

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

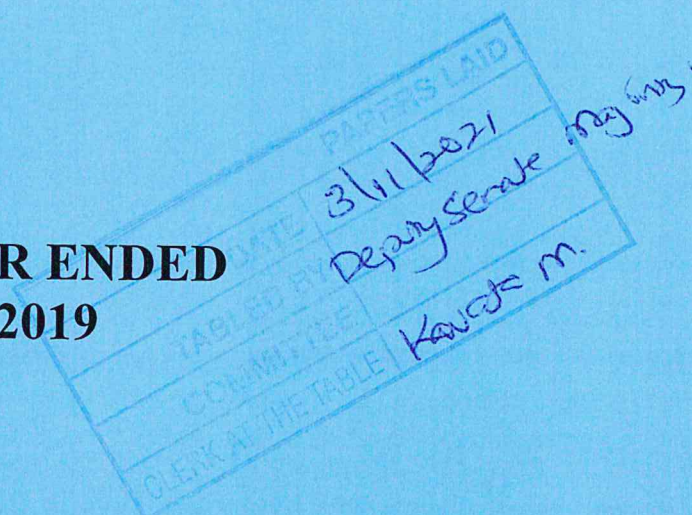
**OF**

**THE AUDITOR-GENERAL**

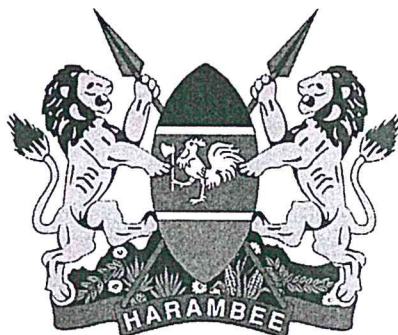
**ON**

**BUNGOMA COUNTY YOUTH AND  
WOMEN EMPOWERMENT FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2019**







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## **BUNGOMA COUNTY WOMEN AND YOUTH EMPOWERMENT FUND**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019**

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

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**Bungoma County Women and Youth Empowerment Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Bungoma County Women and Youth Empowerment Fund is established by and derives its authority and accountability from THE BUNGOMA COUNTY YOUTH AND WOMEN AND YOUTH EMPOWERMENT FUND REGULATIONS, 2015. The Fund is wholly owned by the County Government of Bungoma and is domiciled in Kenya.

**1. The fund's objective is to:-**

- (a) to provide funds to be used for granting low-interest loans to Women and Youth with a view to scaling up their lending activities, value addition amongst other activities as may be prescribed;
- (b) to provide funds to support, revive and initiate micro-enterprises owned by Women and Youth in sectors that can have an immediate impact to household economy;
- (c) to attract and facilitate investment in economic sectors that have linkages to micro, small and medium enterprises that benefit both women and youth;
- (d) facilitating access to business development services by micro and small enterprises;
- (e) Facilitating formalization and upgrading of informal micro and small enterprises; and promoting an entrepreneurial culture.

The Fund's principal activity is empower marginalised groups of the society by providing access to affordable loans and capacity building.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund are to enhance economic activities and social welfare of the marginalised persons in the society through access to affordable loans.

**c) Fund Administration Committee**

Ref	Name	Position
1	Saphia Awil Ibrahim- Chairperson.	Prior to her appointment she worked as an advocate of the court. Academic qualification: an LLB from university of Nairobi and a diploma from LSK
2	Moses Chebonya- Administrator/Secretary.	Academics qualifications: Masters in Gender and advocacy. Bachelor of Arts Education specialising in English literature. Work Experience: Gender director affairs and prior to his appointment, was a deputy principle of a





