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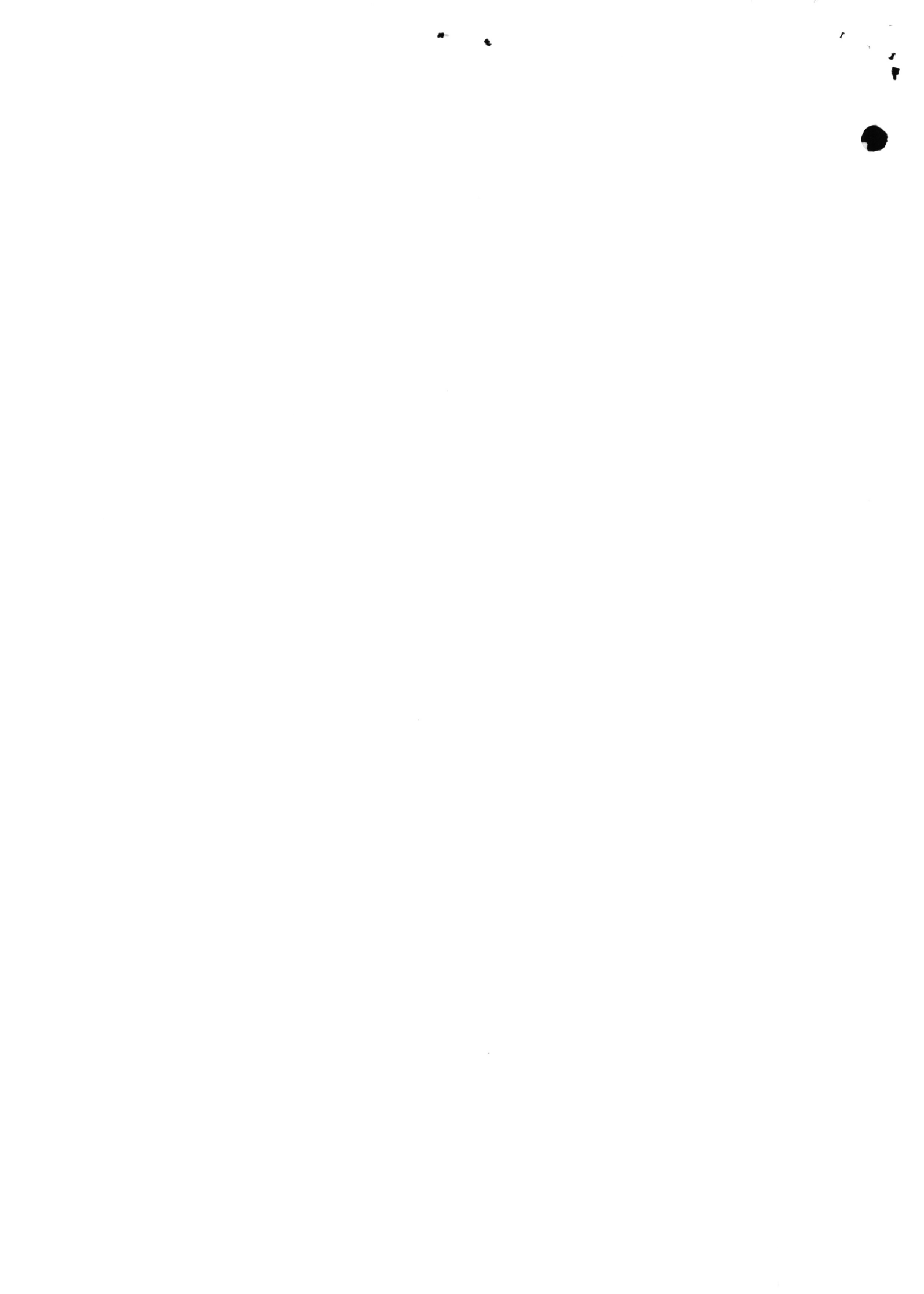
OF

THE AUDITOR-GENERAL

ON

LAIKIPIA COUNTY CO-OPERATIVE DEVELOPMENT FUND

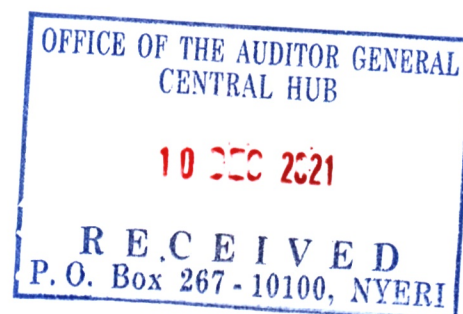
FOR THE YEAR ENDED 30 JUNE, 2021





COUNTY GOVERNMENT OF LAIKIPIA
LAIKIPIA COUNTY CO-OPERATIVE DEVELOPMENT REVOLVING 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)**



**Laikipia County Co-operative Development Revolving Fund
Reports and Financial Statements
For the year ended June 30, 2021**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Laikipia County Co-operatives Development Revolving Fund is established by and derives its authority and accountability from Laikipia County Co-operative Societies Act, 2014 amended 2017 and regulations thereunder. Amendment Bill 2020 has been forwarded to the County Assembly for defining the fund as a legal entity. The Fund is wholly owned by the County Government of Laikipia and is domiciled in Kenya.

The prime objective of the fund is to avail cheap and affordable credit facilities to co-operative societies in Laikipia County with a view to promote innovations, value additions, products and service development, financial services, wholesale and retail trade promotion in tandem with the Laikipia County Integrated Development Plan. This will enhance the strategic objective of the directorate of co-operatives of ensuring we have a robust and competitive co-operative movement to drive the county economy and also promote agro-processing and value addition for employment and wealth creation. The fund developed three-year strategic plan that has defined its vision, mission, core values, key pillars, strategic objectives and implementation matrix.

The fund has been in operation for the last five years. However, its operations picked up in the financial year 2018/2019 after receiving transfer of Ksh 40 million for two years including 2017/2018 and another Ksh10 million in 2020/2021 received in April 2021.

The current board was appointed in July 2018 and new acting fund administrator appointed to steer the fund operations. Unfortunately, the board lost one board member Mr. Benjamin Rono through sickness in February 2021. The board took the responsibilities of ensuring that the fund operations are in line with CIDP and the new government manifesto of creating 30,000 jobs in the county. To achieve this, the fund required to understand the running of the co-operative movement in terms of key value chains, collaboration and partnership that are vital and the overall management of the movement with capacity to build strong and vibrant framework that enhances equity across the sectors.

