and encourage support for county governments
- Assist county governments to develop their capacity for efficient, effective and transparent financial management; and
- To prepare the National Budget, execute/implement and control approved budgetary resources to MDAs and other Government agencies/entities.

#### **Role of the National Treasury in the Devolved System of Government**

The National Treasury is mandated by law to:

- Strengthen financial and fiscal relations between the National Government and County Governments and encourage support for county governments in performing their functions.
- Assist county governments to develop their capacity for efficient, effective and transparent financial management.
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill.
- Provide logistical support to intergovernmental institutions overseeing intergovernmental fiscal relations.
- Coordinate the development and implementation of financial recovery plans for county governments that are in financial distress.
- Coordinate capacity building of County Governments on public finance management matters.

**(b) Key Management**

The National Treasury day-to-day management is under the following key offices;

**Office of the Principal Secretary**

This office is responsible for the administration of the National Treasury for efficient delivery of public services that have been assigned to this Ministry. The Principal Secretary is also charged with the responsibility of rendering advice to the Cabinet Secretary in order to enhance efficiency and collective responsibility of the National Treasury.

**Organizational structure of the National Treasury**

The National Treasury is organized into four (4) technical Directorates headed by Directors General and (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising a cluster of Departments responsible for related policy functions. The Directorates and Departments are as follows:

**Directorate of Budget, Fiscal and Economic Affairs**

The Directorate is headed by a Director General, reporting to the Principal Secretary, National Treasury. It is organized into the following five (5) Technical Departments each headed by a Director:

- Budget Department;
- Macro and Fiscal Affairs Department
- Financial and Sectoral Affairs Department;
- Inter-Governmental Fiscal Relations Department
- Public Procurement Department.

**Directorate of Accounting Services and Quality Assurance**

The Directorate is headed by a Director General reporting to the Principal Secretary, National Treasury. It is organized into the following four (4) Technical Departments each headed by a Director:

- Government Accounting Services;
- Internal Audit Services Department;
- Financial Management Information Systems (FMIS)
- National Sub-County Treasuries.

**Directorate of Portfolio Management**

The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following four (4) Technical Departments each headed by a Director:

- Government Investment and Public Enterprises;
- National Assets and Liabilities Management;
- Pensions Department.
- Public Private Partnership Unit

**Directorate of Public Debt Management Office**

The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following three (3) Technical Departments each headed by a Director:

- Resource Mobilization (Front Office);
- Debt Policy, Strategy and Risk Management (Middle Office);
- Debt Recording and Settlement (Back Office).

**Directorate of Administrative and Support Services (Common Shared Services)**

The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into twelve (12) specialized functions offering common shared services. The common shared services of the National Treasury consist of functions that are not core to the National Treasury but offer critical support services to the National Treasury. The functions include:

- Accounting,
- Finance,
- Human Resource Management and Development,
- Central Planning and Project Monitoring,
- Supply Chain Management,
- Legal,
- Public Communications,
- General Administration,
- Records Management;
- Internal Audit;
- ICT
- Government Clearing Agency

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

**FINANCIAL STATEMENTS  
RURAL ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)**

| <b>NO.</b> | <b>Designation</b>  | <b>Name</b>                |
|------------|---|----------------------------|
| 1          | Principal Secretary   | Dr. Kamau Thugge, CBS      |
| 2          | Principal Administrative Secretary                                    | Mr. Mutua Kilaka, CBS, SS  |
| 3          | Director General, BFEA  | Dr Geoffrey Mwau, EBS      |
| 4          | Director General, Accounting Services                                 | Mr. Bernard Ndung'u, MBS   |
| 5          | Director General, PIPM  | Ms. Esther Koimett, CBS    |
| 6          | Director General, PDMO  | Mr. Wohoro Ndohho          |
| 7          | Director, Macro and Fiscal Affairs Department                         | Mr. Musa Gathanje          |
| 8          | Director, Budget Department   | Mr. Francis Anyona, OGW    |
| 9          | Director, Financial and Sectoral Affairs Department                   | Mr. Christopher Oisebe     |
| 10         | Ag Director, Public Procurement Department                            | Mr. Eric Korir             |
| 11         | Director, Intergovernmental Fiscal Relations Department               | Mr. Albert Mwenda, HSC     |
| 12         | Internal Auditor General  | Mr. Alfayo Mogaka          |
| 13         | Ag Director, Government Accounting Services Department                | Mr. Jona Wala              |
| 14         | Ag Director, National Sub County Treasuries                           | Mr. Tom Khakame            |
| 15         | Ag Director, Financial Management Information System                  | Mr. Jerome Ochieng         |
| 16         | Director, Public Private Partnership Unit                             | Eng. Stanley Kamau         |
| 17         | Director, National Assets and Liability Management                    | Mrs Beatrice Gathirwa      |
| 18         | Director, Government Investment and Public Enterprises                | Mr. Kennedy Ondieki        |
| 19         | Director, Pensions Department   | Mr Shem Nyakutu            |
| 20         | Director, Resource Mobilization Department                            | Mr. Jackson Kinyanjui, OGW |
| 21         | Director, Debt Policy, Strategy and Risk Management Department        | Mr. Daniel Ndolo           |
| 22         | Ag Director, debt Recording and settlement Department                 | Mrs Felister Kivisi        |
| 23         | Director of Administration  | Mr David Oleshege, OGW     |
| 24         | Head, Accounts Division   | Mr. George Gichuru         |
| 25         | Chief Finance Officer   | Mr. Kimathi Mugambi, HSC   |
| 26         | Head, SCM   | Mr. Peter Momanyi          |
| 27         | Director, Human Resource Management and Development                   | Ms. Susan Mucheru          |
| 28         | Ag Director, Information Communication and Technology                 | Mr. George Kariuki         |
| 29         | Head, Central Planning and Project Monitoring Unit                    | Mr. Antony Muriu           |
| 30         | Head, Public Communications   | Mr. Maina Kigaga           |
| 31         | Programme Coordinator, Public Financial Management Reform Secretariat | Mr. Julius Mutua           |
| 32         | Head, Government Clearing Agency                                      | Mr. Felix Ateg             |