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		high school. Main responsibility, Oversees daily fund operations
3	Adrian Sakwa- Member/PWDs representative	Prior to his appointment, he worked as the director of disabled network of Bungoma; he is also the coordinator of NCPLD Bungoma branch. Academic qualification; Bachelor of Arts linguistic religion from Kampala University and
4	Ummi Maloba- Member/Women and Youth and Youth Representative	The member works as the secretary of Maendeleo ya wanawake Bungoma county. Academic qualifications; diploma in gender advocacy and mainstreaming from hamburger institute of Canada.
5	Rev Johnstone Wanyonyi- Member/CBO representative	The member is the current Bishop of Anglican church of Kenya Bungoma branch. He is also an executive member of chamber of commerce Bungoma. Masters in theology and leadership from Nazarene university.
6	Metrine Tenga- Member/Youth Representative	She is the current NYC executive member in the region. a diploma holder in corporative management from Cooperatives college University.
7	Joseph Musungu- Member/Finance Representative	He is the accountant in charge of reporting at the county government. A certified public accountant (CPA). A representative of the chief officer finance and economic planning in the fund.
8	Cynthia Nanyokia- Member/Legal Representative	She is the LLB holder from university of Nairobi, post graduate diploma from the LSK an advocate of the low court.

**d) Key Management**

Ref	Name	Position
3	Moses Chebonya	Fund Administrator
4	Washington Makata	Fund Accountant
5	Joan Simiyu	Fund Clerk



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**e) Registered Offices**

P.O. Box 437 - 50200  
County Headquarters  
Moi Avenue  
Bungoma, KENYA

**f) Fund Contacts**

Telephone : ( 254) 775 228598  
E-mail: [genderempowermentfunds@gmail.com](mailto:genderempowermentfunds@gmail.com)  
[www.bungoma.go.ke](http://www.bungoma.go.ke)

**g) Fund Bankers**

Cooperative Bank of Kenya  
P.O. Box 48231  
Bungoma, KENYA

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

The County Attorney  
P.O. Box 437- 50200  
Bungoma, Kenya





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**2. MANAGEMENT TEAM**

<b>Name</b>	<b>Details of qualifications and experience</b>
Moses Chebonya	Academics qualifications: Masters in Gender and advocacy. Bachelor of Arts Education specialising in English literature. Work Experience: Gender director affairs and prior to his appointment, was a deputy principle of a high school. Main responsibility, Oversees daily fund operations
Washington Makata	Academics qualifications: M.B.A Finance, Bachelor of commerce finance and a certified accountant. Work Experience. Worked as an internal auditor teachers Sacco, an administrator at Jomo Kenyatta university of Agriculture and technology then as an accountant up to currently Main responsibility: processing financial transactions of the fund.



### **3. FUND CHAIRPERSON'S REPORT**

This year under review marks the sixth year since the establishment of Bungoma County Women and Youth Empowerment Fund. This year we didn't disburse any loan as the focus was on the sensitization and capacity building of the officers and the community at large. Cumulatively, since the inception of this revolving Fund, loans amounting to twenty eight million shillings have been disbursed of which sixteen million (61%) have been repaid. A number of Women and Youth Groups that benefitted from the Fund has been sensitized and capacity build on the operations of the Fund to appreciate and comply with the repayment schedule.

The Fund has recorded a number of success stories despite the various challenges with regard to its operation. They have enhanced their economic activities and social status through entrepreneurial activities and hence achieved value for money. This was informed by the monitoring and evaluation exercise that we undertake in all the forty five wards across the county yearly. The exercise is aimed at assessing the impact and success of the Fund since its inception as well as finding out the ways to effectively achieve the Fund objectives. Eleven groups were given loans per ward. It's apparent that many more groups are yearning for the funds to enhance their economic activities. Majority of the group keep poultry, dairy farming, bee keeping, table banking, cereals and tree nurseries.

Capacity building and creating general public awareness is paramount to the success of the Fund. This includes training on group dynamics, entrepreneurial skills, project management, record keeping as well as tenders reserved for Women and Youth at both county and national government levels. These activities call for more resources, determination, dedication, proper management and funding to achieve the desired goals.

