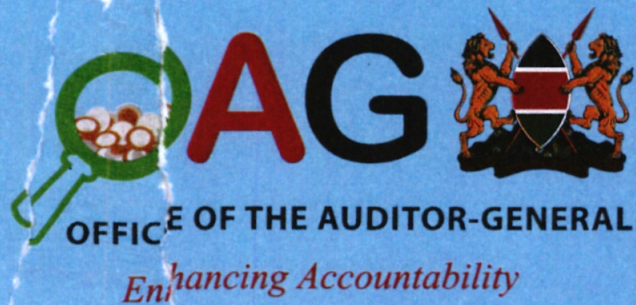


REPUBLIC OF KENYA



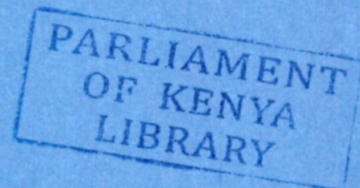
REPORT

PAPERS LAID	
DATE	6/3/2024
TABLED BY	Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Angela

OF

THE AUDITOR-GENERAL

ON



**KITUI COUNTY EMPOWERMENT FUND
(KCEF)**

**FOR THE YEAR ENDED
30 JUNE, 2023**

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

07 DEC 2023

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Revised 30th June 2023



COUNTY GOVERNMENT OF KITUI

KITUI COUNTY EMPOWERMENT FUND (KCEF)

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
KCEF	Kitui County Empowerment Fund
MSMEs	Micro and Medium Small Enterprises
ECL	Expected credit loss

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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2. Key Entity Information and Management

a) Background information

Kitui County Empowerment Fund is established by and derives its authority and accountability from Public Finance Management Act (Kitui County Empowerment Fund) Regulations, 2021.

The fund was gazetted in Kenya Gazette notice Supplementary No. 1 of 1st March 2021.

The Fund is wholly owned by the County Government of Kitui and is domiciled in Ministry Trade, Industry, MSMEs, Innovation and Co-operatives.

The fund's objective is to:

- Provide loans directly to affirmation action groups or any other group duly registered and qualifying for financing under these regulations for entrepreneurship development.
- Attract and facilitate investment-oriented infrastructure such as business, markets or business incubators that will be beneficial to youth, women, persons with disability groups and any other group duly registered and qualifying for financing under these regulations.
- Support capacity building of the beneficiaries of the Fund through training, incubation, mentorship, start-up support and promotion of innovation and development of products.
- Promote, develop and facilitate access to government procurement opportunities by women, youth and persons with disability groups and any other group duly registered and qualifying for financing under these regulations.

The Fund's principal activity;

The principal activity/mission/ mandate of the Fund is to empower organized groups through loans.

b) Principal Activities

The Fund's principal activity/mission/ mandate empower organized groups withing Kitui County by giving them affordable loans.

i) Eligibility Criteria for Loan Applicants

Regulation No. 18, sets the eligibility as follows;

An affirmative action group or any other qualified group shall be eligible to be granted a loan for business purposes from the Fund if-

- it is registered with the department of social services, Cooperatives or the Registrar of Societies; and
- the applicant is based within the County; and

- Has been in existence for at least three months prior to the application.
- Demonstrate ability to contribute at least 5% of the loan applied for either in cash or in kind; and
- the applicant has an operational bank account.

No applicant shall be granted a loan exceeding one million Kenya Shillings from the Fund at any given time.

The allocation of loans under these regulations shall be based on equitable distribution among the eight sub- counties in the county.

Affirmative action groups shall be given a preference while processing loans by the Fund.

ii) Application Requirements

This is guided by Regulation No. 19 which reads:

- An applicant shall borrow a loan from the Fund through an application in the prescribed form to the Fund Administrator.
- An applicant shall have to provide a certificate of registration, minutes of the group's meeting where the resolution to borrow from the Fund was made and copies of identification documents of all her members.
- A written resolution made by majority of the members of the group and signed by the authorised officials of the group shall also be required. This resolution shall state the amount of loan to be borrowed, the repayment amount, period as agreed by the members, the collateral to be offered as security and a confirmation of a guarantee from the members.

iii) Evaluation criteria

The Fund Administrator considers first in first out principle of loan processing, preference to affirmative action groups, compliance with the provisions of paragraph (2), ability to repay, a repayment undertaking by the beneficiary and multiple applications.

iv) Disbursement of loan

- The Administrator shall deduct a one-off deduction for loan insurance and processing costs upfront prior the release of the approved loan.
- The loan shall be paid in instalments for a maximum period not exceeding 12 months.
- The loan interest shall be as prescribed in regulation 5% per annum.

v) Affirmative Action Groups Loans

In case of affirmative cases which apply to Women and Youth Groups, the administrator considers whether the bank signatories, leadership and membership comprise more than 50% of the group members are women or youth or PWDs.

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended 30th June 2023

c) Fund Administration Committee

Ref	Name	Position
1	Ms Ann Mutave Peter	Chairperson of the Board
2	Canon Simon Muoko	Board Member – Vice Chairperson
3	Paul Ngei Monyi	Chief Officer, Cooperatives & Group Economic Empowerment Initiatives
4	CPA, John Makau Kimwele	Chief Officer, Revenue Management & Accounting
5	Peninah Musila	Board Member
7	Christopher Syengo	Board Member
8	Kirk Mbiti	Co-opted Member
9	Dorothy Vaati Mumangi	Fund Administrator

d) Key Management Team

Ref	Nam	Position
1	Dorothy Mumangi	Fund Administrator
2	Dorcas Musasu Mwova	Fund Accountant
3	Sharon Munyao	Principal Trade Officer

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Directorate Internal Audit	Samuel Mwangi
2	KCEF Advisory Committee	

f) Registered Offices

Kitui County Empowerment Fund Office
County Commissioner Administration Block,
P.O BOX 58 – 90200
Kitui, KENYA

g) Fund Contacts

Telephone: (254) 734 343521
E-mail: dorothymumangi@gmail.com
Contact: (0722 228617)
Website: www.kitui.go.ke

h) Fund Bankers

1. Bank: Equity Bank (Kenya) Limited
Branch: Kitui Branch
Account Name: Kitui County Empowerment Fund
Account Number: 0720279622526
2. Bank: Equity Bank (Kenya) Limited
Branch: Kitui Branch
Account Name: Kitui County Empowerment Fund – Collection Account
Account Number: 0720281086403

i) Independent Auditors

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

j) Principal Legal Adviser

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

3. Board of Trustees/ Fund Administration Committee (Or Any Other Corporate Governance Body for The Fund)

Name	Details of qualifications and experience
	Full Name: Dorothy Vaati Mumangi Date of Birth: 18th November 1976 Key Academic Qualifications: Bachelor Degree in Education Science Key Professional Qualifications: • Senior Management Work Experience: • 3 years in Teaching 15 years in Banking-Standard Chartered Bank
	Full Name: Canon Simon Muoko Date of Birth: 20th October 1968 Key Academic Qualifications: Masters of Arts in Sociology and Community Development Key Professional Qualifications: • Priest with Anglican Church of Kenya (ACK), Work Experience: • Board Member for ACK for 29 years Vicar General of Diocese of Nairobi
	Full Name: Kirk Mutua Mbiti Date of Birth: 3rd March 1978 Key Academic Qualifications: • Masters in Entrepreneurship • Bachelor of Commerce Key Professional Qualifications: • Branch Manager Kitui Teachers SACCO Society Limited • Marketing Manager Kitui Teachers SACCO Society Limited