**(d) Fiduciary Oversight Arrangements**

To manage the fiduciary risk, the National Treasury has put in place fiduciary oversight arrangements including setting up committees. The key oversight arrangements include:

**Internal Audit Unit**

The National Treasury has a well-resourced internal Audit Unit. The unit is charged with the responsibility of identifying risks in the management and day to day operations of the Ministry through the risk based audits. The Unit reports directly to the accounting officers on a regular basis.

**Audit Committee**

The National Treasury established an audit committee comprising officers from all departments of the Ministry, under the chairmanship of the Chief Finance Officer. The Committee reviews and analyses all audit queries and makes recommendations on how to reduce fiduciary risks. In addition, the committee prepares responses to all audit queries for presentation to the relevant committees of parliament.

Other fiduciary oversight arrangements include the following committees with specific objectives;

**Senior Management Committee**

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed a Senior Management Committee comprising of Directors General and Heads of Departments. The Committee receives reports from departments, builds consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions of top management are implemented in a timely manner.

**Public Financial Management Sector Working Group**

To facilitate the implementation of financial management reforms, the National Treasury has appointed senior officers to the Public Financial Management Sector Working Group. The Committee plays an oversight role in the implementation of financial reforms in the public service in collaboration with the development partners.

**Budget Implementation Committee**

To monitor the implementation of the Ministry's budget, programmes and activities, the National Treasury has appointed a committee comprising of officers from all the Departments of the Ministry. The Committee reviews and analyses the progress made by Departments in the implementation of budget and the planned programmes and activities and advises the management accordingly.

**Monitoring and Evaluation**

The Ministry undertakes monitoring and evaluation exercises to establish progress made in the implementation of various programmes and projects including those that are funded by the development partners.

**(e) The National Treasury Headquarters**

P.O. Box 30007- 00100,  
Treasury Building,  
Harambee, Avenue  
Nairobi Kenya

**(f) The National Treasury Contacts**

Telephone: (254)020-2252299  
Email: [info@treasury.go.ke](mailto:info@treasury.go.ke)  
Website: [www.treasury.go.ke](http://www.treasury.go.ke)

**(g) The National Treasury Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**(h) Independent Auditors**

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

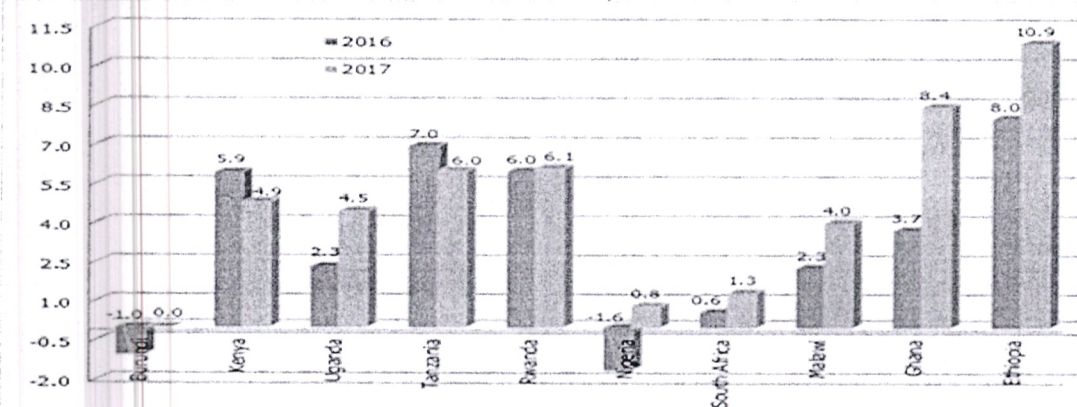
**(i) Principal Legal Adviser**

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

**II. FORWARD BY THE CABINET SECRETARY**

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the country. As a result of consistent implementation of bold economic policies, structural reforms and sound macroeconomic management, the economy remained resilient in 2017 despite uncertainty associated with the prolonged political elections period coupled with the effects of adverse weather conditions. The Economy grew by 4.9 percent compared to a revised growth of 5.9 percent in 2016. In the first quarter of 2018, the economy recovered and grew by 5.7 percent compared to a growth of 4.8 percent in the same quarter last year. This growth was mainly attributed to improved weather conditions and rebound in business and consumer confidence following political stability in the country. The 4.9 percent economic growth in 2017 generated 898,000 new jobs up from 833,000 new jobs in 2016 and is above 2.8 percent average growth for the sub-Saharan Africa.

