

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

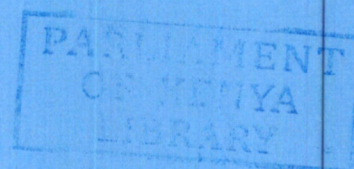
OF

THE AUDITOR-GENERAL

ON

TRANS NZOIA COUNTY NAWIRI FUND

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



11-11-11





TRANS NZOIA COUNTY NAWIRI FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

TRANS NZOIA COUNTY NAWIRI FUND
Reports and Financial Statements
For the year ended June 30, 2022

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Trans Nzoia CountyNawiri Fund is established by and derives its authority and accountability from Trans Nzoia Nawiri Fund Act of 5th May 2015. The Fund is wholly owned by the County Government of Trans Nzoia and is domiciled in Kenya.

The main source of the fund is the budgetary allocation from the County Budget. In the year 2014-2015 the fund was credited with Ksh 4,000,000. There was an addition of Kshs 1,000,000 from the county treasury in the financial year 2018/19.

The fund is managed by the board of management which is appointed by C.E.C Trade, Commerce and Industry. In the year under review there was no allocation made. Due to the underfunding, since the establishment of the fund there have been little activities on this fund which is intended to improve the small business and self-employed groups like the boda-boda. Actually, we are in the right path and remain focused to eradicating poverty and improving lives of the citizen in our county notwithstanding the funding challenges.

The fund's objective is to provide an opportunity to small scale entrepreneurs to gain commercial experience to enable them play their part in industrial and commercial development of the County and enhance the small and medium enterprises' competitiveness as they graduate into bigger vibrant enterprises.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide affordable and competitive credit to both formal and informal traders involved in production and trade in goods and services within Trans Nzoia County.

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c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Mrs Mary C Rono	Chairperson
2	Mrs Milton Koech	Chief officer
3	Dr. Lewis Wachilonga	Director SME

d) Key Management

Ref	Name	Position
1	Mrs. Mercy C Rono	Chairman
2	Mr. Milton Koech	Secretary-Trade, Commerce&Industry
3	Dr. Lewis Wachilonga	Director SME
4	Mr Hosea Serem	Member
5	Mr Jamhuri Ambwaya	Member
6	Mrs Ligale Francisca	Member
7	Mr Kelas Wafula	Member
8	Mrs Chebet Doreen	Member
9	Mr Robert Kibii	Member

TRANS NZOIA COUNTY NAWIRI FUND
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Registered Offices

P.O. Box 4211-30200

Former Municipal Yard /County Fire Station

Behind County Police Headquarters

KITALE, KENYA

e) Fund Contacts

Telephone: (254) 30301/2

E-mail: countyoftransnzoia@gmail.com

Website: www.countyoftranszoia.go.ke

f) FundBankers

Equity Bank of Kenya

P.O. Box 4211-30200

Kitale-Kenya

AC NO. 0330263908695

g) Independent Auditors

Auditor General

Office Of the Auditor General

Anniversary Towers, University Way

P.O.Box 30084

GOP 00100

Nairobi, Kenya

h) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)

Name	Details of qualifications and experience
1. Mrs Mary C Rono 	D.O.B-03/05/1956 P1 Teacher, Certificate in sustainable Agriculture-JKUT, Diploma in Project planning & management (PEDESA ZAMBIA)
2. Mr Milton Koech	D.O.B 02/02/1985
3. Dr. Lewis Wachilonga 	D.O.B Dr (Phd)

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3. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Mrs. Mercy C Rono 	D.O.B-03/05/1956 P1 Teacher, Certificate in sustainable Agriculture- JKUT, Diploma in Project planning & management (PEDESA ZAMBIA)
2. Mr Milton Koech	D.O.B B 02/02/1985
3. Dr. Lewis Wachilonga 	D.O.B
4. Mr Hosea Serem 	D.O.B 16/11/87 M.B.A- Finance option
5. Mr Jamhuri Ambwaya	D.O.B 12/12/1967