	Work Experience: 11 years working with the Kitui Teachers SACCO Society Limited
 1.	Full Name: Peninah Ndinda Musila Date of Birth: 6th September 1962 Key Academic Qualifications: • Bachelor of Degree in Education Key Professional Qualifications: • Teacher Work Experience: 25 years as a teacher
NB: PWD 	Full Name: Christopher Syengo Date of Birth: 1970 Key Academic Qualifications: • National Youth Service Training • Secondary Educations Key Professional Qualifications: • Para-legal • Security consultant Work Experience: 31 years in security issues and as a para legal activist
	Full Name: Paul Ngei Monyi Date of Birth: 29th June 1973 Key Academic Qualifications: • BCom Accounting Key Professional Qualifications: • CPA(K) Work Experience: 22 years working experience

	Full name: Ann Mutave Peter Date of birth: 19th December 1989 Key academic qualifications: Bachelor of business administration, masters of business administration (strategic management option)-ongoing. Key professional qualifications: N/a Work experience: February 2010 – Dec 2010 : Teller at itoleka financial services association. January 2011- june 2015 : Loan clerk at itoleka financial services association July 2015 up to date: Manager kanyangi financial services association.
	Full Name: John Makau Kimwele Date of Birth: 5th December 1977 Key Academic Qualifications: • MSC in Finance Key Professional Qualifications: • CPA K • Certified Secretaries (CS) • Certified Information System Auditor • Performance Management Work Experience: • Over 17 years working experience

4. Management Team

Name	Details of qualifications and experience
	Full Name: Dorothy Vaati Mumangi Date of Birth: 18th November 1976 Key Academic Qualifications: Bachelor of Degree in Education Science Key Professional Qualifications: • Senior Management Work Experience: • 3 years in Teaching 15 years in Banking-Standard Chartered Bank Main Responsibilities • Supervise and control the administration of the Fund • Cause to be kept books of accounts and other books and records in relation to the Fund of all undertakings financed from the Fund • Prepare, sign and transmit to the Auditor General, in respect of each financial year and within three months after end thereof, a statement of accounts relating to the Fund and showing the expenditure incurred from the Fund, and such details as the public sector Accounting Standards Board may prescribe from time to time, in accordance with the provisions of the public Finance Management Act, 2012 and Public Audit Act, 2015; • Prepare annual estimates and such other plans in consultation with the board and the county Executive Committee for the better administration of the Fund.

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended 30th June 2023

	Name: Dorcas Mwova Date of birth: 30/10/1990 Key academic qualification: Bachelor of commerce Accounting option key professional qualification: CPA-K Work experience: 7 years Main duties in the fund Preparation of bank reconciliation for Empowerment Fund account Preparation of periodic expenditure schedule for the county Maintaining updated Cashbook for the Empowerment Fund Preparation of Quarterly and Yearly Financial statements Responding to management letter on matters concerning Empowerment Fund Financial Statement.
	Full Name: Sharon Munyao Date of Birth: 1980 Key Academic Qualifications: Bachelor of Arts Key Professional Qualifications: • CPA Section II • Project Management • Monitoring and Evaluation Work Experience: • 10 years in project management Main Responsibilities • Assist the Fund Administrator as may be instructed • Appraisal of loan applications Data capture

5. Fund Chairperson's Report

The establishment of Kitui County Empowerment Fund (KCEF) is provided in Section 116 of the Public Finance Management Act, 2012. The fund was gazetted in Kenya Gazette notice Supplementary No. 1 of 1st March 2021.

During the reported Financial Year 2022/2023, the KCEF board was able to hold two meetings. In the meetings, the board deliberated on critical matters making important decisions on Fund activities and affairs. These decisions include and are not limited to the disbursement of funds by the KCEF secretariat, pursuing the idea of partnering with a financial institution to assist in the management of the Fund on matters of loan disbursements and collection of outstanding loans. By the end of the period, the fund had received a total of Kshs. 160,000,000 cumulatively since its establishment against the budgetary allocations of Kshs. 180,000,000. It is expected that the county Ministry of Finance, Economics Planning, and Revenue Management will transfer the remaining Kshs. 20,000,000 to Fund account so that more groups can benefit from the loans hence uplifting live hoods of more Kitui residents.

The fund was able to issue 94% of the allocated funds to eligible across the county by 30, June, 2023. It is worth noting that the fund has an operational loan collection account for repayment purposes which so far has received Kshs. 2,938,898.00 as at the end of the reporting period. For ease of payment, an MPESA pay bill has been established with each group being assigned a special code for identification against a bank statement for group repayment reconciliation.

There are a number of grey areas in KCEF Regulations that necessitate review for proper understanding, one being the issue of funding administrative Functions over consecutive years.

In conclusion, the Board is confident that the Kitui County Empowerment Fund will continue to benefit residents of Kitui especially if the collection of outstanding loans is well supported for continuity of the Fund.

for Name: Simon Mukoko Signature: [Signature] Date: 23/11/2023
Chairperson of the Fund Administration Committee

6. Report of The Fund Administrator

Kitui County Empowerment Fund (KCEF) is managed by a board dully appointed in line with its regulations. In the FY2022/2023, the KCEF board held two meetings which made important decisions on management of the fund.

S/No.	Activity	Objective	Outcome	Way Forward
1.	Disbursement of funds to KCEF Account	To have funds for KCEF operations	Kshs. 40, 000,000 was deposited in the account during the year making a cumulative seed capital amount of Kshs 160,000,000.	The fund is yet to receive the remaining Kshs 20,000,000 to make the total seed capital of Kshs 180,000,000 that was passed/allocated by the County assembly.
2.	Issuance of loans to eligible groups	To demonstrate that eligible groups would get KCEF loans	Additional 719 groups were issued with loans during the year making a total of 2801 groups cumulatively	The groups have benefited from the loans. More groups are expected to benefit in the future.
3.	Training of groups	To empower the groups on KCEF and financial management	Representatives of each group were trained prior to the issuance of the loans	Need for more training of the beneficiaries to capacity build them on financial management to better manage the activities undertaken
4.	Loan repayment monitoring	Repayment of the loans	A collection account is in place; however, repayment is very slow. MPESA pay Bill has been established for the convenience of paying by the groups. In addition, each group has been assigned a special number that reflects upon paying for ease of identification of the group on the bank statement for reconciliation purposes. The bank balance as of the end of the financial year	Collection has not been as effective due to lack of administrative Funds. The Fund needs to be allocated resources to facilitate loan collection.

S/No.	Activity	Objective	Outcome	Way Forward
			was Kshs 2,938,898.00	
5.	Acquisition of loan management system	To manage the issued loans effectively.	Loan management system to be in place	The loan management system needs to be acquired soonest.