Up to date the fund has issued **Ksh139,143,450** of which **Ksh 131,193,450** has been issued under the current dispensation after aligning the fund with the current CIDP and the people's manifesto of 2017.

b) Principal Activities

i). Vision

"A leading, vibrant and reliable co-operative revolving fund in Laikipia County"

ii). Mission

To provide sustainable credit facilities for employment and wealth creation while encouraging innovations and value addition among the co-operative societies.

iii). Strategic Objectives

To ensure a robust and competitive co-operative movement to drive the county's economy

iv). Specific Objectives

1. To increase access and affordable revolving fund for employment and wealth creation
2. To promote agro-processing and value addition for employment and wealth creation
3. To enhance effective and efficient revolving fund programme
4. To intensify education, trainings, research and information to co-operative societies, leaders and technical staff
5. To lobby and mobilize for funds.

v). Guiding Principles

The co-operative concept has developed around the world as a social and economic movement with its own distinct identity, history, structure and purpose. Cooperatives are based on values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperatives believe in the ethical values of honesty, openness, social responsibility and caring for others. These values have been put into practice through a set of seven principles that distinguish cooperatives from other business ventures. They are; Voluntary and open membership, democratic member control, economic participation by members, autonomy and independence, education training and information, cooperation among cooperatives and concern for community in general.

vi). Core Values

- P- Professionalism
- A- Accountability and transparency
- C - Creativity
- E- Efficiency and effectiveness

c) Board Fund Administration Committee

Ref	Name	Position
1	Dixon Ong'era Oseko	Chairman
2	John Kibe Ndegwa	Board Member
3	Ann Wanjira Githiri	Board Member
4	Faith Njeri Muchoki	Board Member
5	Jemimah Mburugu	Board Member
6	Paul Njenga Waweru	Board Member
7	Richard Murigu Nyambura	Acting Fund Administrator

d) Key Management

Ref	Name	Position
1	Richard Murigu Nyambura	Acting Fund Administrator
2	Archangel Gachoka Ngugi	Accountant
3.	Jemimah Mburugu	Chair Administration Committee

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e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Directorate Internal Audit	
2	County Assembly	

f) Registered Offices

P.O. Box 1271 - 10400
Nanyuki
Laikipia County Commissioner's Compound
Nanyuki, Kenya

g) Fund Contacts

Telephone: (254) 724166120
E-mail: lccdrf@laikipia.go.ke / richard.nyambura@laikipia.go.ke
Website: www.laikipia.go.ke

h) Fund Bankers

Co-operative Bank of Kenya
Nanyuki Branch
P.O. Box 1465
Nanyuki, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser

The County Attorney
Laikipia County
P.O Box 1271-10400
Nanyuki

2. LAIKIPIA COUNTY CO-OPERATIVE DEVELOPMENT REVOLVING FUND BOARD

Name	Details of qualifications and experience
 <p>Dixon Oseko - Chairman Board</p>	<p>Dixon Oseko - Chairman Board Trained as professional teacher (P1), served as a senior teacher for 20 years with TSC and elected as Executive Secretary of KNUT Laikipia Branch and County Education Board Member for 10 years and served as KNUT National Advisory Council Member and KNUT Rift Valley Regional Secretary for 5 years. Attended diversified Management and Leadership courses and fora.</p>
 <p>John Kibe Ndegwa - Board Member</p>	<p>John Kibe Ndegwa - Board Member Hold a Diploma in Agriculture Engineering. Worked in the private sector as an engineer and business person for 27 years. Experience co-operative leadership for 10 years and institutional dynamics.</p>
 <p>Ann Wanjira Githiri - Board Member</p>	<p>Ann Wanjira Githiri - Board Member Holds Certificate in community Development and is also computer literate. Experienced in Community Mobilization and Leadership for more than 10 years. Chairlady Nyalawe Women SACCO Soc. Ltd and Sipili Joy Women Self Help Group.</p>

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Faith Njeri Muchoki - Board Member

Faith Njeri Muchoki - Board Member

Holds a BA in Cooperative Management, MBA in project planning and management, MBA in strategic management and pursuing PHD Business management (Banking and Finance).
Worked in banking industry and has been the General Manager for NECCO FOSA for last 19 years and coupled with several developmental and entrepreneurial courses.



Paul Njenga Waweru - Board Member

Paul Njenga Waweru - Board Member

Chief Officer - Department of Finance, Economic Planning and County development. Holds an MBA (finance option), Certified Institute of Purchasing and Supplies (CIPS-UK), Member of KISM and currently pursuing a PHD in business administration finance option.



Jemimah Kairuthi Mburugu- Board Member

Jemimah Kairuthi Mburugu- Board Member

Hold a Bachelor of Art (economics)- 2003
Worked in the public service for 10 years in Trade and Development and Promotion Department. Chief Officer, Trade, Tourism creative economy and Co-operatives, Laikipia County
Attended Senior Management course.



Richard Murigu Nyambura - Acting Fund Administrator.

Richard Murigu Nyambura - Acting Fund Administrator.

Holds Diploma in Co-operative Management in 1991, Higher National Diploma in HRM-2015, and short-term courses on institutional strengthening and organisation development and senior management course at KSG in 2017.

He has a working experience of 30 years in co-operative management.

**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

Program	Objective	Outcome	Indicator	Performance
Cooperative Development and Marketing	To ensure a robust and competitive co-operative movement to drive the county's economy	Increased accessed and affordable revolving fund for wealth and employment creation	Increase in loan recovery Increase in loan disbursement Increase in number of societies funded	Disbursement increased from 45.65m to 46.5m Loan recovery increased from 33m to 34.9m Number of societies funded increased from 25 to 26
		Promoted agro-processing and value addition for employment and wealth creation	Increase in number of value chain supported Number of job opportunities created	No of value chain increased from 4 to 5 -1958 job opportunities created
		Enhanced effective and efficient funding programme	Timely/quality of reports submitted and meetings held	4 Quarterly reports submitted 4 Quarterly board meetings held

**Laikipia County Co-Operative Development Revolving Fund
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4. MANAGEMENT TEAM

	<p>Jemimah Kairuthi Mburugu- Board Member Hold a Bachelor of Art (economics)- 2003 Worked in the public service for 10 years in Trade and Development and Promotion Department. Chief Officer, Trade, Tourism creative economy and Co-operatives, Laikipia County Attended Senior Management course.</p>
	<p>Richard Murigu Nyambura - Acting Fund Administrator. Holds Diploma in Co-operative Management in 1991, Higher National Diploma in HRM-20105, and short-term courses on institutional strengthening and organisation development and Senior Management Course at KSG in 2017. He has a working experience of 30 years in co-operative management.</p>
	<p>Archangel Gachoka Ngugi – Accountant. Holds a Bachelor degree in Business Management Finance and Banking. He is a CPA (K) and a registered member of Institute of Certified Public Accountants of Kenya (ICPAK) and is pursuing MBA Finance. Worked in the ministry of Health for four years and Currently, he is working as the Accounts controller in the Department of Trade, Tourism Creative Economy and Co-operatives.</p>