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	Asistant Director Trade
6. Mrs Ligale Francisca	
7. Mr Kelas Wafula	
8. Mrs Chebet Doreen 	D.O.B 01/07/1989 Diploma in information science.
9. Mr Robert Kibii	

4. BOARD/FUND CHAIRPERSON'S REPORT

- There were no any changes in the board during the year.
- Review of the Fund's performance- Since the fund had no main activities during the year, more was to be done in the following financial year.
- Future outlook of the Fund- to promote trade all over the county.

Signed:  -

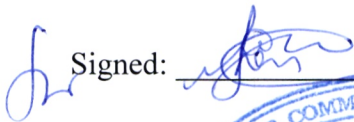
Mrs Mary C Rono- Chair person

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5. REPORT OF THE FUND ADMINISTRATOR

Due to the underfunding, since the establishment of the fund there have been little activities on this fund which is intended to improve the small business and self-employed groups like the boda-boda. In the year under review there was no disbursement made.

Actually, we are in the right path and remain focused to eradicating poverty and improving lives of the citizen in our county notwithstanding the funding challenges. The fund's objective is to provide an opportunity to small scale entrepreneurs to gain commercial experience to enable them play their part in industrial and commercial development of the County and enhance the small and medium enterprises' competitiveness as they graduate into bigger vibrant enterprises

Signed:  _____

Milton Koech- Fund Administrator



6. CORPORATE GOVERNANCE STATEMENT

The fund held two board meetings. They conducted aboard training and one induction since the board was newly constituted.

Functions of the board

- (a) to solicit for funds and other assistance to promote the functions of the Fund;
- (b) to set, in due regard to the prevailing National and County economic status, the criteria and conditions governing the granting of loans, including the rate of interest and recovery of loans;
- (c) to receive any gifts, donations, grants or endowments made to the Fund, and to make legitimate disbursements therefrom;
- (d) to establish and maintain links with other persons or group of persons' bodies or organizations within or outside Kenya, as the Board may consider appropriate for the furtherance of the purposes for which the Fund is established;
- (e) to grant loans out of the Fund, to any eligible person or group of persons to enable them, or assist any trader, to expand their businesses;
- (f) to invest any surplus funds not immediately required for the Purpose of the Fund in any investment authorized by law;
- (g) to receive and consider all loan applications from eligible persons or group of persons wishing to be considered for the award of loans, and to approve' withhold or reject such requests in accordance with the provisions of this Act;
- (h) to take out insurance cover for risky loans such as death, incapacity or inability to pay, as the Board deems fit;
- (i) to perform any other functions relating to the granting of Traders' loans in accordance with the provisions of this Act.

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7. MANAGEMENT DISCUSSION AND ANALYSIS

Under the financial year 2021/22 there was no allocation made.

REPORT OF THE TRUSTEES

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

Principal activities

The principal activities of the Fund are set out on page 2

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 16-25

Trustees

The members of the Board of Trustees who served during the year are shown on page 5. There were no changes in the Board during the financial year.

Auditors

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

By Order of the Board

Name

Member of the Board

Date: 04/07/2022

8. 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 Trans Nzoia county Nawiri Fund Act 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Trans Nzoia county Nawiri Fund Act 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

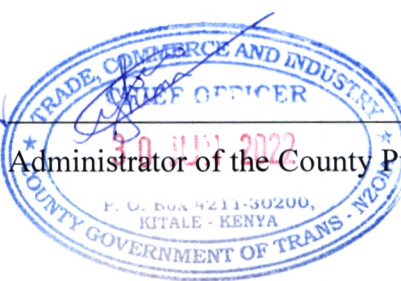
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the

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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 04/07/ 2022 and signed on its behalf by:

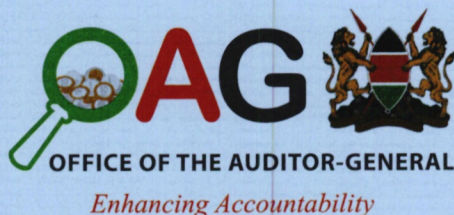
 

Administrator of the County Public Fund

**9. REPORT OF THE AUDITOR GENERAL ON TRANS NZOIA COUNTY NAWIRI
FUND**

TRANS NZOIA COUNTY NAWIRI FUND
Reports and Financial Statements
For the year ended June 30, 2022

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 TRANS NZOIA COUNTY NAWIRI FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Trans Nzoia County Nawiri Fund set out on pages 17 to 42, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Trans Nzoia County Nawiri Fund as at 30 June, 2022, and of its financial performance and its cashflows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012, and the Trans Nzoia County Nawiri Fund Act, 2015.

Basis for Adverse Opinion

1. Unsupported Balances

The Fund did not maintain a general ledger (GL) which is a set of numbered accounts an entity uses to keep track of its financial transactions and to prepare financial reports. All the balances reflected in the financial statements, except for cash and cash equivalents balances, were not supported by balances from respective ledger accounts.

In the circumstances, the accuracy and completeness of the financial statement balances for the year under review could not be confirmed.

2. Unsupported Trial Balance

The Management prepared a trial balance which is a financial report showing the closing balances of all accounts in the general ledger at the year end which was not supported by the general ledger and therefore, the accuracy and completeness of the balances in the trial balance could not be confirmed.

In the circumstances, the reliability of the financial statements could not be confirmed.

3. Undisclosed Interest Income

The statement of financial position reflects long term receivables from exchange transactions of Kshs.1,147,172 which have remained outstanding for more than one year since they became due. The interest accruing from the outstanding loans was not recognized in the statement of financial performance.

In the circumstances, the accuracy and completeness of the interest income balance of Nil could not be confirmed.

4. Principal Loans Repayments Due

As reported previously, the statement of financial position as at 30 June, 2022, reflects a balance of Kshs.1,147,172 under current principal loan repayments due which, as shown under Note 6B, relates to 2019/2020 and prior years. No explanation was provided on why the loans have remained outstanding for a long period without being recovered, contrary to the provisions of Regulation 4.4 of Trans Nzoia County Nawiri Fund Regulations, 2015, which requires loan repayments to be made up to a maximum period of two years. Further, the Management has not made a provision for the doubtful debts

In the circumstances, recoverability of the outstanding loan balances of Kshs.1,147,172 is doubtful.

5. Current Receivables - Unaccounted for Imprest

The statement of financial position and as disclosed in Note 6A to the financial statements reflects a balance of Kshs.2,900,000 under current receivables which relates to outstanding imprests. As reported previously, the amount represents imprest issued from the Fund to two (2) County Executive Committee Members who travelled to the United States of America in 2015 on the understanding that the amount was to be refunded to the Fund when the County Executive received exchequer. No explanation was provided for the failure to have the amount refunded to the Fund.

In the circumstances, the recoverability of the amount, which was treated as expenditure in 2015, could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Lack of Approved Budget

The Fund Management did not have an approved budget for the year under review, contrary to the requirements of Section (149) (2) of the Public Finance Management Act, 2012 that requires an accounting officer to prepare estimates of expenditure of the entity in conformity with the strategic plan.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Failure to Undertake Independent Assessment of Systems and Internal Controls

Trans Nzoia County Nawiri Fund Management did not perform a formal risk assessment and risky areas were not identified in terms of loans awarded, revenues, expenditure, frauds and errors. Further, the Fund does not have disaster recovery plan/business continuity plan.