PICTORALS SHOWING GROUPS RECEIVING CHEQUES

Challenges faced

- Limited and inconsistent data due to lack of loan information management system
- Lack of facilitation/Financial support for the secretariat to carry out activities of the Fund
- Reluctance in repayment of the loans by groups
- Proper filling of the loan application forms has not been achieved. These forms are piled in boxes on the floor.

7. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

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

The key development objectives of the Fund as per the strategic plan for *(Indicate period of the strategic plan)* are to:

- Provide loans directly to affirmation action groups or any other group duly registered and qualifying for financing under these regulations for entrepreneurship development.
- Attract and facilitate investment-oriented infrastructure such as business, markets or business incubators that will be beneficial to youth, women, persons with disability groups, and any other group duly registered and qualifying for financing under these regulations.
- Support capacity building of the beneficiaries of the Fund through training, incubation, mentorship, start-up support and promotion of innovation and development of products.
- Promote, develop and facilitate access to government procurement opportunities by women, youth and persons with disability groups and any other group duly registered and qualifying for financing under these regulations

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Group economic empowerment	Provide loans directly to affirmation action groups or any other group	Enhanced capital	% of budgeted loan amount issued	In FY 2022/2023 the total loans issued was 26% of the cumulative loans. Therefore, the total loans disbursed since inception translates to 94% of the total budget allocation
	Attract and facilitate investment-oriented infrastructure such as business, markets etc	Increased investment opportunities to youth, women and persons with disability groups	% of youth, women and persons with disability groups with increased investment opportunities	42.5 % of the group loans issued were for youth, women and persons with disability
	Support capacity building of the beneficiaries of the Fund	Enhanced skills and knowledge on business start-up and business management	Number of beneficiaries trained	Group training in business management is yet to be achieved
	Promote, develop and facilitate access to government procurement opportunities	Increased access to government procurement opportunities	Number of women, youth and persons with disability groups accessing to government procurement opportunities	Cumulatively a total of 1192 women, youth and persons with disability groups were awarded loans giving them capital to access procurement opportunities.

8. Corporate Governance Statement

Number of Fund Administration Committee meetings held and the attendance to those meetings by members,

The Kitui County Empowerment Fund Board

held two meetings in the reported Year as below;

S/No.	Meeting Date	No. of Members Present	No. of Members Absent with Apology	Other persons with attendance	key in
1.	26 th July, 2022	6	2	0	
2.	26 th June, 2023	6	2	1	

Succession plan,

The succession plan of the Fund is well elaborated in the regulations.

Existence of a board /trustee charter

There is no trustee charter at the moment

Process of appointment and removal of trustees,

KCEF regulation No. 38 paragraph 2 provides that, “Any Board Member appointed under Legal Notice Number 6 of 2018 shall be presumed to have been appointed under these regulations and shall serve for a term of three years from the date of such appointment after which any reappointment shall be done in line with these regulations.”

Regulation No. 10 paragraph 1 outlines the establishment and appointment of the KCEF board. The section reads as follows;

(1) There shall be a Board to be known as the Kitui County Empowerment Fund Board which shall consist of—

- (a) A non-executive chairperson, not being a public officer appointed by the Governor.
- (b) The Fund Administrator who shall be the secretary to the Board and an ex-officio member.
- (c) The Chief Officer for the time being responsible for finance or their representative appointed in writing.
- (d) The Chief Officer for the time being responsible for Trade or their representative appointed in writing.

- (e) One person with expertise in business enterprise development or finance management competitively appointed by the County Executive Committee Member.
- (f) One youth nominated by the National Youth Council and appointed by the County Executive Committee Member.
- (g) One person representing persons with disability nominated by National Council for persons with Disabilities and appointed by the County Executive Committee Member; and
- (h) One person of the female gender competitively appointed by the County Executive Committee Member.

KCEF regulation number 14 entails the process for vacation of office of the board members. The regulation reads:

(1) The office of the Chairperson or a member of the Board shall become vacant where the chairperson or member of the Board: -

- (a) is absent from at least five consecutive meetings without a justifiable reason or without prior authority from the Governor or the County Executive Committee Member respectively; or
- (b) is adjudged bankrupt; or
- (c) resigns in writing to the Governor or the County Executive Committee Member respectively; or
- (d) is convicted of a crime punishable in law by imprisonment of not less than six months; or
- (e) is removed from office by the Governor or the County Executive Committee member respectively for;
 - (i) being unable to perform the functions of the office held by reasons of infirmity or prolonged sickness;
 - (ii) failing to declare interest held in any matter before the Board;
- (f) dies.

Roles and functions of the board /trustees

The roles and functions of the KCEF board are outlined in regulation 12 as follows:

The Board shall—

- (a) oversee the administration of the Fund;
- (b) advise the County Executive Committee Member generally on the operations of the Fund;
- (c) receive and consider all loan applications;
- (d) receive reports on the performance of the Fund;
- (e) develop policy guidelines relating to disbursements by the Fund;
- (f) review the estimates of annual revenue and expenditure of the Fund and recommend them to the County Executive Committee Member for approval and submission to the County Executive Committee Member for the time being responsible for finance;

- (g) review guidelines on the Fund priorities and criteria for allocation and disbursement of funds to beneficiaries in furtherance of the objects of the Fund;
- (h) monitor and evaluate the programmes and activities under the Fund;
- (i) review the performance of the Fund and make recommendations on the operations of the Fund to the administrator of the Fund;
- (j) review and approve the financial statements of the Fund before submission to the Auditor General;
- (k) review policy on the management of assets, equipment and all properties under the Fund;
- (l) prescribe other guidelines for use by the Fund;
- (m) mobilize resources for the Fund to be paid into the Fund;
- (n) ensure recovery of all loans paid out of the Fund;
- (o) ensure that all loans paid out of the Fund are secured and the collateral is registered in the name of the Government or in the alternative is held by the Fund Administrator; and
- (p) undertake any other activity that in the opinion of the Board, will promote and facilitate realization of the objects and purposes of the Fund.

Induction and training,

On 25th March 2022 there was a sensitization workshop of county staff and in attendance were some KCEF board members on eligibility and application criteria for KCEF loans.

Conflict of interest,

Regulation 34 on Conduct of business by the Board has outlined handling of conflict of interest. The section reads:

- (1) The Board may have at most two meetings every month.
- (2) Board meetings shall be convened by the Chairperson and held at a place and time as shall be determined by the Chairperson provided no Board meeting shall be held outside the County unless approved by the County Executive Committee Member.
- (3) A period of two months shall not lapse with the Board having held any meeting.
- (4) Unless the majority of the members of the Board otherwise agree, at least seven days' notice in writing of a meeting shall be given to every member by the Fund Administrator.
- (5) The chairperson may, on his own discretion or at the written request made by the majority of the members of the Board convene a special Board meeting;
- (6) a notice of not more than five calendar days for the special meeting shall be issued by the Fund Administrator with the authority of the Chairperson to the members;
- (7) meetings shall be presided over by the chairperson or the vice-chairperson in the absence of the chairperson;
- (8) Where the chairperson or vice-chairperson is absent, the members shall appoint from among themselves, a person to chair the meeting of the Board;

(9) the Board may invite any person to attend any of its meetings and to participate in its deliberations, but such person shall not have a vote in any decision of the Board;

(10) If any person has a personal or fiduciary interest in a project, proposed contract or any matter before the Board, and is present at a meeting of the Board at which any matter is the subject of consideration, that person shall as soon as is practicable after the commencement of the meeting, declare such interest and shall not take part in any consideration or discussion of, or vote on any question touching such matter.