**GDP Annual Growth Rates (2016 and 2017)**

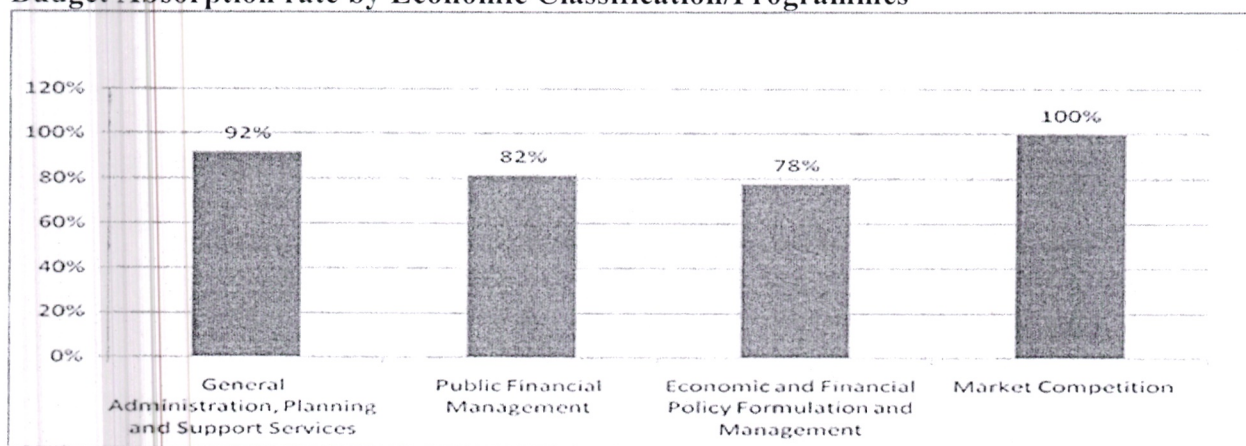


Despite the difficult circumstances faced last year, the Country was able to preserve macroeconomic stability with inflation, interest rates and exchange rates remaining largely stable throughout 2017. This serves as a clear demonstration to domestic as well as foreign investors of our commitment to maintain macro-economic stability, which is key in enhancing investor confidence. The Country made notable progress in 2017 in improving the ease of doing business, thereby providing a conducive business environment for both domestic and foreign investors. These reforms have seen Kenya being ranked favourably in the ease of doing business and as a top investment destination. For two consecutive years (2016 and 2017 World Bank’s Doing Business Reports), Kenya emerged as the third most reformed country in the world, and in the 2018 Report, as the third best in sub-Saharan Africa and position 80 overall.

The 2017 Ernst & Young (EY) Africa Attractiveness Index ranked Kenya second top investment hub in Africa, after Morocco. The Report also classifies Kenya as the top most preferred investment destination in East Africa, with the majority of investors being attracted by the good infrastructure, ease of doing business, and strong economic growth and prospects.

In terms of budget performance, the National Treasury expenditure stood at Kshs.39.416m against an approved budget of Kshs.42.540m in Recurrent while Development expenditure stood at Kshs 9.761m against an approved budget of Kshs.11.862m giving an overall absorption rate of 90.5%. The National Treasury implemented the 2017/18 budget within four economic classification/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management and Market Competition. As demonstrated in the bar graph below, the Market Competition Programme had the highest absorption at 100% followed by General Administration, Planning and Support Services at 92%, Public Financial Management Programme at 81.7% and Economic and Financial Policy Formulation and Management (78%).

**Budget Absorption rate by Economic Classification/Programmes**



Other key achievements during the period under review are:-

- The National Treasury continued to implement its mandate of supporting the devolved system of Government. In terms of payments, the County Governments received a total of Kshs.327 billion in 2017/2018 up from Kshs.302.2 billion in 2016/2017. Since their establishment in March 2013, County Governments have received more than Kshs.1.3 trillion from the National Government.
- In line with its commitment to enhance the County Governments capacity, the National Treasury developed the County Governments (Revenue Raising Regulation Process) Bill. The Bill is geared towards addressing the challenges County Governments are encountering in revenue collection, mitigating their negative effects and assisting the Counties to optimize own-sources revenue.
- The National Treasury successfully priced a new \$2 billion Eurobond Transaction. This issue was 7 times oversubscribed thus making it one of the highest order book for an issue from Africa, and providing a dollar yield curve stretching out to 30 years. This made Kenya one of a handful of Governments to achieve this. Specifically with the 30 year yield, international investors demonstrated their long term belief that Kenya is a stable economy in which long-term investments are safe.

Some of the challenges the National Treasury faced while implementing the 2017/18 budget include:-

1. Lack of adequate funds/exchequer to finance all the budget requests by Ministries, Departments and Agencies.
2. Low absorption of Official Development Assistance (ODA).
3. Uncertainty associated with the political elections that slowed down economic activity thus affecting revenue performance.
4. Slow enactment of relevant regulations and related legal instruments to facilitate financial sector deepening.

To surmount the above challenges and ensure successful implementation of the National Treasury goals and objectives, the Ministry will:-

1. Maintain macroeconomic stability by ensuring that inflation, interest rates and exchange rates remain largely stable.
2. Continue to improve the environment for businesses to thrive, deal decisively with corruption and address the governance and performance challenges at our parastatals and State-linked companies, as well as improve efficiency in our financial sector in order to boost investments and create jobs.
3. Manage the level and composition of national public debt, national guarantees and other financial obligations of national government effectively;
4. Continue to maintain a prudent fiscal stance consistent with the medium-term debt targets while pursuing a shift in the composition of expenditure towards development priorities.
5. Strengthen capacity in public financial management to MDAs and County Governments to improve oversight of Public resources and Strengthen financial and fiscal relations between the national government and county governments
6. Enhance the Government's cash management system to avoid undue pressure on payment flows and interest rates, and reduce borrowing costs for the government and the private sector.
7. Promote the Public Private Partnership initiatives to finance government capital projects.
8. Engage other development partners for concessional loans and grants as well as pursue strategies to facilitate issuance of international bonds to finance government projects.
9. Ensure constant collaboration between the National Treasury and all the Stakeholders.
10. Strengthen monitoring and evaluation framework.



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HENRY K. ROTICH, EGH  
CABINET SECRETARY

### III. OVERVIEW OF THE RURAL ENTERPRISE FUND

#### 1. Background of the Fund

The fund was established under Section 34 (1) of Exchequer and Audit Act 1992. The purpose and objective of the fund was;

- a) To provide loan facilities to individuals or groups of individuals in rural areas so as to assist them in the expansion and growth of informal and small scale enterprises through provision of financial resources for initial investment and working capital.
- b) To increase the productive capacity of the borrowers, create self-employment and income and employment generating opportunities.