5. BOARD CHAIRPERSON'S REPORT

Laikipia County Co-operative Development Revolving Fund is established under the Laikipia County Co-operative Societies Act 2014 and the amendment thereof. The ^{Fund} introduced an amendment Bill 2020 to establish the fund as a legal entity. The prime objective of the fund is to avail cheap and affordable credit facilities to co-operative societies in Laikipia County with a view to promote innovations, value additions, products and service development, financial services, wholesale and retail trade promotion in tandem with the Laikipia County Integrated Development Plan. The fund is managed by eight board members who include the fund administrator whose mandate includes supervision and control of the fund, prepare budgets and such plans for better administration of the fund and impose conditions and restriction on the use of fund as may be necessary. Unfortunately, during the period, we lost one board member Rev. Benjamin Rono. It is imperative to say that the fund has issued **Ksh139, 143,450** of which **Ksh 131,193,450** has been issued under the current dispensation after aligning the fund with the current CIDP and the people's manifesto of 2017.

During the period under review, the fund received an allocation of 10,000,000 from the county treasury which was allocated during the financial year 2019/20. The fund also approved and disburse loans worthy Kshs. 46,500,000 to 26 co-operatives societies to boost their business enterprises which has been affected by the impacts of covid-19 pandemic. During the period under review the fund managed to recover to repayments of Ksh 34,877,861.30 which generated an interest of Ksh 1,948,775, and cash at bank of kshs.3, 297,256.60 as at 30th June 2021.

During the period, the board and the fund Administrator conducted a follow up on loan repayment on co-operatives societies that had defaulted loans. The board held a three-day consecutive field visits on 21st to 24th April 2021 to find out the reason why the co-operatives were not honouring their loan repayment, gave the society a pre-listing notices of the CRB and agreed way forward on clearing the outstanding loan balances. The board and the fund administrator visited 20 co-operatives and responses they gave were positive as at now some of the co-operatives who had defaulted their loans have cleared, others had to reschedule their loans.

The board held four meeting during the period under review that discussed among other approval of loans, performance, policy development and the effects of COVID -19.

The board members remained committed to support co-operatives especially the enterprise initiatives within the value chain to make Laikipia the greatest county with the highest quality of life

Signed: _____

DIXON ONG'ERA OSEKO

Chairman

3

6. REPORT OF THE FUND ADMINISTRATOR

1 BACK GROUND

Co-operative Revolving Fund is a fund established by the Laikipia County Co-operative Societies Act 2014 Section 106 and 107 amended 2017 and the Rules and regulations thereunder. This emanated from the development of the county strategic plan 2013 that identified co-operatives as strategic model of reactivating economic growth in the county especially on the predominant key value chains in the county namely; Milk, Livestock, Cereals, Hay, Sand, Coffee, Horticulture and Honey. However, the plan noted that the key impediment of these co-operative is low working capital and accessibility of the credit facilities. The department took the initiatives to establish a legal framework that was anchored the said Act to address the existing gaps that was taken to the county assembly and enacted in 2014.

In 2014/2015 October the fund received Ksh 8 million that was given 25 co-operative societies in Dec 2015 amounting to Ksh 5.55 million and later in July 2016 issued Ksh2.4 Million to 9 co-operative societies. In October 2016, the fund received Ksh 1 million that was meant for capacity building and sensitization of co-operators and the general public on the operational framework and the overall objectives of the fund.

In 2015/2016 and 2016/2017, the controller of budget recommended that the legal framework be amended to be in line with the PFM Act 2012 and therefore the fund did not receive any funding from the Treasury until toward the closure of financial year 2017/2018. This resulted to the first amendment of the Laikipia County Co-operative Societies Act 2017 and the rules thereunder.

In November 2017 and May 2018, under the new government dispensation, the 3 co-operatives societies were funded to promote sorghum in the county with Ksh 4,743,450. Toward the closure of 2017/2018, fund receive Ksh 20 million and 2018/2019, the fund also received Ksh 20 million in the course of the year. In the year 2018/2019 the fund managed to issue Ksh 34.3 million to 46 co-operative societies' in the county and the year 2019-2020, the fund issued Ksh45.65 million to 25 Co-operative Societies in the county.

In the 2nd quarter 2020/21, the fund was able to disburse loans worthy Kshs. 22.1 million to 12 co-operative societies and the 4th quarter the fund was able to disburse loans worthy Kshs. 24,400,000 to 14 co-operatives after receiving an allocation of Ksh 10Million, totalling to Ksh 46,650,000 to 26 co-operative societies. Cumulatively, the fund has so far managed to issue loans worth 139,143,450 to 134 co-operative societies.

The board and technical staff were able to compile three years progress report and make three day follow ups on loan repayment in the of April 2021 and compiled a report.

6.2 ACHIEVEMENTS

Beside issuing and recovering loans the fund managed to achieve the followings;

- a) The fund administrator supported 7 co-operative societies to develop their strategic plans funded by KCB Foundation namely; Ngarua Dairy, Muhotetu Dairy, Solio Settlement, Tigithi hay, Laikipia Livestock, Olooloing'ok Livestock and Oramat Livestock
- b) As the Business Development officer, the fund administrator supported 2 livestock, 2 hay co-operatives and one dairy co-operative society namely Oramat Livestock Farmers Co-operative Society Ltd, Olooloing'ok Livestock Farmers Co-operative Society Ltd, Tigith Hay Farmers' Co-operative Society Ltd, Sweetwater Farmers' Co-operative Society Ltd and Laikipia Dairies Farmers' Co-operative Society Ltd to draft their business Plan respectively. Laikipia Dairies has been earmarked for funding with Ksh 10million.
- c) The fund administrator participated in the 2 trainings funded by KCB Foundation, 2 trainings funded by ASDSP and 4 funded by the World Vision and majored on the focus of the co-operative revolving fund in reactivating co-operatives ventures and economic welfare if cooperative members.
- d) Assessed the performance for the last 3 years and presented a comprehensive report to the county executive in Nakuru Workshop
- e) Issued demand notices for the societies in arrears and those considered as defaulters to 11 and 10 co-operative societies respectively where 8 societies responded.
- f) Participated in the 3 days' workshop for the development of a training manual for the cow milk value chain on the issue of leadership and governance and another 3 days training on the development of business plan in order to support our client on the development of business plan.
- g) The fund managed to conduct one training session and board meeting on approval of financial report, Debt Recovery policy and Code of conduct and Ethics.