(11) A disclosure of interest made under paragraph 10 shall be recorded in the minutes of the meeting at which it is made.

(12) The quorum of a Board meeting shall be at least more than half of all members of the Board present and voting.

(13) Where the meeting does not form a quorum or where, by reason of exclusion of a member from a meeting, the number of members present falls below a quorum, the Board shall postpone the subject meeting until such other time as shall be appointed by the chairperson.

(14) A question before the Board shall be decided by a simple majority of the members present and voting and in case of a tie in a vote, the chairperson shall have a casting vote.

Board /trustee remuneration,

The board remuneration is regulated by regulation No. 13 that, “The chairperson and the members of the Board shall be paid out of the Fund such allowances as shall be approved by the Salaries and Remuneration Commission.”

Ethics and conduct as well as governance audit undertaken if any

Regulation 34 on Conduct of business outlines the ethics and conduct of the board. This section is herein above quoted.

The fund administrator is required to prepare, sign and transmit to the Auditor-General, in respect of each financial year and within three months after the end thereof, a statement of accounts relating to the Fund and showing the expenditure incurred from the Fund, and such details as the Public Sector Accounting Standards Board may prescribe from time to time, in accordance with the provisions of the Public Finance Management Act, 2012 and Public Audit Act, 2015;

9. Management Discussion and Analysis

Key Management Resolutions

- Approval of eligible group loans
- Procurement of financial intermediary

a. entity's key projects or investments decision implemented or ongoing,

S/No.	Decision	Status
1.	Use of KCEF secretariat in issuing loans to eligible groups	Done
2.	Procurement of a financial intermediary in line with regulation 29 of KCEF	Discussion is Underway
3.	Approval of eligible loan applications	Groups worth 40Million loans approved

b. Fund's compliance with statutory requirements,

The fund has been operating in full compliance with all statutory requirements.

c. Major risks facing the Fund, material arrears in statutory and other financial obligations

- Default repayment of offered loans
- Absence of a loan management system for managing the entire budget for loans (Kshs 180,000,000)
- Lack of administration cost budget for managing the entire budget of loan allocation of Kshs 180,000,000

10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile -

The Fund has proposed to the county management a new organizational structure that includes a credit officer who will perform the function of loan repayment collection across the County. This strategy will ensure loans are followed up for prompt repayment without delay to ensure that the fund has a revolving cash flow for continuous lending to the public.

2. Environmental performance

Currently there is no policy in place

3. Employee welfare

Staff at the Fund are employees of the County Government of Kitui hence the process of hiring of staff is managed by Kitui Public County Service. The County does not have an independent policy on Occupational Health and safety but follows Occupational safety and Health Act of 2007.

4. Market place practices

To have responsible Supply chain and supplier relations, the Fund maintains the highest standards of integrity and professionalism when handling the suppliers by complying both with the letter and spirit of the law applicable to the public procurement system.

5. Community Engagements

No CSR carried out during the year.

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended 30th June 2023

11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to empower organized groups through loans.

Results

The results of the Fund for the year ended June 30, 2023 are set out on page xviii.

Trustees

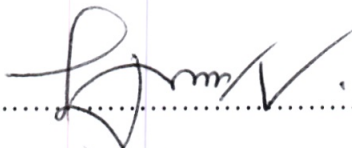
The members of the Loans Management Committee who served during the year are shown on page vi. The changes in the Board during the financial year are as shown below:

Moved out	Came in
Fernandes Mbindu Muli- Was acting Chief Officer Ministry of Trade where the Fund is domiciled	Paul Ngei Monyi- Chief Officer, Cooperatives & Group Economic Empowerment Initiatives
Dr. Justus Kalii-Former Chief Officer County Treasury	CPA, John Makau Kimwele Chief Officer, Revenue Management & Accounting
Kumwaka Kyamata- Resigned	

Auditors

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

By Order of the Board

for  Simon MUOKO

Chair of the Fund Administration Committee

Date: 23/11/2023.

12. 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 the Public Finance Management (Kitui County Empowerment Fund) Regulations, 2021 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, 2023. 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 Public Finance Management (Kitui County Empowerment Fund) Regulations, 2021. 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, 2023, and of the Fund's financial position as at that date. The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

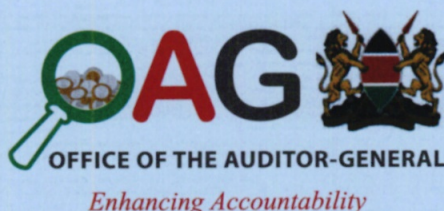
The Fund's financial statements were approved by the Board on 28th / Sep 2023 and signed on its behalf by:

.....

Dorothy Mumangi
Administrator of the 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 KITUI COUNTY EMPOWERMENT FUND (KCEF) FOR THE YEAR ENDED 30 JUNE, 2023

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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kitui County Empowerment Fund (KCEF) set out on pages 1 to 40, which comprise of the statement of financial position as at 30 June, 2023, 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

Report of the Auditor-General on Kitui County Empowerment Fund (KCEF) for the year ended 30 June, 2023

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 Kitui County Empowerment Fund (KCEF) as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (Kitui County Empowerment Fund) Regulations, 2021.

Basis for Qualified Opinion

Doubtful Long-Term Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 13 to the financial statements reflects a balance of Kshs.157,316,231 in respect to current portion of long-term receivables from exchange transactions. Included in the balance are outstanding loans of Kshs.148,248,875, comprising of principle and interest which was due as at 30 June, 2023, but only Kshs.2,938,628 representing 2% of the amount had been repaid. No adjustments have been made by way of provisions for the doubtful debts despite 98% of the loan being due but remaining unpaid.

In the circumstances, the accuracy and fair statement of current portion of long-term receivables from exchange transactions balance of Kshs.157,316,231 as at 30 June, 2023 could not be confirmed. Further, the sustainability of the fund is at risk due to high defaulter rates.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kitui County Empowerment Fund (KCEF) Management in accordance with ISSAI 130 on the 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 judgement, 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 and based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, 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.

Presentation and Disclosure Errors

Review of the statement of comparison of budget and actual amounts revealed significant variances between the budget and actual amounts as analyzed below.

Description	Final Budget (Kshs.)	Actual on Comparable Basis (Kshs.)	Performance Difference (Kshs.)	Utilization (%)
Interest Income	8,000,000	6,912,187	1,087,813	86.44
Other Income	1,600,000	399,705	1,200,295	25
Employee Costs	4,800,000	0	4,800,000	0
Use of Goods and Services	100,000	(81,451)	18,459	81.50

However, management has not provided explanation on the variances beyond 10 as required by IPSAS 24.14.