In the circumstances, the existence and effectiveness of the internal controls put in place could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 April, 2023

10.FINANCIAL STATEMENTS

**10.1.STATEMENT OF FINANCIAL PERFORMANCEFOR THE YEAR ENDED
30thJUNE 2022**

	Note	2021/2022	Comparative figure
		KShs	KShs
Revenuefrom exchange transactions			
Interest income earned	1	0	0
Totalrevenue		0	0
Expenses			
Fund administration expenses	2-3	0	7,000
General expenses	4	0	31,240
Totalexpenses		0	38,240
Surplus/(deficit)fortheperiod		0	(38,240)

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10.2.STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2022

	Note	2021/2022	2020/2021
		KShs	KShs
Assets			
Currentassets			
Cash and cash equivalents	5	255,202	255,202
Current Receivables	6A	2,900,000	2,900,000
Non-Current Assets			
Current principal loan repayments due	6B	1,147,172	1,147,172
Other Debtors	6C	50,000	50,000
Total Assets		4,352,374	4,352,374
Represented by:			
Revolving Fund		5,000,000	5,000,000
Accumulated surplus/Deficit		(647,626)	(647,626)
Totalnetassetsandliabilities		4,352,374	4,352,374

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 04/07/ 2022 and signed by:



Fund Accountant
Name: Edwin kiboi
ICPAK Number: 11472

10.3.STATEMENT OF CHANGES IN NET ASSETSAS AT 30 JUNE 2022

	Revolving Fund	Accumulated surplus	Total
	Kshs	KShs	KShs
Balance as at 1 July 2020	5,000,000	(609,386)	4,390,614
Surplus/(deficit) for the period	-	(38,240)	(38,240)
Funds received during the year	-	-	-
Balance as at 30 June 2021	5,000,000	(647,626)	4,352,374
Balance as at 1 July 2021	5,000,000	(647,626)	4,352,374
Surplus/(deficit) for the period	-	0	0
Balanceasat30 June 2022	5,000,000	(647,626)	4,352,374

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10.4.STATEMENT OF CASHFLOWSFOR THE YEAR ENDED 30 JUNE 2022

	Note	2021/2022	2020/2021
		KShs	KShs
Cashflowsfromoperatingactivities			
Receipts			
Interest received		0	0
Payments			
Fund administration expenses	2-3	0	7,000
General expenses	4	0	31,240
Cashflowsfromoperatingactivities		0	(38,240)
Adjustments for			
Increase/Decrease in other Debtors		0	0
Other debtors Repayments		0	50,000
Net Cash flow from operating Activities			
Cash flows from investing activities			
Proceeds from loan principal prepayment		0	3,350
Loan disbursements paid out		-	-
Netcashflowsusedininvestingactivities		0	53,350
Cashflowsfromfinancingactivities			
Proceeds from revolving fund receipts		-	-
Netcashflowsusedinfinancingactivities		-	-
Netincrease/(decrease)incashandcash equivalents		0	15,110
Cash and cash equivalents at 1 JULY 2021		255,202	240,092
Cashandcashequivalentsat30 JUNE 2022		255,202	255,202

**10.5.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED
30th JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022
Revenue	KShs	KShs	KShs	KShs	KShs	
Interest income	-	-	-	-	(xxx)	
Total income	-	-	-	-	(xxx)	
Expenses						
Fund administration expenses	-	-	xxx	xxx	xxx	
General expenses	xxx	(xxx)	xxx	xxx	xxx	
Total expenditure	xxx	(xxx)	xxx	xxx	xxx	
Deficit for the period	xxx	xxx	xxx	xxx	xxx	

Budget note

- The department had no budget for all the entire period.

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10.6.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

The entity adopted a new reporting standard in year 2019.

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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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 11.5 of these financial statements.

5. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

6. 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.

7. Related parties

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

8. Cash and cash equivalents

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

9. Comparative figures

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

10. Events after the reporting period

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

11. Ultimate and Holding Entity

The entity is a County Public Fund established by Trans Nzoia Nawiri Fund Act of 5th May 2015. Its ultimate parent is the Trans County Executive.