The fund was available for loaning to applicants for the following activities;

- Indigenously owned and commercially viable informal sector enterprise including agro-processing, furniture making, motor repairing, brick and block making, restaurant business and dress making and
- Agriculture including beekeeping, fish farming, seed production, horticulture and business service to the agricultural and Livestock Sectors such as tractor hire, artificial inseminations and veterinary services.

#### 2. Officer administering the Fund

The Accounting officer responsible for the vote of the Ministry of Finance or any other person appointed by him in writing to administer the Fund on his behalf such as District Development Committees.

#### 3. Winding up of the Fund

The fund was wound up vide legal notice No 97 of Kenya Gazette Supplement No 119 of the 14<sup>th</sup> Sep 2012.

We are currently in the process of closing the Funds books of accounts

#### IV. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government NATIONAL TREASURY shall prepare financial statements in respect of that NATIONAL TREASURY. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

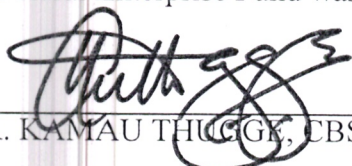
The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the Rural Enterprise Fund report, which give a true and fair view of the state of affairs of The National Treasury for and as at the end of the financial year (period) ended on June 30, 2018. 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 status of the revenue collected by the National Treasury; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.

The Accounting Officer in charge of The National Treasury accepts responsibility for the National Treasury's Rural Enterprise Fund report, which has been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that this Fund report give a true and fair view of The National Treasury's Fund performance during the financial year ended June 30, 2018. The Principal Secretary in charge of The National Treasury further confirms the completeness of the accounting records maintained for The National Treasury, which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.


The Accounting Officer in charge of The National Treasury confirms that the National Treasury has complied fully with applicable Government Regulations. Further the Accounting Officer confirms that this report has been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

#### Approval of the Financial Statements

The Rural Enterprise Fund was approved and signed by the Principal Secretary on 30<sup>th</sup> Sept 2018

  
DR. KAMAU THUGGE, CBS

Accounting Officer

  
LILIAN W. DISHON  
ICPAK Member No. 10442  
Ag. Head of Accounting Unit

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON RURAL ENTERPRISE FUND FOR THE YEAR ENDED 30 JUNE 2018 - THE NATIONAL TREASURY

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#### REPORT ON THE FINANCIAL STATEMENTS

##### **Adverse Opinion**

I have audited the accompanying financial statements of the Rural Enterprise Fund set out on pages 14 to 29, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Rural Enterprise Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.

##### **Basis for Adverse Opinion**

##### **Unresolved Prior Years Matters**

A review of the unsatisfactory matters highlighted in the report prior to 2014/2015 revealed that the issues raised remained unresolved during the year 2017/2018 as indicated below:

##### **i) Unbanked Cash**

The statement reflects unbanked cash balances totaling Kshs.3,348,895 brought forward from 2012/2013 and earlier years. According to available information, the amount comprises of Kshs.1,951,921 representing cash with District Commissioners (Loans Repaid); Kshs.108,840 being Cash with District Commissioners (Interest on Loans); and Kshs.1,288,135 relating to cash in the District Commissioners miscellaneous deposit account. Further, there was no evidence to confirm actual existence of the balance of Kshs.3,348,895 at the District Commissioners Office. In addition, the balance of Kshs.1,951,921 under District Commissioners (Loans Repaid) included advances amounting to Kshs.207,344 in form of IOUs issued from the Fund to some five officers working at the District Commissioner's Office, Kisumu in 1997/1998. The IOUs had not, however, been surrendered as at 30 June 2014.

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*Report of the Auditor-General on the Financial Statements of Rural Enterprise Fund for the year ended 30 June 2018 - The National Treasury*

## **ii) Unreconciled Balance**

As was reported in the previous year, the statement of assets and liabilities for deposits as at 30 June 2013 reflected a debit balance of Kshs.1,828,388 in respect of the Fund, while the Fund Accounts for the same year had reflected a balance of Kshs.397,908,774. The significant difference of Kshs.396,080,387 between the two sets of records has not been reconciled or explained since.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Rural Enterprise Fund in accordance with ISSAI 30 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 adverse opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Winding up of the Fund**

As was reported in the previous year, the Rural Enterprise Fund was recommended for winding up through Legal Notice No. 97 dated 29 June 2012 as contained in a special issue of the Kenya Gazette Supplement No. 119 of 14 September 2012 upon which, any outstanding amounts in the Fund was to be paid into the Consolidated Fund. However, the National Treasury has not yet closed the Fund's books of account despite the Legal Notice and has continued to prepare and submit the Fund's financial statements for audit five years after the winding up decision was made. The financial statements presented reflect balances brought forward whose accuracy and validity could not be vouched after the winding up notice of the Fund. Further, the Fund management has not provided any information on the progress made since and the probable time when the process is expected to be completed.