Currently the Fund is governed by the Bungoma County Women and Youth Empowerment Fund regulations. This has been reviewed with an aim of separating Women and Youth as beneficiaries of the Fund. This will help tackle the specific needs of Women and Youth at both individual and group levels by catering for their unique needs. The reviewed regulations will also help cut down on costs with regard to Fund administration and general needs of each fund. The reviewed regulations, once put in place, will bring in to existence more products tailored for Women and Youth both at individual and group levels. Also a prompt and continuous





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evaluation will be in place to ensure the desired objectives of the Fund as well as value for money are achieved. These will guarantee a revolving and self-sustaining the fund in the long-term.



*The meeting where the traditional circumcisers (chemoge women group) have accepted to drop the practice a source of livelihood and get a loan from the fund and start a cereal business as a source of livelihood.*

In conclusion, the fund is generally doing well. We are achieving the value for money of our programme. A good number of groups are graduating to SACCOS, Women and Youth owned enterprises. This opens more opportunities' for them and hence we are achieving the mandate to empower our Women and Youth in the county.

**SAPHIA AWIL IBRAHIM**  
**Chairperson -Bungoma County Women and Youth Empowerment Fund.**



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**4. REPORT OF THE FUND ADMINISTRATOR**

The Fund Administrator for Bungoma County Women and Youth Empowerment 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 period ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangement 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 statement, 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 performance of the fund the financial year 2018/2019 was as follows;

Relating to the increasing default rate in group loaning repayments, we had to suspend the group loan product. The fund was approved to offer three products namely; group loaning, the LPO/LSO financing and asset financing products as stated under the Third Schedule, Sub-regulation 22 (1)-(b) of Bungoma County Women and Youth Empowerment Fund Loan Products. This was after the advice from our county attorney office to change some clauses in the regulation to do with vetting of groups. Through the fund committee directive, we suspended the advancing of the products to pave way to amend the regulations in order to seal the loopholes; it's good to report the amendment is going on well currently at county assembly for approval.

Preparation of the financial statement in accordance of the laws;

The Fund Administrator for Bungoma County Women and Youth Empowerment Fund accepts responsibility for the Fund's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards. It's of my opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial period ended June 30, 2019, and of the Fund's financial position as at that date. The Fund Administrator





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for Bungoma County Women and Youth Empowerment Fund further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund financial statements as well as the adequacy of the systems of internal financial control.

Compliance with the applicable government regulations;

The Fund Administrator for Bungoma County Women and Youth Empowerment Fund confirms that the Fund has complied fully with applicable Government Regulations and the terms of external financing covenants, and that the funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted

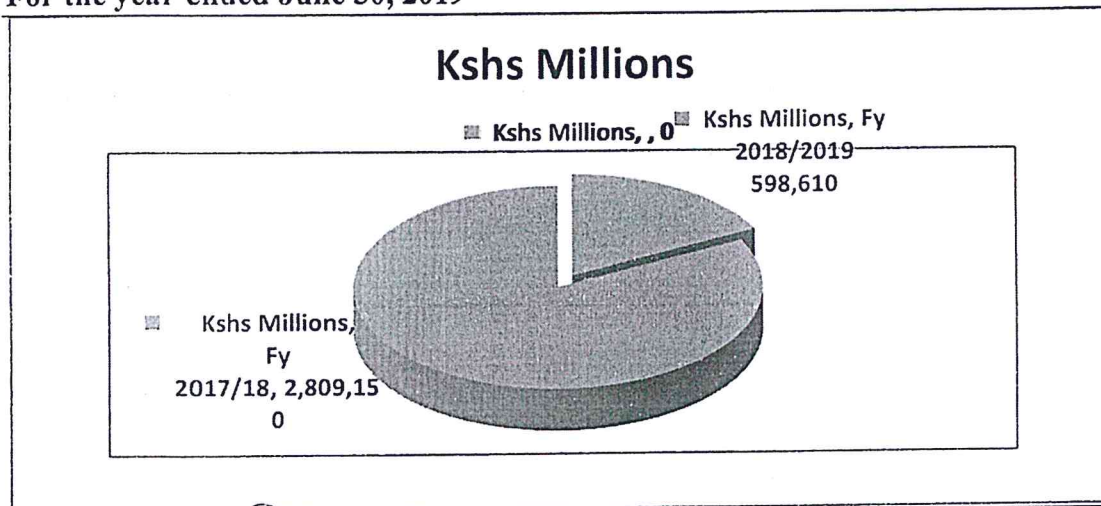
High level of the financial performance

*Total reduction in the overhead costs;* the financial statement of Bungoma County Women and Youth Empowerment Fund indicates drastic reduction in the expenses in the FY 2018/2019 against FY 2017/2018 as follows with illustrations.