12. Currency

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

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13. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks. 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 member, 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 company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount KShs	Fully performing KShs	Past due KShs
At 30 June 2022			
Receivables from exchange transactions	1,147,172	1,147,172	-
Bank balances	255,202	255,202	-
Total	1,402,374	1,402,374	-
At 30 June 2021			
Receivables from exchange transactions	1,147,172	1,147,172	-
Bank balances	255,202	255,202	-
Total	1,402,374	1,402,374	-

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

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

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b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2022				
Current portion of borrowings	-	-	2,900,000	2,900,000
Total	-	-	2,900,000	2,900,000
At 30 June 2021				
Current portion of borrowings	-	-	2,900,000	2,900,000
Total	-	-	2,900,000	2,900,000

c) 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:

	2021/2022	2020/2021
	KShs	KShs
Revolving fund	5,000,000	5,000,000
Accumulated surplus	(647,626)	(647,626)
Total funds	4,352,374	4,352,374
Total borrowings	-	-
Less: cash and bank balances	255,202	255,202
Net debt/(excess cash and cash equivalents)	255,202	255,202
Gearing	6%	6%

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10.7.NOTES TO THE FINANCIAL STATEMENTS

1. Receivables from Exchange Transaction

Description	2021/2022	2020/2021
	KShs	KShs
Interest income from Exchange transaction	-	-
Total interest income	-	-

2. Fund administration expenses

Description	2021/2022	2020/2021
	KShs	KShs
Training	-	-
Staff cost- Note 3	-	7,000
Total	-	7,000

3. Staff costs

Description	2021/2022	2020/2021
	KShs	KShs
Salaries and wages	-	7,000
Total	-	7,000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. General expenses

Description	2021/2022	2020/2021
	KShs	KShs
Printing and stationery	0	25,000
Telecommunication	0	0
Bank Charges	0	240
Hospitality	0	6,000
Total	0	31,240

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Cash and cash equivalents

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

		2021/2022	2020/2021
Financial institution	Account number	KShs	KShs
a) Current account			
Equity bank	0330263908695	255,202	255,202
Sub- total		255,202	255,202

6. Accounts Receivables

Description	2021/2022	2020/2021
	KShs	KShs
6A. Outstanding Imprests	2,900,000	2,900,000
6B. Current principal loan repayments due		
Balance brought forward	1,147,172	1,150,522
Add: - Additional Loans advanced during the year	-	-
Less: - Loan recoveries/repayments during the year	-	(3,350)
Balance carried forward	1,147,172	1,147,172
6C. Other Debtors		
Opening Balance	50,000	100,000
Repayments during the year	0	(50,000)
Balance carried forward	50,000	50,000
Grand Total	1,197,172	1,197,172