6.3 RISK MANAGEMENT STRATEGIES

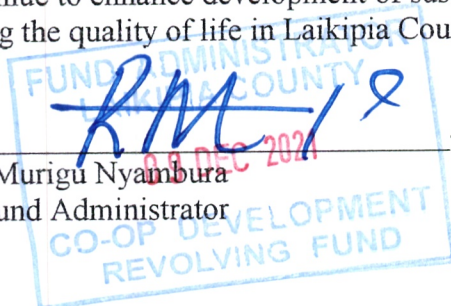
The fund has continued to review the existing legal frame work which includes developing the fund regulations, lending policy, debt recovery policy, code of conduct and ethics and creating awareness of the fund operation through workshop and public engagement.

6.4 CONCLUSION

The fund remains focused on reactivating strategic value chains and thus why the team is among the Business Development Officer in the county in order to support enterprise development. This will continue to enhance development of sustainable agribusiness in the county and consequently improving the quality of life in Laikipia County.

Signed: _____

Richard Murigu Nyambura
Acting Fund Administrator



7. CORPORATE GOVERNANCE STATEMENT

7.1 BOARD MEETINGS

Under the provision made in the Laikipia County Co-operative Societies Rules (amended) 2017 Section 56(2) that states “(a) the board shall meet on quarterly basis but there is room for a special board if need arises and (b) Quorum- of at least 5 members of the board shall form the quorum to dispose any business. The following board meetings were held;

	List of board Members	Financial Board meeting	Workshop 1 Policy Training	Board meeting	Board Meeting Zoomed Meeting	Board meeting	Remarks
		4/8/2020	14/10/2020	14/10/2020	29/3/2021	10/6/2021	
1	Dixon Oseko	✓	✓	✓	✓	✓	
2	John Ndegwa		✓	✓	✓	✓	
3	Faith Muchoki	✓	✓	✓	✓	✓	
4	Benjamin Rono	✓	✓	✓	-	-	
5	Ann Githiri		✓	✓	✓	✓	
6	Paul Njenga		✓	✓	✓	✓	
7	Jemimah Mburugu		✓	✓	✓	✓	
8	Archangeal Gachoka	✓	✓	✓	✓	✓	
9	Richard Murigu	✓	✓	✓	✓	✓	

7.2 SUCCESSION PLAN

The board members are appointed for a period of 3 year and renewable once. Two of the board members are automatic accounting officers in charge of finance and Co-operatives respectively who are in office for at least five years under the government in place and are deemed to induct and train those that are appointed. The issue of succession plan is usually considered while appointing or reappointing the board members. The appointed from the co-operative movement is usually considered the most experienced and qualified person from the leadership of Laikipia County Co-operative Societies forum.

7.3 BOARD CHARTER

The service charter has been incorporated in the departmental service charter and placed on a very strategic place in the office. Whereas the code of Conduct and Ethics was approved on 14th October 2020 and duly signed by the appointed board members on 10th June 2021.

7.4 APPOINTMENT AND REMOVAL OF OFFICE OF THE BOARD

This clearly stipulated in Section 107(2) and 107(4) respectively of the Laikipia County Co-operative Societies (amendment) Act, 2017.

Section 107 (1) The fund shall be managed by a Board

(2) The Board shall consist of: -

- i. A non-executive chairperson appointed by the Governor from persons qualified and experienced in co-operatives development, finance, law, economics or business administration;
- ii. Two people appointed by the county executive member responsible for co-operatives from among professionals qualified and experienced in cooperatives development, law, finance, or business administration or any field related;
- iii. Two persons nominated by the co-operative's societies in accordance with the prescribed procedure and appointed by the county executive member responsible for co-operatives development;
- iv. Chief Officer responsible for co-operatives development;
- v. Chief Officer responsible for Finance;
- vi. The Fund Administrator appointed by the County Executive Committee Member responsible for Finance who shall be the secretary to the Board and an ex-officio member

107 (4) The members of the Board may be removed from the office on any of the following grounds-

- a) Incompetence
- b) Abuse of office
- c) Gross misconduct
- d) Insanity

- e) Physical or mental incapacity rendering the member incapable of performing the duties of the office; or
- f) Gross violation of the constitution.

7.5 ROLES AND FUNCTIONS OF THE BOARD

The Laikipia County Co-operative Societies (Amendment) Rule, 2017 Section 56. (1) Pursuant to section 106 of the Act, there is established a Laikipia County Co-operative Societies Development Revolving Fund board, whose functions shall be –

- (a) Formulate policy guidelines on co-operative sector funding;
- (b) Ensure all projects funded under this Act are consistent with the county priorities specified in the relevant policy documents;
- (c) Consider proposals submitted to it by applicants under these regulations;
- (d) Authorize expenditure from the fund;
- (e) Formulate or approve standards, guidelines and procedures for funding proposals under these regulations;
- (f) Approve the organization structure of the fund;
- (g) Provide oversight in the utilization of the fund; and
- (h) Perform any other function as may be conferred on it by the Act or any other written law

7.6 BOARD INDUCTION AND TRAINING, BOARD AND MEMBER PERFORMANCE, CONFLICT OF INTEREST, BOARD REMUNERATION, ETHICS AND CONDUCT / GOVERNANCE AUDIT

Cognisant of this, the following issues have been undertaken to ensure fulfilment of the same: -

1. The board has been taken through several induction and training programs that has ensured that the Board members are properly inducted on their roles, responsibilities and limitations under existing laws and cooperative principles.
2. Development of regulations that clearly stipulate how the board should conduct its meetings and how to deal with conflict of interest. The regulations further provided for the furtherance of the PFM Act requirements on reporting and adherence to government audit.
3. The Board has developed and adopted a Board charter which is postulated at providing for issues on Ethic and conduct, conflict of interest and pertaining matters.
4. The board meeting held on 29th March 2021, agreed to prepare a detailed HR Policy on the remuneration of the board in terms of allowances, transport refund and accommodation. The preparation is on progress with the support of the Chief Officer in charge of Finance and Economic Planning

8. MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the fund continued to follow up the societies who had arrears and defaulted their loans as the key activity. On the meeting held on 29th March 2021, the fund board looked at the performance and the recovery of the loans and noted that they were below par. The board decided to make a follow-up and conducted a basis line survey to understand the situation on the ground. The meeting agreed to consider the effects of COVID-19 and decide what action to take against the said societies. The following were noted during the field assessment;

1. 4 Societies have defaulted their loans
2. Milk production had gone down due to pro longed dry spell.
3. Business performance especially from the traders SACCO societies were heavy affected by COVID-19 and one society employees was rendered redundant by the employer.
4. The market price for maize was going down, thus making the concerned societies to hold their stock anticipation of better prices.
5. Laikipia North sub county encountered prolonged drought over the period and therefore steer fattening in partnership with ranchers was heavily affected.