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

Basis of Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis of Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 the Fund Management and those Charged with Governance

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

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

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 December, 2023

Kitui County Empowerment Fund**Annual Report and Financial Statements for the year ended June 30, 2023****14. Statement of Financial Performance for the Year Ended 30th June 2023**

	Note	FY2022/2023	FY2021/2022
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	0.00	0.00
Transfers from the County Government	2	0.00	0.00
Fines, penalties and other levies	3	0.00	0.00
Revenue from exchange transactions			
Interest income	4	6,912,187.00	2,686,098.00
Other income	5	399,705.00	2,214,700.00
		7,311,892.00	4,900,798.00
Total revenue		7,311,892.00	4,900,798.00
Expenses			
Employee Costs	6		4,281,630.00
Use of goods and services	7	81,451.00	887,446.00
Depreciation and Amortization Expense	8	0.00	0.00
Finance costs	9	0.00	0.00
Total expenses		81,451.00	5,169,076.00
Other gains/losses			
Gain/loss on disposal of assets	10	0.00	0.00
Surplus/(deficit) for the period		7,230,441.00	(268,278.00)

The notes set out on pages 6 to 38 form an integral part of these Financial Statements


.....

Dorothy Mumangi

The Fund Administrator


.....

Dorcas Mwova

Fund Accountant

ICPAK Member Number: 24954

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended 30th June 2023

15. Statement of Financial Position As at 30 June 2023

	Note	FY2022-2023	FY2021-2022
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	12	10,238,310.00	6,221,793.00
Current portion of long term receivables from exchange transactions	13	157,316,231.00	113,409,279.00
Prepayments	14	0.00	0.00
Inventories	15	0.00	0.00
Investments in financial Assemts	16	0.00	0.00
Total current assets		167,554,541.00	119,631,072.00
Non-current assets			
Property, plant and equipment	17	0.00	0.00
Intangible assets	18	0.00	0.00
Long term receivables from exchange transactions	13	0.00	0.00
Investment Property	19	0.00	0.00
Total non- current assets		0.00	0.00
Total Assets		167,554,541.00	119,631,072.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	1,264,618.00	571,591.00
Current portion of borrowings	22	0.00	0.00
Employee benefit obligations	23	0.00	0.00
Social benefit liabilities	24	0.00	0.00
Total current liabilities		1,264,618.00	571,591.00
Non-current liabilities			
Long Term Portion of Borrowings	22	0.00	0.00
Non-current employee benefit obligation	23	0.00	0.00
Social benefit liabilities	24	0.00	0.00
Total Non-current liabilities		0.00	0.00
Total liabilities		1,264,618.00	571,591.00
Net assets		166,289,923.00	119,059,481.00
Revolving Fund		160,000,000.00	120,000,000.00
Reserves		0.00	0.00
Accumulated surplus		6,289,923.00	(940,519.00)
Total net assets and liabilities		166,289,923.00	119,059,481.00

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 28th/Sep/2023 and signed by:

.....
Doothy Mumangi
The Fund Administrator

.....
Dorcas Mwova
Fund Accountant
ICPAK Number: 24954

Kitui County Empowerment Fund**Annual Report and Financial Statements for the year ended June 30, 2023****16. Statement Of Changes in Net Assets for the year ended 30th June 2023**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2021	100,000,000.00	0.00	(672,241.00)	99,327,759.00
Surplus/(deficit) for the period	0.00	0.00	(268,278.00)	(268,278.00)
Funds received during the year	20,000,000.00	0.00	0.00	20,000,000.00
Revaluation gain	0.00	0.00	0.00	0.00
Balance as at 30 June 2022	120,000,000.00	0.00	(940,519.00)	119,059,481.00
Balance as at 1 July 2022	120,000,000.00	0.00	(940,519.00)	119,059,481.00
Surplus/(deficit) for the period	0.00	0.00	7,230,441.00	7,230,441.00
Funds received during the year	40,000,000.00	0.00	0.00	40,000,000.00
Revaluation gain	0.00	0.00	0.00	0.00
Balance as at 30 June 2023	160,000,000.00	0.00	6,289,923.00	166,289,923.00

The fund does not maintain any reserves

17. Statement of Cash Flows for The Year Ended 30 June 2023

	Note	FY2022/2023	FY2021/2022
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		0.00	0.00
Transfers from the County Government		0.00	0.00
Interest received		6,912,187.00	2,686,098.00
Receipts from other operating activities		399,705.00	2,214,700.00
Total Receipts		7,311,892.00	4,900,798.00
Payments			
Employee Costs		0.00	4,281,630.00
Use of goods and services		81,451.00	887,446.00
Depreciation and Amortization Expense		0.00	0.00
Finance costs		0.00	0.00
Total Payments		81,451.00	5,169,076.00
Net cash flows from operating activities	25	(35,983,483.00)	(16,715,770.00)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		0.00	0.00
Proceeds from sale of property, plant and equipment		0.00	0.00
Proceeds from loan principal repayments		0.00	0.00
Loan disbursements paid out		0.00	0.00
Net cash flows used in investing activities		0.00	0.00
Cash flows from financing activities			
Proceeds from revolving fund receipts		40,000,000.00	20,000,000.00
Additional borrowings		0.00	0.00
Repayment of borrowings		0.00	0.00
Net cash flows used in financing activities		40,000,000.00	20,000,000.00
Net increase/(decrease) in cash and cash equivalents		4,016,517.00	3,284,230.00
Cash and cash equivalents at 1 July 2022		6,221,793.00	2,937,563.00
Cash and cash equivalents at 30 June 2023		10,238,310.00	6,221,793.00

PSASB prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.

18. Statement Of Comparison Of Budget And Actual Amounts For The Period ended June, 30 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
	Jun 2023	Jun 2023	Jun 2023	Jun 2023	Jun 2023	Jun 2023
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	0.00	0.00	0.00	0.00	0.00	0
Transfers from County Govt.	0.00	0.00	0.00	0.00	0.00	0
Interest income	8,000,000.00		8,000,000.00	6,912,187.00	1,087,813.00	86.44%
Other income	1,600,000.00	0.00	1,600,000.00	399,705.00	1,200,295.00	25%
Total income	9,600,000.00	0.00	9,600,000.00	7,311,892.00	2,288,108.00	76.17%
Expenses						
Fund administration expenses	4,800,000.00	0.00	4,800,000.00	0.00	4,800,000.00	0
General Expenses	100,000.00	0.00	100,000.00	(81,451.00)	18,459.00	81.50%
Finance costs	0.00	0.00	0.00	0.00	0.00	0
Total expenditure	4,900,000.00	0.00	4,900,000.00	(81,451.00)	4,818,549.00	0.016%
Surplus for the period	4,700,000.00	0.00	4,700,000.00	7,230,441.00	(2,530,441.00)	1.54%
Capital expenditure	0.00	0.00	0.00	0.00	0.00	0

Note: The Administration cost was underutilized since we had budgeted to carry out group visit activities which did not take place in the whole financial year.