N/So	Financial years	Expenses (Kshs)
1	FY2018/2019	598,610
2	FY2017/2018	2,809,150



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Signed: \_\_\_\_\_

**Moses Chebonya.**



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**5. CORPORATE GOVERNANCE STATEMENT**

According to the legal framework of the fund, Bungoma County Women and Youth empowerment fund regulations, FIRST SCHEDULE, Sub-Regulation 16 (1) provides as to the conduct of business and affairs of business and of the committee as relates to meetings,

The Committee meets at such place in Bungoma County as the chairperson may determine and the meetings are convened by the chairperson.

The Committee has quarterly meetings in every financial year and not more than three months elapses between one meeting and the next meeting.

Unless three quarters of the members otherwise agree, at least seven days' notice in writing of a meeting shall be given to every member by the Fund Administrator of the fund,

At the first meeting of the:

a. County Committee, the chairperson was the Chief Officer(s) thereafter, the committee elected a chairperson of subsequent meetings from members appointed in as per Regulation 7 (1) (d)

b. Ward Committee, the chairperson was the Ward Administrator, thereafter, the committee elected a chairperson from among the members appointed in Regulation 12 (2) (c), (d), (e)

The chairperson may, at his/her discretion or at the written request made by at least half of the members of the Committee and within seven days of the request, convenes an extraordinary meeting at such a time and place as he/she may appoint.

Meetings are presided over by the chairperson or in his or her absence by the vice- chairperson.

The members of a Committee elected a vice- chairperson from among themselves-

(a) at the first sitting of the Committee; and

(b) Whenever it is necessary to fill the vacancy in the office of the vice-chairperson.

Where the chairperson or vice-chairperson is absent, the members appoints from among themselves, a person to chair the meeting of the Committee.

The Committee may invite a resource person(s) to attend any of its meetings and to participate in its deliberations, but such person does not have a vote in any decision of the Committee.

**Conflict of interest**

If any person has a personal or fiduciary interest in a project, proposed contract or any matter before the Committee, and is present at a meeting of the Committee at which any matter is the





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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.

A disclosure of interest made under such cases shall be recorded in the minutes of the meeting at which it is made.

**Quorum**

The quorum of the meeting should not be less than half of the appointed members of the Committee.

Where the persons present at a meeting of the Committee do not constitute the quorum necessary to hold a meeting under the fund Regulations or where by reason of exclusion of a member from a meeting, the number of members present falls below the quorum necessary to hold a meeting, the Committee postpone the consideration of the matter in question until there is a quorum.

**Voting**

A question before the Committee is decided by simple majority of the members present and voting and the chairperson should, in the case of an equality of votes, have a casting vote.

**Rules of Procedure and minutes**

The Committee always—

- (a) determine rules of procedure for the conduct of its business; and
- Keep minutes of its proceedings and decisions.

**Terms and conditions of service of the County Committee Members**

The members of the Committee are paid such allowances as shall is determined by Salaries and Remuneration Commission.

Such allowance is drawn from the fund administrative allocation which is within 3 percent of the budget.