The follow-up team led by the chairman agreed to allow the societies to do the following due to the effects of COVID-19;

- a) Reschedule their loans with longer period not exceeding two years thus reducing their repayment per month and include the respective interest charges on the balance with effect from 1st July 2021.
- b) The societies dealing with stocks to hold but make sure they sell their stock immediately before the other season harvest is ready.
- c) The societies that will fail to pay their loan will automatically attack a penalty of 10% of the balance with effect from 1st July 2021 and be charged a fresh the interest for the forthcoming year(s).
- d) Those in arrears as at 1st July 2021 will be served with 1st Reminder to clear their outstanding arrears failure to which they will be served with final reminder.
- e) The defaulters as at 1st July 2021, to be served with a letter from the fund advocate.

The loans issued during the period were considered as economic stimulus package the beneficiaries especially for those affected by the COVID -19 pandemic where their members lost their employment or their business went down. Despite this, fund continued to comply with the funds regulations, loan policy, debt recovery policy and the code of ethic and conduct for the board. It also continued to report as defined by the PFM Act 2012 Section 166-168.

**Laikipia County Co-Operative Development Revolving Fund
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8.1. Performance of the fund

8.1.1 Disbursement of the fund per Sub County

	SUBCOUNT Y	FY 2015- 17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/2021	TOTAL
1	Laikipia West	3,300,000	2,228,550	12,400,000	26,450,000	20,100,000	64,478,550
2	Laikipia East	3,650,000	2,514,900	14,900,000	11,100,000	14,700,000	46,864,900
3	Laikipia North	1,000,000	-	7,000,000	8,100,000	11,700,000	27,800,000
	Total	7,950,000	4,743,450	34,300,000	45,650,000	46,500,000	139,143,450

8.1.2 No of beneficiaries (Co-operatives) per Sub County

N O	SUB- COUNTY	FY 2015-17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	TOTAL
1	Laikipia West	14	2	14	13	9	52
2	Laikipia East	15	1	26	8	13	63
3	Laikipia North	5	-	6	4	4	19
	Total	34	3	46	25	26	134

8.1.3 Loan overpayment for the last 3 years

FINANCIAL YEAR	SOCIETY	AMOUNT	BALANCE
2018/2019	Nyatomo Sacco SOC. Ltd	17,500.00	
	Laikipia North pastors Sacco Soc. Ltd	26,250.00	
	Total	43,750.00	43,750.00
2019/2020	Ngarua Line Sacco soc. Ltd	87,500.00	
	Datima Transport Sacco Soc, Ltd	21,875.00	
	GCC Uzima Sacco Soc. Ltd	122,500.00	
	Sipili Cereals and Produce Co-operative Soc. Ltd	2,534.00	
	Jikaze Traders Sacco Soc. Ltd	43,750.00	
	Mbatian Sacco Soc. Ltd	40,000.00	
		318,159.00	318,159.00
sum total as at 30th June 2020			361,909.00
2020/2021	Lomacen Sacco Soc. Ltd	40.00	
	Kinamba Juacom Sacco Soc. Ltd	277,000.00	

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	Marmaret Farmers' Co-operative Soc. Ltd	1,750.00	
	Kiilimo Hifadhi Sacco Soc.Ltd	52,500.00	
	Daiga Jamii Sacco Soc. Ltd	25,000.00	
	Solio Ranchers Sacco Soc. Ltd	26,250.00	
	Umamde Dairy Farmers Co-operative Soc. Ltd	26,500.00	
	Wangwachi Horticulture Co-operative Society Ltd	7,600.00	
		416,640.00	416,640.00
	Sum Total as at 30th June 2021		778,549.00

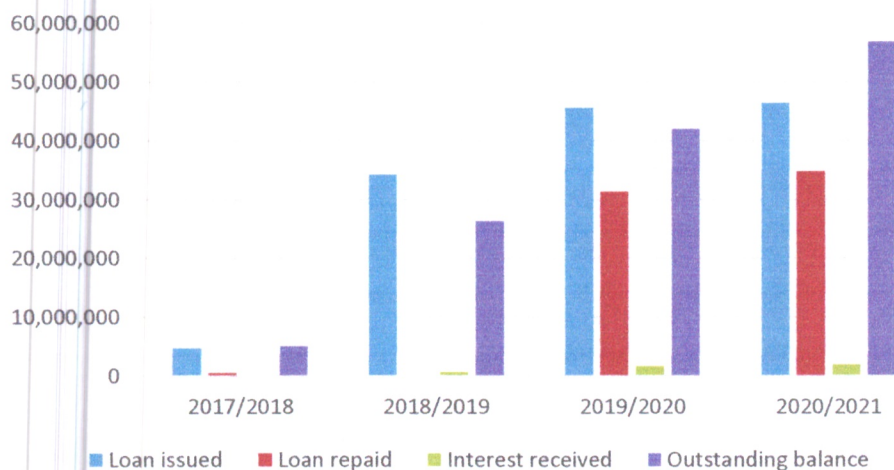
8.1.4 Comparison and reconciliation of Receivables ledger balance and Schedule

Balance as per the listing (schedules)	42,130,931.00	56,959,710.00
Balance as per financial report -ledger	42,060,705.00	55,751,694.00
Add provision for doubtful debts	-	1,137,790.00
Total receivables	42,060,705.00	56,889,484.00
Excess from the schedules	70,226.00	70,226.00
Less		
Un identified banking's		
23/2/2016	8,750.00	8,750.00
15/8/2016	61,250.00	61,250.00
Excess as per listing (schedules)	226.00	226.000

8.1.5 Comparative figure for the last two years

ITEM	2017/2018	2018/2019	2019/2020	2020/2021
Loan issued	4,743,450	34,300,000	45,650,000	46,500,000
Loan repaid	525,000	14,071,155.20	31,394,394	34,877,861
Interest received	26,250	703,558	1,678,618	1,948,775
Receivables	5,142,522	26,426,558	42,060,705	56,889,484

Comparative figures for the last 4 years



8.2 MAJOR RISKS FACING THE FUND

The following are some of the constrains that the fund encountered in its operations;