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended June 30, 2023

19. Notes to the Financial Statements

1. General Information

Kitui County Empowerment Fund was established by and derives its authority and accountability from the Public Finance Management Act. The entity is wholly owned by the Kitui County Government and is domiciled in Kenya. The entity's principal activity is to empower organized groups through loans.

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

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

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	• 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. <i>There was no impact of the amendment to IPSAS 41 with respect to the current financial report.</i>
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <i>There was no impact of the amendment to IPSAS 42 with respect to the current financial report.</i>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023 a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for

Kitui County Empowerment Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. <i>There was no impact of the amendment to Other IPSAS resulting from IPSAS 41, Financial Instruments with respect to the current financial report</i>
Other improvements to IPSAS	<i>Applicable 1st January 2023</i> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <i>There was no impact of the improvements to IPSAS with respect to the current financial report</i>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess

Standard	Effective date and impact:
	the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>There will be no impact of the amendment to IPSAS 43 with respect to the current financial report.</i>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <i>There will be no impact of the amendment to IPSAS 44 with respect to the current financial report.</i>

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended June 30, 2023

1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii. Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2023 was approved by the County Assembly on 30th April, 2022. 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. Accordingly, the Fund recorded Nil additional appropriations on the FY 2023 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

Summary of Significant Accounting Policies (Continued)

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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 5 of these financial statements.

c) Property, plant and equipment

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

d) Intangible Assets

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

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

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *The find did not have investments in property during the year under review.* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Kitui County Empowerment Fund's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 18*.

Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) Inventories

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

h) 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.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) 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.

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.

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *The Kitui County Empowerment Fund did not maintain any reserves.*

l) 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.

m) 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.

Kitui County Empowerment Fund
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Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) Related parties

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

The fund did not make provisions during the year under review.

Kitui County Empowerment Fund**Annual Report and Financial Statements for the year ended June 30, 2023****6. Notes To The Financial Statements****1. Public contributions and donations**

Description	FY2022-2023	FY2021-2022
	Kshs	Kshs
Donations from Development Partners	0.00	0.00
Contributions From the Public	0.00	0.00
Total	0.00	0.00

2. Transfers from County Government

Description	FY2022-2023	FY2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	0.00	0.00
Payments By the County on Behalf Of The Entity	0.00	0.00
Unconditional Development grants	0.00	0.00
Total	0.00	0.00

3. Fines, penalties and other levies

Description	FY2022-2023	FY2021-2022
	Kshs	Kshs
Late Payment Penalties	0.00	0.00
Fines	0.00	0.00
Total	0.00	0.00

4. Interest income

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Interest Income from Loans	6,912,187.00	2,686,098.00
Interest Income From Loan Processing Fee	0.00	0.00
Interest Income From Investments in Financial Assets	0.00	0.00
Interest Income On Bank Deposits	0.00	0.00
Total Interest Income	6,912,187.00	2,686,098.00

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended June 30, 2023

(Provide brief explanation for this revenue)

Notes to the Financial Statements Continued

5. Other income

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Insurance Recoveries	0.00	0.00
Income from Sale of Tender Documents	0.00	0.00
Bad debts recovered	0.00	0.00
Miscellaneous Income - Loan Processing Fee	399,705.00	2,214,700.00
Total Other Income	399,705.00	2,214,700.00

6. Employee Costs

Description	FY 2022/2023	FY2021/2022
	Kshs	Kshs
Salaries And Wages	0.00	0.00
Staff Gratuity	0.00	0.00
Staff Training Expenses	0.00	0.00
Social Security Contribution	0.00	0.00
Other <i>(Specify)</i>	0.00	0.00
Total	0.00	0.00

7. Use of Goods and Services

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
General Office Expenses	0.00	481,816.00
Loan Processing Costs	0.00	0.00
Professional Services Costs	0.00	0.00
Administration Fees	0.00	0.00
Committee Allowances	0.00	0.00
Bank Charges	81,451.00	135,630.00
Electricity And Water Expenses	0.00	0.00
Fuel And Oil Costs	0.00	0.00
Insurance Costs	0.00	0.00

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Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Postage And Courier	0.00	0.00
Printing And Stationery	0.00	270,000.00
Rental Costs	0.00	0.00
Security Costs	0.00	0.00
Telephone And Communication Expenses	0.00	0.00
Bank Charges	0.00	0.00
Audit Fees	0.00	0.00
Provision For Doubtful Debts	0.00	0.00
Other (<i>Specify</i>)	0.00	0.00
Social benefit expenses*	0.00	0.00
Total	81,451.00	887,446.00

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42

8. Depreciation and Amortization Expense

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Property Plant and Equipment	0.00	0.00
Intangible Assets	0.00	0.00
Total	0.00	0.00

9. Finance costs

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Interest On Bank Overdrafts	0.00	0.00
Interest On Loans From Banks	0.00	0.00
Total	0.00	0.00

10. Gain/(loss) on disposal of assets

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Property, Plant and Equipment	0.00	0.00
Intangible Assets	0.00	0.00
Total	0.00	0.00

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended June 30, 2023

11. Gain/ (loss) on Fair Value Investments

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Investments at Fair Value- Equity investments	0.00	0.00
Fair value – Investment property	0.00	0.00
Fair value- other financial assets (specify)	0.00	0.00
Total Gain	0.00	0.00

12. Cash and cash equivalents

Description	FY 2022/2023	FY2021/2022
	Kshs	Kshs
Kitui County Empowerment Fund	0.00	0.00
Kitui County Empowerment Fund	10,238,310.00	6,221,793.00
Fixed Deposits Account	0.00	0.00
On-Call Deposits	0.00	0.00
Current Account	0.00	0.00
Others (<i>Specify</i>)	0.00	0.00
Total Cash And Cash Equivalents	10,238,310.00	6,221,793.00

Kitui County Empowerment Fund**Annual Report and Financial Statements for the year ended June 30, 2023****Notes to the Financial Statements Continued**

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

Financial Institution	Account number	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		0.00	0.00
Equity Bank, Etc.		0.00	0.00
Sub- Total		0.00	0.00
b) On - Call Deposits			
Kenya Commercial Bank		0.00	0.00
Equity Bank - Etc.		0.00	0.00
Sub- Total		0.00	0.00
c) Current Account			
KCEF - Equity Bank Main A/c	0720279622526	7,322,273.00	5,597,792.00
KCEF - Equity Bank collection account	0720281086403	2,916,037.00	624,001.00
Sub- Total		10,238,310.00	6,221,793.00
d) Others (Specify)			
Cash In Transit		0.00	0.00
Cash In Hand		0.00	0.00
Sub- Total		0.00	0.00
Grand Total		10,238,310.00	6,221,793.00

13. Receivables from exchange transactions

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Current Receivables		
Interest Receivable	0.00	0.00
Current Loan Repayments Due	157,316,231.00	113,409,279.00
Other Exchange Debtors	0.00	0.00
Less: Impairment Allowance	(0.00)	(0.00)
Total Current Receivables	157,316,231.00	113,409,279.00
Non-Current Receivables		
Long Term Loan Repayments Due	0.00	0.00
Total Non- Current Receivables	0.00	0.00
Total Receivables From Exchange Transactions	157,316,231.00	113,409,279.00