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

As required by Section 7 (1) (a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **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 (Cash Basis) and for such 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a sustainability of services disclosing, as applicable, matters related to sustainability of services and using the sustainability of services basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### **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

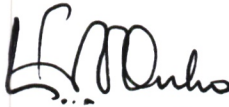
material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Rural Enterprise Fund's 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 sustainability of services 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 Rural Enterprise Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Rural Enterprise Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

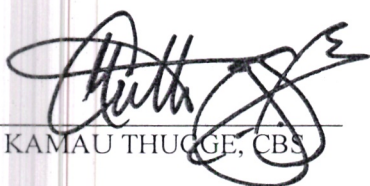
**31 December 2018**

THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 RURAL ENTERPRISE FUND  
 FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)

VI. STATEMENT OF RECEIPTS AND PAYMENTS

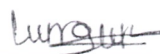
| Note  | 2017-2018<br>Kshs | 2016-2017<br>Kshs |
|---|-------------------|-------------------|
| <b>TAX REVENUES</b>                         |                   |                   |
| Taxes on Income, Profits and Capital Gains  | -                 | -                 |
| Taxes on Property                           | -                 | -                 |
| Taxes on Goods and Services                 | -                 | -                 |
| Taxes on International Trade & Transactions | -                 | -                 |
| Other Taxes                                 | -                 | -                 |
| <b>TOTAL TAX REVENUE</b>                    | -                 | -                 |
| <b>NON TAX REVENUES</b>                     |                   |                   |
| Fees on use of Goods/Services               | -                 | -                 |
| Social Security Contributions               | -                 | -                 |
| Property Income                             | -                 | -                 |
| Fines, Penalties and Forfeitures            | -                 | -                 |
| Rural Enterprise Fund                       | -                 | -                 |
| Sale of Goods and Services                  | -                 | -                 |
| Receipts from Sale of Non Financial Assets  | -                 | -                 |
| <b>TOTAL NON TAX REVENUE</b>                | -                 | -                 |
| <b>TOTAL REVENUE COLLECTED</b>              | -                 | -                 |
| <b>TRANSFERS TO EXCHEQUER ACCOUNT</b>       | -                 | -                 |
| <b>BALANCE BROUGHT FORWARD</b>              | -                 | -                 |
| <b>BALANCE CARRIED FORWARD</b>              | -                 | -                 |

The accounting policies and explanatory notes set out on pages 19-25 form an integral part of the fund statement. This fund statement was approved on 30<sup>th</sup> Sept 2018 and signed by:



DR. KAMAU THUGGE, CBS

Accounting Officer



LILIAN W. DISHON  
 ICPAK Member No. 10442  
 Ag.Head of Accounting Unit

THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 RURAL ENTERPRISE FUND  
 FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)

VII. STATEMENT OF ASSETS AND LIABILITIES

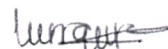
|                                       | Notes | 2017-2018<br>Kshs            | 2016-2017<br>Kshs            |
|---------------------------------------|-------|------------------------------|------------------------------|
| <b>FINANCIAL ASSETS</b>               |       |                              |                              |
| <b>Cash and Cash Equivalents</b>      |       |                              |                              |
| Bank Balances                         | 1     | 3,348,895.00                 | 3,348,895.00                 |
| Cash Balances                         | 2     | -                            | -                            |
| <b>Total Cash and cash equivalent</b> |       | <b><u>3,348,895.00</u></b>   | <b><u>3,348,895.00</u></b>   |
| Accounts receivables – Loanees        | 3     | 394,559,879.30               | 394,559,879.30               |
| <b>TOTAL FINANCIAL ASSETS</b>         |       | <b><u>397,908,774.30</u></b> | <b><u>397,908,774.30</u></b> |
| <b>FINANCIAL LIABILITIES</b>          |       |                              |                              |
| Accounts Payables                     | 4     | -                            | -                            |
| <b>NET FINANCIAL ASSETS</b>           |       | <b>397,908,774.30</b>        | <b>397,908,774.30</b>        |
| <b>REPRESENTED BY</b>                 |       |                              |                              |
| <b>Fund balance b/fwd</b>             | 5     | 397,908,774.30               | 397,908,774.30               |
| <b>NET FINANCIAL POSITION</b>         |       | <b><u>397,908,774.30</u></b> | <b><u>397,908,774.30</u></b> |

The accounting policies and explanatory notes set out on pages 19-25 form an integral part of the fund statement. This fund statement was approved on 30<sup>th</sup> Sept 2018 and signed by:



DR. KAMAU THUGGE, CBS

Accounting Officer



LILIAN W. DISHON  
 ICPAK Member No. 10442  
 Ag. Head of Accounting Unit

THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 RURAL ENTERPRISE FUND  
 FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)

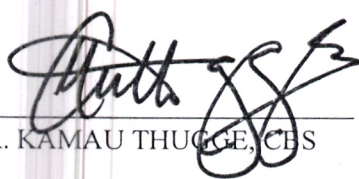
VIII. STATEMENT OF CASH FLOW

|   | Note | 2017-2018 | 2016-2017 |
|---|------|-----------|-----------|
|   |      | Kshs      | Kshs      |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>      |      |           |           |
| <b>Receipts for operating income</b>            |      |           |           |
| Tax Revenues                                    |      | -         | -         |
| Social Security Contributions                   |      | -         | -         |
| Proceeds from Domestic and Foreign Grants       |      | -         | -         |
| Transfers from National Treasury                |      | -         | -         |
| Transfers from Other Government Entities        |      | -         | -         |
| Reimbursements and Refunds                      |      | -         | -         |
| Returns of Equity Holdings                      |      | -         | -         |
| Other Revenues                                  |      | -         | -         |
|   |      | -         | -         |
| <b>Payments for operating expenses</b>          |      |           |           |
| Compensation of Employees                       |      | -         | -         |
| Use of goods and services                       |      | -         | -         |
| Subsidies                                       |      | -         | -         |
| Transfers to Other Government Units             |      | -         | -         |
| Other grants and transfers                      |      | -         | -         |
| Social Security Benefits                        |      | -         | -         |
| Finance Costs, including Loan Interest          |      | -         | -         |
| Other Expenses                                  |      | -         | -         |
|   |      | -         | -         |
| <b>Adjusted for:</b>                            |      |           |           |
| Changes in receivables                          |      | -         | -         |
| Changes in payables                             |      | -         | -         |
| Adjustments during the year                     |      | -         | -         |
|   |      |           |           |
| <b>Net cashflow from operating activities</b>   |      | -         | -         |
|   |      |           |           |
| <b>CASHFLOW FROM INVESTING ACTIVITIES</b>       |      |           |           |
| Proceeds from Sale of Assets                    |      | -         | -         |
| Acquisition of Assets                           |      | -         | -         |
| <b>Net cash flows from Investing Activities</b> |      | -         | -         |

THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 RURAL ENTERPRISE FUND  
 FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)

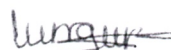
|  |  |                     |                     |
|--|--|---------------------|---------------------|
| <b>CASHFLOW FROM BORROWING ACTIVITIES</b>                |  |                     |                     |
| Proceeds from Domestic Borrowings                        |  | -                   | -                   |
| Proceeds from Foreign Borrowings                         |  | -                   | -                   |
| Repayment of principal on Domestic and Foreign borrowing |  | -                   | -                   |
| <b>Net cash flow from financing activities</b>           |  | -                   | -                   |
|  |  |                     |                     |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>          |  | -                   | -                   |
| Cash and cash equivalent at BEGINNING of the year        |  | 3,348,895.00        | 3,348,895.00        |
| Cash and cash equivalent at END of the year              |  | <b>3,348,895.00</b> | <b>3,348,895.00</b> |

The accounting policies and explanatory notes set out on pages 19-25 form an integral part of the fund statement. This fund statement was approved on 30th Sept 2018 and signed by:



DR. KAMAU THUGGE, CBS

Accounting Officer



LILIAN W. DISHON

ICPAK Member No. 10442

Ag. Head of Accounting Unit

## IX. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these revenue statements are set out below:

### 1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the National Treasury and all values are in Kenya shillings (KShs). The accounting policies adopted have been consistently applied to all the years presented.

The Fund statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the National Treasury.

### 2. Recognition of Revenue

The National Treasury recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the National Treasury.

### 3. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the revenue statements. The revenue budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included in to these revenue statements.

### 4. Comparative Figures

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

### 5. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2018.

X. NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. Bank balances

|                                       | Original Estimates | Revised Estimates | Actual (Kshs)       | % Realized |
|---------------------------------------|--------------------|-------------------|---------------------|------------|
| Cash with KCB on Main Fund A/c        |                    |                   | -                   |            |
| Cash with KCB on Interest A/c         |                    |                   | -                   |            |
| Cash with K.C.B on Loan Repayment A/c |                    |                   | -                   |            |
| Cash with K.C.B on Fixed Deposit A/c  |                    |                   | -                   |            |
| Cash with D.C (Loans Repaid)          |                    |                   | 1,951,920.60        |            |
| Cash with D.C (Interest on Loans)     |                    |                   | 108,839.70          |            |
| Cash in D.C's Misc. Deposit A/c       |                    |                   | 1,288,134.70        |            |
|                                       |                    |                   | -                   |            |
| <b>TOTAL</b>                          |                    |                   | <b>3,348,895.00</b> |            |

These are old balances that have been carried forward for many years and The National Treasury has formed a taskforce to address issues of old balances appearing in the ministries books of Accounts with view of clearing the same.

THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 RURAL ENTERPRISE FUND  
 FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)

2.Cash balances

|                                    | Original Estimates | Revised Estimates | Actual<br>KSHS. | % Realized |
|------------------------------------|--------------------|-------------------|-----------------|------------|
| Balance brought forward            |                    |                   | -               |            |
| Transfers to the Exchequer account |                    |                   | -               |            |
| Balance carried forward            |                    |                   | -               |            |

Commentary on Actual Revenue against the Revised Estimates

N/A

FINANCIAL STATEMENTS  
RURAL ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)

3.Accounts Receivables- Loanees

|                   | Original Estimates | Revised Estimates | Amount (kshs.) | % Realized |
|-------------------|--------------------|-------------------|----------------|------------|
| Districts         |                    |                   |                |            |
| Vihiga            |                    |                   | 8,833,753.25   |            |
| Meru Central      |                    |                   | 8,507,107.50   |            |
| Meru North        |                    |                   | 7,365,368.60   |            |
| Bomet             |                    |                   | 3,669,054.10   |            |
| Kisumu            |                    |                   | 13,043,676.05  |            |
| Kericho           |                    |                   | 11,207,120.60  |            |
| Nyandarua         |                    |                   | 6,061,671.30   |            |
| Kajiado           |                    |                   | 5,999,983.70   |            |
| Northern Kisii    |                    |                   | 4,683,993.35   |            |
| Nairobi           |                    |                   | 25,368,937.95  |            |
| Tana River        |                    |                   | 2,675,019.95   |            |
| Homa Bay & Migori |                    |                   | 19,237,746.95  |            |
| Turkana           |                    |                   | 3,422,822.65   |            |
| Kisii Central     |                    |                   | 12,918,105.20  |            |
| Siaya             |                    |                   | 12,690,303.15  |            |
| Makueni           |                    |                   | 10,907,221.60  |            |
| Marakwet & Keiyo  |                    |                   | 4,896,737.10   |            |
| Kitui             |                    |                   | 13,052,410.35  |            |
| Kwale             |                    |                   | 7,993,792.00   |            |
| Mombasa           |                    |                   | 8,379,236.45   |            |
| Marsabit          |                    |                   | 2,788,820.00   |            |
| Muranga           |                    |                   | 15,287,624.35  |            |
| Kakamega          |                    |                   | 14,342,559.40  |            |
| Nyeri             |                    |                   | 11,392,383.85  |            |
| Lamu              |                    |                   | 1,109,000.00   |            |
| Isiolo            |                    |                   | 1,971,500.00   |            |