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11.PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0 Unresolved Prior Year Matter(s)	As previously reported, the current principal loan repayments due of Kshs.1,150,522,	The Board acknowledges long outstanding loan by Pamoja Sacco of Kshs 861,444.00 as at 2018/19. The Board has made an effort to recover the stated	Milton Koech Secretary Board	Not Resolved	December 2022
1.1 Principal Loans Repayments Due	detailed under Note 6B to the financial statements includes an amount of Kshs.861,444 that				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	have remained unpaid since 19 January, 2016 in contravention of regulation 4.4 of the Trans Nzoia County Nawiri Fund regulations, 2019 which requires loan repayments to be made up to a maximum period of one year. In the circumstances,	amount with their representative who sited business challenges over time. The Board representatives requested principal repayment to kshs 15,000 from the initial of kshs 42,000. In the FY 2019/20 the Board managed			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the recoverability of the outstanding loan balance of Kshs.861,444 is doubtful.	to recover Kshs 75,000. Further the Board is committed to recover all the amount advanced to the Sacco for onward lending.			
1.2 Irregular Issuance of Imprests	The statement of financial position reflects current receivable balance of Kshs.2,900,000under	As observed during the audit exercise there was a long Outstanding	Milton Koech Secretary Board	Not resolved	September 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	note 6A to the financial statement. As previously reported, the receivable balance of Kshs.2,900,000 represents outstanding imprest issued from the fund on behalf of the County Executive, to two County Executive Committee Members who travelled to United	Imprest of Kshs 2,900,000. There are surrender vouchers of similar amount at the County Treasury awaiting transfer of the funds to the Nawiri Account as reimbursement. However due to COVID 19 there was no allocation			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	States of America in 2015. However, the borrowed fund that was meant to be refunded as soon as	made in foreign travel costs, but we are a waiting for it to be factored in			
	the County Executive got their exchequer releases have not been refunded for the last five (5) years.	supplementary budget.			
2.0 Use of Principal Funds to	An audit review procedure performed on the statement of	An audit review procedure performed on the statement of	Milton Koech Secretary Board	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
incur Administrative Expenses	financial performance revealed that the total expense figure of Kshs.329,360, representing 495% of total revenue of Kshs.66,550, surpasses the threshold of 35% provided in the PFM Act, 2012. Consequently, the Management	financial performance revealed that the total expense figure of Kshs.329,360, representing 495% of total revenue of Kshs.66,550, surpasses the threshold of 35% provided in the PFM Act, 2012. Consequently, the Management contravened the			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	contravened the provisions of regulation 197(d) of the Public Finance Management Regulations- County Government, 2015	provisions of regulation 197(d) of the Public Finance Management Regulations- County Government, 2015 which provides that the administration costs of a County Fund shall be a maximum of three percent (3%) of the approved budgets of the Fund.			
	which provides that the administration costs of a County Fund shall be a maximum of three percent (3%) of the approved budgets of the Fund.				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.0 Lack of an Approved Budget	The review of the Loan Management Committee minutes and financial statements for the year under review revealed that operation of the Fund were not guided by an approved budget. Therefore, administration of the Fund was not conducted in	As pointed out in the audit findings, all the monies received from the county treasury were spend without unapproved budget. The Board has however noted this and will prepare and use approved budgets	Milton Koech Secretary Board	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	compliance with Section 149(2h) of the Public Finance Management Act 2012, which requires the accounting officer to prepare estimates of expenditure of the entity in conformity with the strategic plan. In addition, the Fund was exposed to risk of over and underutilization and misapplication of the	in subsequent years.			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	funds.				
4.0 Weak governance and Internal Control Environment	The review of the Fund's governance and internal control environment revealed that the internal audit department of Trans Nzoia County has never reviewed and evaluated budgetary performance, transparency and	The Board is aware of the fact that the fund had not been audited since its inception. This has been caused by delayed constitutional of an internal audit committee. However the	Milton Koech Secretary Board	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	accountability mechanisms and processes of the Fund since its inception in the year 2015, in line with regulation 153(1) of the PFM County Government Regulations, 2015. As a result, the Fund may not have been efficiently managed in line with best practice and	committee is in place and the Board has requested for an audit of the fund since inception. As pointed out in the audit findings, the department is in the process of engaging an underwriter to insure the loans. However, the challenge majorly			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	framework. In addition, it was noted that the fund was issuing loans to loanees and charging them upfront interest at the rate of 11% which comprise 10% loan interest and 1% insurance. However, it was noted that the fund had not engaged any	falls on the going concern of the fund and the its disbursement. Since the amount deducted for the insurance is still in the account, the due process will be followed once the we come to an agreement with the underwriter.			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	underwriter for its loans or secured a means to ensure that the loan issued out was insured in contravention of section 10(h) of the Trans Nzoia county Nawiri fund act, 2015 which requires the board to take out insurance cover for risky loans such as death, incapacity or inability to pay as the				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	board deems fit.				

Guidance Notes:

- Use the same reference numbers as contained in the external audit report;
- Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.