Notes to the Financial Statements Continued

Additional disclosure on interest receivable

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	0.00	0.00
Accrued interest receivable from of long-term loans of previous years	0.00	0.00
Interest receivable from current portion of long-term loans issued in the current year	0.00	0.00
Current loan repayments due	0.00	0.00
Current portion of long-term loans from previous years	0.00	0.00
Accrued principal from long-terms loans from previous periods	0.00	0.00
Current portion of long-term loans issued in the current year	0.00	0.00

14. Prepayments

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Prepaid Rent	0.00	0.00
Prepaid Insurance	0.00	0.00
Prepaid Electricity Costs	0.00	0.00
Other Prepayments (<i>Specify</i>)	0.00	0.00
Total	0.00	0.00

15. Inventories

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Consumable Stores	0.00	0.00
Spare Parts And Meters	0.00	0.00
Catering	0.00	0.00

Kitui County Empowerment Fund**Annual Report and Financial Statements for the year ended June 30, 2023**

Other Inventories (Specify)	0.00	0.00
Total Inventories at The Lower of Cost and Net Realizable Value	0.00	0.00

Notes to the Financial Statements Continued**16. Investments in financial assets**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	0.00	0.00
CBK	0.00	0.00
Sub- total	0.00	0.00
b. Investment with Financial Institutions/ Banks		
Bank x	0.00	0.00
Bank y	0.00	0.00
Sub- total	0.00	0.00
c. Equity investments (specify)		
Equity/ shares in Entity xxx	0.00	0.00
Sub- total	0.00	0.00
Grand total	0.00	0.00

Movement of Equity Investments

Impairment allowance/ provision	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
At the beginning of the year	0.00	0.00
Purchase of investments in the year	0.00	0.00
Sale of investments during the year	(0.00)	(0.00)
Gain/(loss) in fair value of investments through surplus or deficit	0.00	0.00
At the end of the year	0.00	0.00

Kitui County Empowerment Fund
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e) Shareholding in other entities

For investments in equity share listed above, list down the equity investments under the following categories:

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Kshs	Kshs	Kshs
Entity A	0.00	0.00	0.00	0.00	0.00	0.00
Entity B	0.00	0.00	0.00	0.00	0.00	0.00
Entity C	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00

Kitui County Empowerment Fund**Annual Report and Financial Statements for the year ended June 30, 2023****Notes To The Financial Statements (Continued)****17. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2021	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfers/Adjustments	0.00	0.00	0.00	0.00	0.00
At 30th June 2022	0.00	0.00	0.00	0.00	0.00
At 1st July 2022	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfer/Adjustments	0.00	0.00	0.00	0.00	0.00
At 30th June 2023	0.00	0.00	0.00	0.00	0.00
Depreciation And Impairment	0.00	0.00	0.00	0.00	0.00
At 1st July 2021	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
At 30th June 2022	0.00	0.00	0.00	0.00	0.00
At 1st July 2022	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
Transfer/Adjustment	0.00	0.00	0.00	0.00	0.00
At 30th June 2023	0.00	0.00	0.00	0.00	0.00
Net Book Values	0.00	0.00	0.00	0.00	0.00
At 30th June 2022	0.00	0.00	0.00	0.00	0.00
At 30th June 2023	0.00	0.00	0.00	0.00	0.00

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Notes To The Financial Statements (Continued)

18. Intangible assets

Description	FY2022-2023	FY 2021-2022
	Kshs	Kshs
Cost		
At Beginning of The Year	0.00	0.00
Additions	0.00	0.00
At End of The Year	0.00	0.00
Amortization And Impairment	0.00	0.00
At Beginning of The Year	0.00	0.00
Amortization	0.00	0.00
At End of The Year	0.00	0.00
Impairment Loss	0.00	0.00
At End of The Year	0.00	0.00
NBV	0.00	0.00

19. Investment Property

Description	FY2022-2023	FY 2021-2022
	Kshs	Kshs
At beginning of the year	0.00	0.00
Additions	0.00	0.00
Disposal during the year	0.00	0.00
Depreciation	0.00	0.00
Impairment	0.00	0.00
Gain/(loss) in fair value (if fair value is elected)	0.00	0.00
At end of the year	0.00	0.00

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Notes To The Financial Statements (Continued)

20. Trade and other payables from exchange transactions

Description	FY 2022/2023		FY 2021/2022	
	Kshs		Kshs	
Trade Payables	0.00		0.00	
Refundable Deposits	0.00		0.00	
Accrued Expenses	0.00		0.00	
Other Payables	1,264,618.00		571,591.00	
Total Trade and Other Payables	1,264,618.00		571,591.00	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	0.00	0.00%	0.00	0.00%
1-2 years	0.00	0.00%	0.00	0.00%
2-3 years	0.00	0.00%	0.00	0.00%
Over 3 years	0.00	0.00%	0.00	0.00%
Total (tie to above total)	0.00	0.00%	0.00	0.00%

21. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning of The Year	0.00	0.00	0.00	0.00
Additional Provisions	0.00	0.00	0.00	0.00
Provision Utilised	0.00	0.00	0.00	0.00
Change Due to Discount and Time Value For Money	0.00	0.00	0.00	0.00
Transfers From Non-Current Provisions	0.00	0.00	0.00	0.00
Balance At the End of The Year	0.00	0.00	0.00	0.00

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

22. Borrowings

Description	FY2022-23	FY 2021-22
	Kshs	Kshs
Balance At Beginning of The Period	0.00	0.00
External Borrowings During the Year	0.00	0.00
Domestic Borrowings During the Year	0.00	0.00
Repayments Of External Borrowings During the Period	0.00	0.00
Repayments Of Domestic Borrowings During the Period	0.00	0.00
Balance At End of The Period	0.00	0.00

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

Description	FY2022-23	FY 2021-22
	Kshs	Kshs
External Borrowings	0.00	0.00
Dollar Denominated Loan From 'X Organization'	0.00	0.00
Sterling Pound Denominated Loan From 'Y Organization'	0.00	0.00
Euro Denominated Loan from Z Organization'	0.00	0.00
Domestic Borrowings	0.00	0.00
Kenya Shilling Loan From KCB	0.00	0.00
Kenya Shilling Loan from Barclays Bank	0.00	0.00
Kenya Shilling Loan from Consolidated Bank	0.00	0.00
Borrowings From Other Government Institutions	0.00	0.00
Total Balance at End of The Year	0.00	0.00

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

Description	FY2022-2023	FY 2021-2022
	Kshs	Kshs
Short Term Borrowings (Current Portion)	0.00	0.00
Long Term Borrowings	0.00	0.00
Total	0.00	0.00

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

23. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	FY2022-2023	FY 2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0.00	0.00	0.00	0.00	0.00
Non-Current Benefit Obligation	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