FINANCIAL STATEMENTS  
RURAL ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)

|                   |  |  |                       |  |
|-------------------|--|--|-----------------------|--|
| Busia             |  |  | 7,398,372.00          |  |
| Kirinyaga         |  |  | 5,640,674.95          |  |
| Embu              |  |  | 7,375,325.00          |  |
| Laikipia          |  |  | 3,981,348.00          |  |
| Transzoia         |  |  | 7,018,324.90          |  |
| Garissa           |  |  | 2,432,000.00          |  |
| Nandi             |  |  | 7,963,396.70          |  |
| Kiambu            |  |  | 16,818,833.15         |  |
| Nakuru            |  |  | 15,962,120.30         |  |
| Uasin Gishu       |  |  | 8,409,576.00          |  |
| Baringo           |  |  | 6,994,149.20          |  |
| Machakos          |  |  | 14,430,632.70         |  |
| Narok             |  |  | 7,439,922.30          |  |
| Samburu           |  |  | 2,234,570.05          |  |
| Meru South        |  |  | 4,909,446.55          |  |
| Taita Taveta      |  |  | 4,191,394.20          |  |
| West Pokot        |  |  | 4,877,988.80          |  |
| Mandera           |  |  | 2,661,209.25          |  |
| Bungoma& Mt Elgon |  |  | 11,775,707.90         |  |
| Wajir             |  |  | 2,383,400.00          |  |
| Kilifi            |  |  | 11,855,537.95         |  |
|                   |  |  | -                     |  |
| <b>TOTAL</b>      |  |  | <b>394,559,879.30</b> |  |

**FINANCIAL STATEMENTS  
RURAL ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)**

**4. Accounts Payables**

|                                    | <b>Original Estimates</b> | <b>Revised Estimates</b> | <b>Actual<br/>KSHS.</b> | <b>% Realized</b> |
|------------------------------------|---------------------------|--------------------------|-------------------------|-------------------|
| Balance brought forward            |                           |                          | -                       |                   |
| Transfers to the Exchequer account |                           |                          | -                       |                   |
| Balance carried forward            |                           |                          | -                       |                   |

These are old balances that have been carried forward for many years and The National Treasury has formed a taskforce to address issues of old balances appearing in the ministries books of Accounts with view of clearing the same.

FINANCIAL STATEMENTS  
RURAL ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)

5. Fund balance brought forward.

|                            | Original Estimates | Revised Estimates | Actual (Kshs)         | % Realized |
|----------------------------|--------------------|-------------------|-----------------------|------------|
| Capital Fund               |                    |                   | 397,909,359.30        |            |
| Recalled Capital & Deficit |                    |                   | (585.00)              |            |
|                            |                    |                   | -                     |            |
| <b>TOTAL</b>               |                    |                   | <b>397,908,774.30</b> |            |

These are old balances that have been carried forward for many years and The National Treasury has formed a taskforce to address issues of old balances appearing in the ministries books of Accounts with view of clearing the same.

**6. Balances Carried Forward**

This Fund was wound-up vide legal notice No. 119 of 14<sup>th</sup> September 2012 and we are currently in the process of closing the books of Accounts.

**XI. PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS**

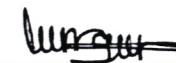
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report           | Issue / Observations from Auditor  | Management comments   | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|---|--|-----------------------------------|--|
| AA/TNT/REF/2016-17/VOL.I(4)<br>Dated 18 January 2018 | 1. Material Uncertainty of Going Concern/Sustainability of Services<br><br>2. Unsupported Balances<br>i. Cash and Cash equivalent<br>ii. Account Receivables | This is a dormant Fund and was wound up vide Legal Notice No. 119 of 14 <sup>th</sup> September, 2012. We are in the process of closing the books of accounts | <b>Llian W. Dishon</b><br>Ag.Head of Accounting Unit           | Being Resolved                    | Within Financial Year 2018/2019                                  |



DR. KAMAU THUGGE, CBS

Principal Secretary



LILIAN W. DISHON  
ICPAK Member No. 10442  
Principal Accountant

FINANCIAL STATEMENTS  
RURAL ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)

ANNEX I. CONSOLIDATED RURAL ENTERPRISE FUND  
ACCOUNT ANALYSIS

STATEMENT OF ASSETS AND LIABILITIES

| District          | Capital Fund<br>2002/2003 | Loanees       | Cash with DC<br>(Loan Repaid) | Cash with DC<br>( Interest on<br>Loans) | Cash in DC`s<br>Misc. Deposit A/C |
|-------------------|---------------------------|---------------|-------------------------------|---|-----------------------------------|
| Vihiga            | 8,967,579.15              | 8,833,753.25  | -                             | -                                       | 2,601.00                          |
| Meru Central      | 10,246,070.60             | 8,507,107.50  | -                             | -                                       | 46,020.70                         |
| Meru North        | 7,505,215.80              | 7,365,368.60  | -                             | -                                       | -                                 |
| Bomet             | 3,787,293.75              | 3,669,054.10  | 100,000.00                    | 18,311.35                               | -                                 |
| Kisumu            | 13,641,602.90             | 13,043,676.05 | 207,344.25                    | -                                       | 756.65                            |
| Kericho           | 11,276,793.25             | 11,207,120.60 | 50,900.00                     | -                                       | -                                 |
| Nyandarua         | 6,272,690.15              | 6,061,671.30  | 2,780.00                      | -                                       | 3,402.10                          |
| Kajiado           | 6,552,776.45              | 5,999,983.70  | 16,837.15                     | -                                       | 215,264.35                        |
| Northern Kisii    | 6,512,930.90              | 4,683,993.35  | 62,307.45                     | 3,844.50                                | 100.00                            |
| Nairobi           | 25,871,383.90             | 25,368,937.95 | 494,860.00                    | -                                       | 406.20                            |
| Tana River        | 2,732,843.85              | 2,675,019.95  | -                             | -                                       | -                                 |
| Homa Bay & Migori | 20,029,366.65             | 19,237,746.95 | 591,424.10                    | 45,331.90                               | 126,527.20                        |
| Turkana           | 3,738,437.30              | 3,422,822.65  | -                             | -                                       | 7,775.00                          |
| Kisii Central     | 15,844,152.30             | 12,918,105.20 | -                             | -                                       | 20,861.95                         |