- i. Uncertainties and loan defaulting due to effects of COVID -19
- ii. Limited budget for funding the operations
- iii. Legal framework with ambiguities
- iv. Inadequate feasibility study of the project in terms of business planning
- v. Market uncertainties of the value chain

8.3 RECOMMENDATIONS

- a) Lobby for increased and timely funding by the County Government
- b) Encourage the use of strategic and result based or performance management in the society especially while developing investing strategies
- c) Establish public, private partnership with development stakeholders in the county to increase the funding of innovative enterprise or projects
- d) Lobby for a compatible software and embrace I.C.T in the operation of the fund.
- e) Ensure good corporate governance on the utilization of the available resources as provided for in various statutes.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Laikipia County Co-operative Development Revolving Fund exists to provide flexible, low interest rates to cooperatives that are domiciled in Laikipia. At the heart of the fund is a desire to ensure that the needs of the cooperatives in Laikipia are met and that the fund is modelled in a manner that is geared towards that end. In ensuring that the fund owns up to its cooperate social responsibility, the fund is guided by the following pillars: -

1. Public engagement and marketing pillar

The fund has greatly participated in the public engagement forums across the county in partnership with enterprise economic stimulus and innovation programs with the aim of creating awareness of the strategic interventions that co-operatives can do in economic development. The fund offers affordable and accessible credit facilities for such intervention.

2. Finance and resource mobilization growth and development pillar

The laws governing the fund have been modelled at ensuring that the available pool of money for lending continually grows while at the same time ensuring that the interest rate charged is below the available market rates. As a matter of fact, the loans are issued at 6% p.a. Additionally, the administrative costs involved in running the fund have been capped at 3% of the available funds to ensure that the funds reach the intended recipients. The fund administration has initiated a programme to develop proposals for individual societies and linking others with economic stimulus programme for complimentary funding of the societies.

3. Governance and leadership pillar

To strengthen the fund, the board made several amendments including developing regulations 2020, code of ethic and conduct for the board debt recovery policy and now in the process of developing risk management in conjunction with the help of Co-operative Tribunal as legal experts.

4. Training pillar

During the period under review, fund actively participated in supporting 7 co-operative societies in developing business plans and strategic plans for the purposes of drawing a roadmap for their operation. Again, engaged in capacity building through strategic stakeholders like World vision, ASDSP and KCB Foundation. The fund administrator equally participated in the Public engagement fora organised by the office of the Governor.

10. REPORT OF THE FUND ADMINISTRATION COMMITTEE

During the period under review the fund Administration Committee was composed of the chief officer, Fund Administrator and Fund Accountant that were charged with daily functions of the fund and offering the technical advice to the board and the beneficiaries. Often, the administration committee would Copt the director for co-operatives in order to align the functions of the fund to the Laikipia County Co-operative Societies Act 2014 and other regulations thereunder.

10.1 Principal activities

The key principal activities of the fund administration committee are;

1. Oversee the daily running of the fund
2. Research, prepare and implement fund adopted and approved policies.
3. Preparation and maintenance of the fund books of account.
4. Reporting to the county treasury and relevant authorities to ensure compliance with the PFM Act 2012
5. Inquire carefully and diligently into the character and financial conditions of each loan applicant (appraise all loans issued)
6. Dealing with all delinquent loans reported to the board
7. Liaising with the County Executive Committee Member in charge of co-operatives

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 17-19 as reported by the fund administrator

10.3 Administration Committee

The members of the Administration Committee who served during the year are shown on page 10 in the key entity information. During the period under review there were no changes in the management team as indicated.

10.4 Auditor

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

By Order of the Administration committee

Sign: 

Name: Jemminah Mburugu

Fund Administration Committee

Date: 09/12/21

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 Laikipia County Co-operative Societies Act 2014 amended 2017 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 Laikipia County Co-operative Societies Act 2014 amended 2017. 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.

**Laikipia County Co-Operative Development Revolving Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

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

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

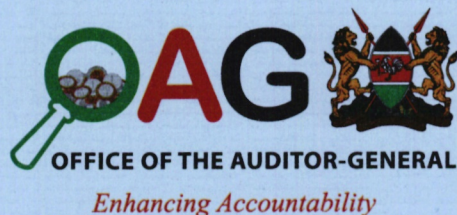
The Fund's financial statements were approved by the Board on 9/12/ 2021 and signed on its behalf by:



Richard Murigu Nyambura
Administrator of the County Public 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 LAIKIPIA COUNTY CO-OPERATIVE DEVELOPMENT 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 control, 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 Laikipia County Co-operative Development Fund set out on pages 26 to 54, which comprise the statement of

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Laikipia County Co-operative Development 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 Laikipia County Co-operative Societies Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion.

Non-Performing Outstanding Loans

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.55,751,694 as at 30 June, 2021. The balance includes loan balances totalling to Kshs.7,429,673, which were overdue as at 30 June, 2021. Further, the loans were not insured or backed by any collateral.

Although the recoverability of the overdue loans of Kshs.7,429, 673 is doubtful, provision of doubtful debts of Kshs.1,137,790 made in these financial statements in respect of receivables from exchange transactions appears inadequate.

As a result, the valuation and accuracy of current portion of long-term receivables from exchange transactions balance of Kshs.55,751,694 as at 30 June, 2021 could not be confirmed.

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

Key Audit Matters

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

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. Un-remitted Tax on Board Allowances

The statement of financial position reflects unremitted tax on Board allowances of Kshs.306,000 as at 30 June, 2021. This amount relates to tax deducted from the Fund's Board of Directors' allowances and not remitted to Kenya Revenue Authority (KRA). Further, the analysis of the unremitted tax balance of Kshs.306,000 as disclosed under Note 7 to the financial statements, relates to unremitted tax balance for the year under review amount of Kshs.135,900 and the prior year amount of Kshs.170,100.

Failure to remit taxes to KRA denies the Government the much needed revenue and lead to additional costs to the fund on penalties and interest which can be avoided.

2. Long Outstanding Overpayments

Note 12 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.778,549. This balance relates to overpayments due to various Savings and Credit Co-operative Societies that had not been refunded for over one year. Further, no aging analysis was provided to confirm how long they have been outstanding.

As a result, the accuracy of overpayments of Kshs.778,549 for the year under review could be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me

to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in

compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 Laikipia County Co-operative Development Fund 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 ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 July, 2022

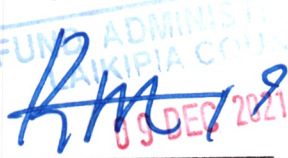
Laikipia County Co-Operative Development Revolving Fund
 Reports and Financial Statements
 For the year ended June 30, 2021.