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**6. MANAGEMENT DISCUSSION AND ANALYSIS**

The management report on the operational and financial performance of the Fund

Fund allocation versus releases since inception

Financial yrs.	Women Allocations	Women Releases	Youth Allocations	Youth Releases
Fy 2013/14	40,000,000	19,000,000	90,000,000	6,000,000
Fy 2014/15	31,000,000	25,414,500	32,000,000	25,000,000
Fy 2015/16	30,000,000	0	25,000,000	0
Fy 2016/17	25,000,000	0	25,000,000	0
FY 2017/18	15,000,000	0	20,000,000	0
FY 2018/19	20,000,000	0	20,000,000	0
Fy 2019/20	20,000,000	0	20,000,000	0
<b>Total</b>	<b>181,000,000</b>	<b>44,414,500</b>	<b>232,000,000</b>	<b>31,000,000</b>

The total loan portfolio as at now is Kshs 413M out of which we have only received Kshs 75.4M representing a 18.3 percent

**Entity's key projects or investments decision implemented or ongoing,**

The main purpose of the loan or the scheme is to advance cheap loan facilities to the community with a view of scaling up their micro enterprises activities and borrowing capacity. Through the fund committee there are some measures being considered to initiate investment activities within the county where groups will get more asset financing.

Investment activities will also bring in more revenue as a source of the fund to stop depending on the exchequer which is not forthcoming as well as increasing liquidity risk to the business.

**Fund's compliance with statutory requirements,**

**Regulations of the fund:** The Public Finance Management Act No 18 of 2012. The Executive Committee Member of Finance has made and gazettes the regulations to operationalize the fund "THE BUNGOMA COUNTY WOMEN AND YOUTH EMPOWERMENT FUND REGULATIONS, 2015"





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**Appointment of the fund Administrator:** under PFM Act 2012, the CECM finance and planning has designated the fund Administrator to oversee the running of the fund on a day to day basis.

**Preparation of the financial statements:** 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 BUNGOMA COUNTY WOMEN AND YOUTH EMPOWERMENT FUND REGULATIONS, 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

**Guiding Principles of operating the Fund:** In the exercise of the powers or the performance of functions under the funds Regulations, the Executive Committee Member, the Committee and the fund administrator shall be guided by the following principles:-

- (a) Public participation and financial inclusiveness;
- (b) Protection of the interests of the marginalized, persons with disability, Women and Youth and Youth and youth; and
- (c) Local ownership and sustainability.

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

- (a) Liquidity risk
- (b) Credit risk
- (c) Capital risk management



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**7. REPORT OF THE TRUSTEES**

The Committee Members submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund's affairs.

**Principal activities**

The principal activities of the Fund are

1. To provide funds to be used for granting low-interest loans, support, revive and initiate micro-enterprises in sectors that can have an immediate impact to household economy;
2. To attract and facilitate investment in economic sectors that have linkages to micro, small and medium enterprises
3. Promoting an entrepreneurial culture.

**Results**

The results of the Fund for the year ended June 30, 2019 are set out on page 5 -8

**Committee Members**

The members of the Committee who served during the year are shown on page 1 In accordance with Bungoma county Women and Youth empowerment fund Regulation, No committee member is due for retire by rotation.

The committee members have been able to effectively discharge their duties through quarterly meetings as well as special meeting during the year under review. Special meetings were necessitated by the change of Chief Officers in charge of the Department of Gender and Culture, that is concerned with the Funds and who is also a committee member, the renewal of substantive Fund Administrator as per PFM Act by CECM in charge of Finance and Economic Planning and the need to review regulations of the Fund. Committee members are more determined than ever to see the growth and success of the Fund.

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Fund Committee

Moses Chebonya

Secretary, Bungoma County Women and Youth Empowerment Fund

Bungoma

Date:..../..../20...





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**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 THE BUNGOMA COUNTY WOMEN AND YOUTH EMPOWERMENT FUND REGULATIONS, 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, 2019. 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 THE BUNGOMA COUNTY YOUTH AND WOMEN AND YOUTH EMPOWERMENT FUND REGULATIONS, 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, 2018, 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 Committee on \_\_\_\_\_ 2019  
and signed on its behalf by:

\_\_\_\_\_  
Fund Administrator





# 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 BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Bungoma County Youth and Women Empowerment Fund set out on pages 20 to 38, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Bungoma County Youth and Women Empowerment Fund as at 30 June, 2019, 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 do not comply with the Bungoma County Youth and Women Empowerment Fund Regulations, 2015 and the Public Finance Management Act, 2012.