**FINANCIAL STATEMENTS  
RURAL ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)**

|                  |               |               |            |           |            |
|------------------|---------------|---------------|------------|-----------|------------|
| Siaya            | 12,717,322.75 | 12,690,303.15 |            |           | 22,460.70  |
| Makueni          | 12,462,826.05 | 10,907,221.60 |            |           |            |
| Marakwet & Keiyo | 5,339,895.90  | 4,896,737.10  |            |           |            |
| Kitui            | 13,062,482.25 | 13,052,410.35 |            | 9,608.00  |            |
| Kwale            | 8,296,757.95  | 7,993,792.00  |            |           | 188,624.20 |
| Mombasa          | 8,542,290.30  | 8,379,236.45  |            | 4,063.00  | 138,966.50 |
| Marsabit         | 2,950,478.80  | 2,788,820.00  |            |           | 115,018.00 |
| Muranga          | 15,336,306.20 | 15,287,624.35 | 20,216.15  | 3,249.45  | 1,014.15   |
| Kakamega         | 16,241,875.00 | 14,342,559.40 |            |           |            |
| Nyeri            | 11,983,485.25 | 11,392,383.85 | 144,976.90 | 12,104.55 | 2,501.10   |
| Lamu             | 1,212,597.40  | 1,109,000.00  |            |           | 424.40     |
| Isiolo           | 1,973,041.60  | 1,971,500.00  |            |           |            |
| Busia            | 7,619,194.15  | 7,398,372.00  |            |           | 11,252.15  |
| Kirinyaga        | 6,716,399.75  | 5,640,674.95  | 64,877.45  | 5,153.05  |            |
| Embu             | 7,665,368.00  | 7,375,325.00  |            |           | 163,968.00 |
| Laikipia         | 4,782,241.25  | 3,981,348.00  |            |           | 70.00      |
| Transzoia        | 7,093,809.85  | 7,018,324.90  |            |           |            |
| Garissa          | 2,442,000.00  | 2,432,000.00  | 10,000.00  |           |            |
| Nandi            | 7,985,522.65  | 7,963,396.70  |            |           | 353.65     |
| Kiambu           | 17,109,791.15 | 16,818,833.15 |            |           | 113,750.55 |
| Nakuru           | 16,796,017.30 | 15,962,120.30 |            |           | 1,833.50   |

**FINANCIAL STATEMENTS  
RURAL ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018 (KSHS)**

|                                       |                       |                       |                     |                   |                     |
|---------------------------------------|-----------------------|-----------------------|---------------------|-------------------|---------------------|
| Uasin Gishu                           | 8,455,380.65          | 8,409,576.00          | 2,000.00            |                   |                     |
| Baringo                               | 7,136,815.70          | 6,994,149.20          | 94,037.15           | 1,853.90          | 19,019.80           |
| Machakos                              | 14,536,077.25         | 14,430,632.70         |                     |                   | 595.05              |
| Narok                                 | 7,466,882.65          | 7,439,922.30          | 4,200.00            | 800.00            | 295.00              |
| Samburu                               | 2,460,982.00          | 2,234,570.05          |                     |                   | 8,928.00            |
| Meru South                            | 5,144,821.75          | 4,909,446.55          |                     |                   | 554.60              |
| Taita Taveta                          | 4,264,634.05          | 4,191,394.20          | 50,600.00           | 4,400.00          | 7,316.60            |
| West Pokot                            | 4,913,454.80          | 4,877,988.80          | 3,280.00            |                   | 4.00                |
| Mandera                               | 2,712,698.15          | 2,661,209.25          |                     |                   |                     |
| Bungoma & Mt Elgon                    | 12,855,506.90         | 11,775,707.90         | 31,280.00           | 120.00            | 71.35               |
| Wajir                                 | 2,422,451.60          | 2,383,400.00          |                     |                   |                     |
| Kilifi                                | 12,235,555.45         | 11,855,537.95         |                     |                   | 67,398.25           |
| <b>TOTAL</b>                          | <b>415,914,101.45</b> | <b>394,559,879.30</b> | <b>1,951,920.60</b> | <b>108,839.70</b> | <b>1,288,134.70</b> |
| <b>Reconciliation-Capital Balance</b> |                       |                       |                     |                   |                     |
| 2002/2003                             | 415,914,101.45        |                       |                     |                   |                     |
| Recalled capital 2003/2004            | (17,811,626.35)       |                       |                     |                   |                     |
| Deficit 2003/2004                     | (51,824.20)           |                       |                     |                   |                     |
| Balance 2003/2004                     | 398,050,650.90        |                       |                     |                   |                     |
| Recalled Capital 2004/2005            | (141,291.60)          |                       |                     |                   |                     |
| Balance 2004/2005                     | 397,909,359.30        |                       |                     |                   |                     |
| Recalled Capital 2005/2006            | (585.00)              |                       |                     |                   |                     |

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