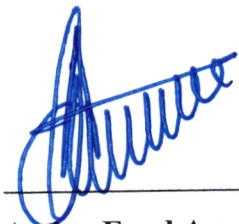
13. FINANCIAL STATEMENTS


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

	Note	FY 2020/2021	FY 2019/20
		KShs	KShs
Revenue from non-exchange transactions			
Transfers from the County Government	2		10,000,000
Total			10,000,000
Revenue from exchange transactions			
Interest Income	4	2,790,000	2,739,000
Total revenue		2,790,000	2,739,000
		2,790,000	12,739,000
Expenses			
General expenses	7	946,800	1,305,100
Finance costs	8	4,860	7,920
Provision for doubtful debts	13	1,137,790	
Total expenses		2,089,450	1,313,020
Surplus/(deficit) for the period		700,550	11,425,980

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 9/12/2021 and signed by:


 Administrator of the Fund
 Name: Richard Murigu Nyambura

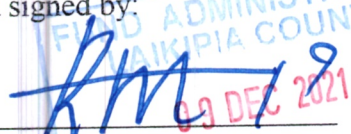

 Acting Fund Accountant
 Name: Gachoka Ngugi
 ICPAK No: 13294



13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	FY 2020/2021	FY 2019/20
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	2,997,257	5,435,156
Current portion of long term receivables from exchange transactions	11	55,751,694	42,060,706
Transfer from county government- Accounts receivable	2		10,000,000
Total assets		58,748,951	57,495,862
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	12	778,549	361,909
Unremitted Tax on board allowances	7	306,000	170,100
Total liabilities		1,084,549	532,009
TOTAL NET ASSETS		57,664,402	56,963,853
Financed By:			
Revolving Fund		56,963,853	45,537,873
Accumulated surplus/deficit		700,550	11,425,980
TOTAL EQUITY		57,664,403	56,963,853

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 9/12/2021 and signed by:


 ADMINISTRATOR
 LAIKIPIA COUNTY
 09 DEC 2021
Administrator of the Fund
 Name: Richard Murigu Nyambura



 ACCOUNTANT
 TRADE TOURISM & CO-OPERATIVE
 LAIKIPIA COUNTY
 09 DEC 2021
Fund Accountant
 Name: Gachoka Ngugi
 ICPAK No: 13294

**Laikipia County Co-Operative Development Revolving Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
Balance as at 1 July 2017	5,225,245	-		5,225,245
Surplus/(deficit) for the period			237,173	237,173
Funds received during the year				
Revaluation gain				
Balance as at 30 June 2018	5,225,245	-	237,173	5,462,418
Balance as at 1 July 2018	5,462,418	-	-	5,462,418
Surplus/(deficit) for the period	-	-	40,075,455	40,075,455
Funds received during the year				
Revaluation gain				
Balance as at 30 June 2019	5,462,418		40,075,455	45,537,873
Balance as at 1 July 2019	45,537,873			45,537,873
Surplus/(deficit) for the period		-		
Funds received during the year		-	11,425,980	11,425,980
Revaluation gain				
Balance as at 30 June 2020	5,462,418		11,425,980	56,963,853
Balance as at 1 July 2020	56,963,853	-		
Surplus/(deficit) for the period		-	700,550	700,550
Funds received during the year				
Revaluation gain				
Balance as at 30th JUNE 2021	56,963,853		700,550	57,664,403

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 9/12/2021 and signed by:


FUND ADMINISTRATOR
LAIKIPIA COUNTY
CO-OPERATIVE DEVELOPMENT REVOLVING FUND
09 DEC 2021

Administrator of the Fund
Name: Richard Murigu Nyambura


ACCOUNTANT
TRADE TOURISM & CO-OPERATIVE
09 DEC 2021
LAIKIPIA COUNTY

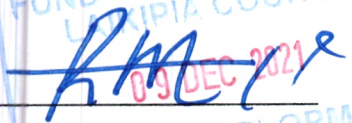
Fund Accountant
Name: Gachoka Ngugi
ICPAK No: 13294

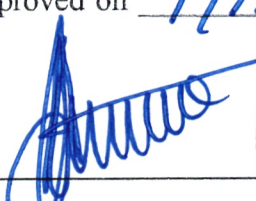
**Laikipia County Co-Operative Development Revolving Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

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

	Note	FY 2020/2021	FY 2019/20
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	2	10,000,000	-
Interest received	11a	1,948,775	1,678,618
Total Receipts		11,948,775	1,678,618
Payments			
General expenses	7	810,900	1,135,000
Finance cost	8	4,860	7,920
Total Payments		815,760	1,142,920
Changes in inter-entity transfers			2,700,000
		11,133,015	3,235,698
Cash flows from investing activities			
Proceeds from loan principal repayments	11b	32,929,086	31,394,394
Loan disbursements paid out	11c	(46,500,000)	(45,650,000)
Net cash flows used in investing activities		(13,570,914)	(14,255,606)
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		(2,437,899)	(11,019,908)
Cash and cash equivalents at 1 JULY	10	5,435,156	16,455,064
Cash and cash equivalents at 30 JUNE	10	2,997,257	5,435,156

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 9/12/2021 and signed by:


Administrator of the Fund
Name: Richard Murigu Nyambura


Fund Accountant
Name: Gachoka Ngugi
ICPAK No: 13294

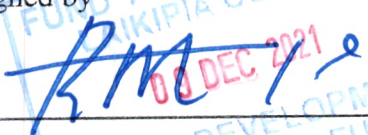


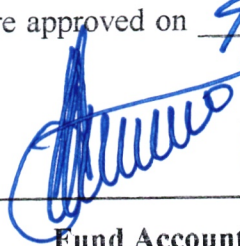
**Laikipia County Co-Operative Development Revolving Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2021	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	KShs	KShs
Revenue						
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	-	-	-	-	-	-
Interest income	2,220,000.00	-	2,220,000.00	1,948,775.00	271,225.00	88%
Other income					-	
Total income	2,220,000.00	-	2,220,000.00	1,948,775.00	271,225.00	88%
Expenses						
Fund administration expenses					-	
General expenses	1,500,000.00	-	1,500,000.00	810,900.00	689,100.00	54%
Finance cost	8,000.00	-	8,000.00	4,890.00	3,110.00	61%
Total expenditure	1,508,000.00	-	1,508,000.00	815,790.00	692,210.00	54%
Surplus for the period	712,000.00	-	712,000.00	1,132,985.00	(420,985.00)	

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 9/12/2021 and signed by


Administrator of the Fund
Name: Richard Murigu Nyambura


Fund Accountant
Name: Gachoka Ngugi
ICPAK No: 13294



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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: Applicable: 1 st January 2021:	Impact
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. 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.	There was no impact of the amendment to IPSAS 21 and IPSAS 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.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	<i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<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>

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Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

3. 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.