24. Social Benefit Liabilities

Description	FY2022-2023	FY 2021-2022
	Kshs	Kshs
Health Social Benefit scheme	0.00	0.00
Unemployment Social Benefit Scheme	0.00	0.00
Orphaned and vulnerable benefit scheme	0.00	0.00
Elderly Social Benefit Scheme	0.00	0.00
Bursary social benefits	0.00	0.00
Total	0.00	0.00
	0.00	0.00
Current social benefits	0.00	0.00
Non-current social benefits	0.00	0.00
Total (tie to totals above)	0.00	0.00

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

25. Cash generated from operations

	FY2022/2023	FY2021/2022
	KShs	KShs
Surplus for the year before tax	7,230,441.00	(268,278.00)
Adjusted for:		
Depreciation	0.00	0.00
Amortisation	0.00	0.00
Gains/ losses on disposal of assets	0.00	0.00
Interest income	0.00	0.00
Finance cost	0.00	0.00
Working Capital adjustments		
Increase in inventory	0.00	0.00
Increase (Decrease) in receivables	(43,906,952.00)	(16,060,902.00)
Increase (Decrease) in payables	693,028.00	(386,590.00)
Net cash flow from operating activities	(35,983,483.00)	(16,715,770.00)

Kitui County Empowerment Fund*Annual Report and Financial Statements For the year ended 30th June 2023***Notes To The Financial Statements (Continued)****26. Related party balances****a) Nature of related party relationships**

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

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

b) Related party transactions

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Transfers From Related Parties'	0.00	0.00
Transfers To Related Parties	0.00	0.00

c) Key management remuneration

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Board Of Trustees	0.00	0.00
Key Management Compensation	0.00	0.00
Total	0.00	0.00

d) Due from related parties

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Due From Parent Ministry	0.00	0.00
Due From County Government	0.00	0.00
Total	0.00	0.00

Kitui County Empowerment Fund*Annual Report and Financial Statements For the year ended 30th June 2023***Other Disclosures Continued****e) Due to related parties**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Due To Parent Ministry	0.00	0.00
Due To County Government	0.00	0.00
Due To Key Management Personnel	0.00	0.00
Total	0.00	0.00

27. Contingent assets and contingent liabilities

Contingent Liabilities	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Court Case Xxx Against the Fund	0.00	0.00
Bank Guarantees	0.00	0.00
Total	0.00	0.00

(Give details)

N/A

Notes To The Financial Statements (Continued)**28. Financial risk management**

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs
At 30 June 2023		
Receivables from exchange transactions	157,316,231.00	157,316,231.00
Receivables from non -exchange transactions	0.00	0.00
Bank balances	10,238,310.00	10,238,310.00
Total	167,554,541.00	167,554,541.00
At 30 June 2022		
Receivables from exchange transactions	113,409,279.00	113,409,279.00
Receivables from non -exchange transactions	0.00	0.00
Bank balances	6,221,793.00	6,221,793.00
Total	119,631,072.00	119,631,072.00

Notes To The Financial Statements (Continued)

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

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

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

b) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade Payables	0.00	0.00	1,264,618.00	0.00
Current Portion Of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	1,264,618.00	0.00
At 30 June 2022				
Trade Payables	0.00	0.00	571,591.00	571,591.00
Current Portion Of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	571,591.00	571,591.00

Kitui County Empowerment Fund*Annual Report and Financial Statements For the year ended 30th June 2023***Notes To The Financial Statements (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.

i. Foreign currency risk

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

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

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2023			
Financial Assets	0.00	0.00	0.00
Investments	0.00	0.00	0.00
Cash	0.00	0.00	0.00
Debtors/ Receivables	0.00	0.00	0.00
Liabilities	0.00	0.00	0.00
Trade And Other Payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Net Foreign Currency Asset/(Liability)	0.00	0.00	0.00

Notes To The Financial Statements (Continued)**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.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
FY2022-23			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
FY 2021-22			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 69,122.00 (2022: Kshs 26,861.00). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 361,522.00 (2021 – Kshs 13,414.00).

Kitui County Empowerment Fund*Annual Report and Financial Statements For the year ended 30th June 2023***Notes To The Financial Statements (Continued)****d) Capital risk management.**

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2022/2023	2021/2022
	KShs	KShs
Revaluation reserve	0.00	0.00
Revolving fund	160,000,000.00	120,000,000.00
Accumulated surplus	6,289,923.00	(940,519.00)
Total funds	166,289,923.00	119,059,481.00
Total borrowings	0.00	0.00
Less: cash and bank balances	(10,238,310.00)	(6,221,793.00)
Net debt/(excess cash and cash equivalents)	156,051,613.00	112,837,688.00
Gearing	94%	95%

29. Events after the reporting period

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

30. Ultimate and Holding Entity

The entity is a County Public Fund established by the Public Finance Management (Kitui County Empowerment Fund) Regulations, 2021. The fund's authority and accountability are derived from the Public Finance Management (PFM) Act 2012. Its ultimate parent is the County Government of Kitui.

31. Currency

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

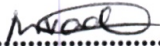
20. Annexes
Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit issue 1	Errors in the presentation of financial statements	<i>The Q4 2021/2022 and Q4 2020/2021 in the financial statement was a typing error and was supposed to be F/Y 2021/2022 and F/Y 2020/2021</i>	Resolved	
Audit issue 2	Unsupported receivables from Exchange transactions	<i>The Schedule supporting the figure of Kshs.113,409,279 for receivables from exchange transactions was not provided to the auditors at the time of audit. However, the schedule was later provided</i>	Resolved	
Annex 2.1	Inaccuracies in the statement of comparison of budget and Actual amounts	<i>The correct figures are as reflected in the statements of financial performance of Kshs.4,900,798 and Kshs.5,169,076</i>	Resolved	
Annex 2.3	Misstated Fund Administration expenses	<i>The fund administration cost of Kshs.5,169,075.80 as reflected in the financial performance comprise of Fund Administration Expense and General Expenses of Ksh. 4,281,630 and 887,445.80 respectively.</i>	Resolved	

Kitui County Empowerment Fund**Annual Report and Financial Statements For the year ended 30th June 2023**

Annex 2.4	Unsupported Interest Income from Loans and other Income	Other incomes comprise of processing fee of 1% ,and insurance charge 2% (the county charged 2% as insurance cost and negotiated with insurer at a rate of 1% giving county a revenue of 1% from insurance cost.	Resolved	
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Signature:.....**Dorothy Mumangi****The Fund Administrator**

Date.....23/11/2023.....

Kitui County Empowerment Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Annex II: Inter-Fund Confirmation Letter
[Insert your Letterhead] N/A

[Insert name of beneficiary Fund] N/A
[Insert Address] N/A

The [insert SC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30th June 20xx as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 2023							
		Amounts Disbursed by Kitui County Empowerment Fund (Kshs) as at 30 th June 2023				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 20xx (E)	Differences (KShs) (F)=(D-E)
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name Joel Muyanga Sign [Signature] Date 23/11/2023

Kitui County Empowerment Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Kitui County Empowerment Fund**Annual Report and Financial Statements for the year ended June 30, 2023****Annex IV: Reporting on Disaster Management Expenditure**

Column I Programme	Column II Sub-programme	Column III Disaster Type	Column IV Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Column V Expenditure item	Column VI Amount (Kshs.)	Column VII Comments