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on July 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 xxx of these financial statements.

5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. 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.

2. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

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

b) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

4. Inventories

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

5. Provisions

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

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

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

Contingent liabilities

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

6. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

7. Changes in accounting policies and estimates

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

8. Employee benefits – Retirement benefit plans

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or

increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

9. Foreign currency transactions

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

10. 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.

11. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors/Trustee, the Fund Managers and Fund Accountant.

12. 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 Cooperative Bank of Kenya Nanyuki Branch at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

13. Comparative figures

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

14. Events after the reporting period

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

15. Ultimate and Holding Entity

The entity is a County Public Fund established by Laikipia County Co-operative Societies Act 2014 amended 2017 under the Department of Trade, Tourism and Co-operatives. Its ultimate parent is the County Government of Laikipia.

16. Currency

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

17. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions

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

control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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

18. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits

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with banks, as well as trade and other receivables and available-for-sale financial investments.

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions	56,889,484.00	49,459,811.00	6,966,373.00	463,000.00
Receivables from non-exchange transactions				
Bank balances	3,297,256.60			
Total	60,186,740.60	49,459,811.00	6,966,373.00	463,000.00
At 30 June 2020				
Receivables from exchange transactions	42,060,705.00	38,217,830.00	3,459,775.00	383,100.00
Receivables from non-exchange transactions				
Bank balances	5,435,156.00			
Total	47,495,861.00	38,217,830.00	3,459,775.00	383,100.00

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	-	KShs
At 30 June 2021				
Trade payables- unremitted Tax	19,800	7,200	279,000	306,000
Trade payables -Overpayment	-	-	778,549	778,549.00
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	1,137,790
Employee benefit obligation	-	-	-	-
Total	19,800.00	7,200.00	1057549.00	2,222,339
At 30 June 2020				
Trade payables- Unremitted tax	27,000.00	-	143,100.00	170,100.00
Trade Payables- Overpayment	-	-	361,909.00	361,909.00
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	27,000.00	-	505,009.00	532,009.00

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

d) Foreign currency risk

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2021			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables			
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2021			
Euro	10%	-	-
USD	10%	-	-
2020			
Euro	10%	-	-
USD	10%	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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13.7 NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Transfers from County Govt.	-	10,000,000
Total	-	10,000,000

3. Fines, penalties and other levies

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest Income

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Interest income from loans	2,790,000.00	2,739,000.00
Total interest income	2,790,000.00	2,739,000.00

5. Other income

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
Total other income	-	-

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6 Staff costs

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Salaries and wages	-	-
Staff training expenses	-	-
Total	-	-

7. General expenses

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Printing and stationery	67,400	-
Trainings/capacity building and mobilization	-	518,500.00
Board meetings Allowances	317,100	616,500.00
Staff Allowance and Subsistence	397,000	
Fuel and Transport	29,400	
Unremitted tax on paid Board allowance	135,900	170,100.00
Total	946,800	1,305,100.00

Unremitted tax is due to inaccessibility of the payment slip using the county pin number.

8. Finance costs

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Bank Charges	4,860.00	7,920.00
Interest on Bank overdrafts	-	
Interest on loans from banks	-	
Total	4,860.00	7,920.00

9. Gain/ (loss) on disposal of assets

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

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10. Cash and cash equivalents

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	2,997,256.60	5,435,155.60
Others	-	-
Total cash and cash equivalents	2,997,256.60	5,435,155.60

	FY 2020/2021	FY 2019-20
	KShs	KShs
Financial institution		
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		
Kenya Commercial bank		
Cooperative Bank-01141366165000	2,997,257	5,435,156
Sub- total	2,997,257	5,435,156
d) Others(specify)		
Cash in transit		
Cash in hand		
M Pesa		
Sub- total	-	-
Grand total	2,997,257	5,435,156

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11 Receivables from exchange transactions

Description	FY 2020/2021	FY 2019-20
	KShs	KShs
Current Receivables		
Bal b/d	42,060,705	26,426,558
New loans	46,500,000	45,650,000
Interest Income	2,790,000	2,739,000
Current loan repayments -Principle	(32,929,086)	(31,394,394)
Current loan repayments -Interest	(1,948,775)	(1,678,618)
Add Back Loan overpayments	416,640	318,159
Provision for doubtful debts	(1,137,790)	-
Total Current receivables	55,751,694	42,060,705
Non-Current receivables		
Long term loan repayments due		
Total Non-current receivables		
Total receivables from exchange transactions	55,751,694.32	42,060,705.00

Overpayments are due to failure to stop respective society's standing order by the Bank.

11a Interest Received

Description	FY 2020-2021	FY 2019-2020
Interest received from loan issued	1,948,775	1,678,618
Total	1,948,775	1,678,618

Interest received = loan issued * 6% or 5%

11b Repayments -Principle

Description	FY 2020-2021	FY 2019-2020
Principle repayments received from loan issued	32,929,086	31,394,394
Total	32,929,086	31,394,394

Principle = loan interest -interest

11c. New loans

Description	FY 2020-2021	FY 2019-2020
New loans on loan issued	46,500,000	45,650,000
Total	46,500,000	45,650,000

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12. Trade and other payables from exchange transactions

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Overpayments	778,549.00	361,909
Total trade and other payables	778,549.00	361,909

13. Provision for Doubtful debts

Description	FY 2020/2021	FY 2019-2020
	KShs	KShs
Provision for bad debts	1,137,790	-
Total	1,137,790	-

Provision for doubtful debts = 2% of **Receivables from exchange transactions**

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14 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. Outstanding loans	High rate of defaults and no provision for bad and doubtful debts provided	Stringent measures of debt recovery are being instituted using the legal framework, even the alternative dispute resolution mechanism. Provision of 2% for bad and doubtful debt provided for the financial report 2020-21	Ongoing with the process of stringent loan recovery using the existing legal framework and alternative dispute resolution mechanisms Provision provided in the financial report 2020-21	Ongoing activity
2. Un remitted tax	Un remitted tax of Ksh170,100	Delayed caused by failure to acquire payment slip using the county pin number. The fund to process its own pin number	Not resolved but following up the process of acquiring fund KRA pin.	30 TH March 2022.