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

##### **1. Trial Balance not Provided**

The financial statements for the year under review provided for audit were not supported with the relevant trial balance or ledger.

Consequently, the basis of the amounts reflected therein could not be ascertained.

##### **2.0 Inaccuracies in the Financial Statement**

The financial statements for the year ended 30 June, 2019 provided for audit review contained inaccuracies as detailed below:

##### **2.1 Inaccuracies in Comparative Amounts**

The financial statements for the year ended 30 June, 2019 reflects the following comparative/brought forward account balances which differ with corresponding



balances shown in the previous year's financial statements as indicated. The variances were not reconciled:

Item	Amount as per Current Financial Statements Kshs.	Amounts as per 2017/2018 Financial Statements			Variance Kshs.
		Women Kshs.	Youth Kshs.	Combined Kshs.	
General Expenses	2,809,150	1,416,850	1,395,215	2,812,065	(2,915)
<b>Statement of Financial Position</b>					
Long term receivables	24,458,532	10,084,234	14,294,008	24,378,242	80,290
Accumulated Deficit	(2,852,259)	(1,416,850)	(1,395,215)	(2,812,065)	(40,194)
<b>Statement of Cash Flows</b>					
Fund Administration Expenses	-		1,261,200	1,261,200	(1,261,200)
General expenses	2,809,150	1,416,850	94,015	1,510,865	1,298,285
<b>Notes to the Financial Statements</b>					
<b>Fund Administration Expenses</b>					
Staff Costs	-		450,000	450,000	(450,000)
Loan Processing Costs	-		11,200	11,200	(11,200)
Professional Services Costs	-		800,000	800,000	(800,000)
<b>General Expenses</b>					
Consumables	1,497,300	105,000	15,000	120,000	1,377,300
Printing and Stationary	400,000	400,000	41,100	441,100	(41,100)
Telecommunication	13,000	13,000	5,000	18,000	(5,000)
Hospitality	898,850	898,850	25,397	924,247	(25,397)
Other Expenses	-	-	7,518	7,518	(7,518)
<b>Receivables from Exchange Transactions</b>					
Current Loan Repayment Due	24,458,532	9,161,234	10,181,508	19,342,742	5,115,790
Other Exchange Debtors	1,031,630	923,000	4,112,500	5,035,500	(4,003,870)

In the circumstances, the basis of the comparative balances could not be ascertained.

## 2.2 Statement of Financial Position

The statement of financial position as at 30 June, 2019 reflects total assets figure of Kshs.24,234,335 which differs with total net assets and liabilities balances of Kshs.24,235,026 by un-reconciled variances of Kshs.691. The statement also reflects total net assets and liabilities comparative amount of Kshs.24,833,636 which differs with the recomputed figure of Kshs.24,753,346 by a variance of Kshs.80,290 which was not explained or reconciled.



## 2.3 Statement of Changes in Net Assets

The statement of changes in net assets as at 30 June, 2019 reflects amounts which differ with the respective recomputed amounts as tabulated below. The recomputation was done using figures reflected in the financial statements of Bungoma County Women Empowerment Fund and Bungoma County Youth Empowerment Fund for the year ended 30 June, 2018 and Bungoma County Youth and Women Empowerment Fund for 2018/2019:

	Amount as per Financial Statement Kshs.	Recomputed Amount Kshs.	Variance Kshs.
Revolving Fund Balance as at 1/7/2017	27,605,605	34,171,436	(6,565,831)
Accumulated Surplus/Deficit as at 1/7/2017	(23,737,773)	(7,303,625)	(16,434,148)
Total Net Assets as at 1/7/2017	(3,867,832)	26,867,811	(30,735,643)
Deficit for 2017/2018-Revolving Fund	(2,772,065)	-	(2,772,065)
Deficit for 2017/2018-Accumulated Surplus	(2,772,065)	(2,692,465)	(79,600)
Deficit for 2017/2018-Total	-	(2,692,465)	2,692,465
Revolving Fund Balance as at 1/7/2018	24,833,540	34,171,436	(9,337,896)
Accumulated Surplus/Deficit as at 1/7/2018	(26,509,838)	(9,996,090)	(16,513,748)
Total Net Assets as at 1/7/2018	(1,675,298)	24,175,346	(25,850,644)
Deficit for 2018/2019-Revolving Fund	(598,610)	-	(598,610)
Deficit for 2018/2019-Accumulated Surplus	(598,610)	(598,610)	-
Deficit for 2018/2019-Total	-	(598,610)	598,610
Revolving Fund Balance as at 30/6/2019	24,234,930	34,171,436	(9,936,506)
Accumulated Surplus/Deficit as at 30/6/2019	(27,108,448)	(10,594,700)	(16,513,748)
Total Net Assets as at 30/6/2019	(2,873,518)	23,576,736	(26,450,254)

## 2.4 Statement of Cash Flows

The statement of cash flows for the year under review reflects increase in long term receivables of Kshs.209,530, while re-computation of the balance reflects a decrease of Kshs.357,138. No explanation was provided for this anomaly. In addition, the statement also reflects net cash flows used in investing activities figures of Kshs.209,530 and Kshs.1,031,630 for the years 2018/2019 and 2017/2018 respectively. However, these amounts are not supported with any evidence. Further, the statement reflects cash and cash equivalents at 30 June, 2019 balance of Kshs.104,310 which differs with a corresponding figure of Kshs.132,941 reported in the statement of financial position as at 30 June, 2019.

In the circumstances, the accuracy of the financial statements for the year ended 30 June 2019 could not be ascertained.

### **3. Variance in Receivables from Exchange Transactions**

The statement of financial position as at 30 June, 2019 reflects long term receivables balance of Kshs.24,101,394, while loan repayment status schedule availed for audit shows outstanding loan balances totaling Kshs.22,307,269, resulting in a variance of Kshs.1,794,125. Management has explained that the difference of Kshs.1,794,125 relates to the outstanding Local Purchase Order (LPO) financing products which are not included in the repayment status schedule. However, no schedule of outstanding LPOs or any other evidence in support of the amount of Kshs.1,794,125 was provided for audit.

Consequently, the validity and accuracy of the receivable from exchange transaction balance of Kshs.24,101,394 could not be ascertained.

### **4. Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.132,941. The detailed analysis of cash and cash equivalents, under Note 3 to the financial statements reflects a balance of Kshs.28,631 against Bank Account Number 01141536727100 held at the Co-operative Bank of Kenya. However, this balance of Kshs.28,631 differs with a balance of Kshs.25,831 shown in the certificate of bank balance and cashbook by Kshs.2,800. In addition, document availed in support of cash and cash equivalents amount show that the variance of Kshs.2,800 was the balance in the Co-operative Bank of Kenya's Account No.01141536727101 as at 30 June, 2019, which is not reflected in Note 3. Further, the detailed analysis of cash and cash equivalents shows that Account No.01141536727201 was held at Kenya Commercial Bank, contrary to available evidence which indicates that the Account was held at Co-operative Bank of Kenya.

In view of the foregoing, the accuracy and completeness of the cash and cash equivalent balance of Kshs.132,941 for the year ended 30 June, 2019 could not be confirmed.

### **5. Unsupported General Expenses**

The statement of financial performance for the year under review reflects general expenses amount of Kshs.598,610. However, payment vouchers and related supporting documents in support of general expenses totalling Kshs.264,180, out of the expenses of Kshs.598,610, were not provided for audit verification.

In the circumstances, the accuracy and validity of the general expenses balance of Kshs.598,610 for the year ended 30 June, 2019 could not be confirmed.

### **6. Recovery of Loans and Accrued Interest**

The long-term loan repayment schedules availed for audit shows that total loans advanced amounted to Kshs.47,250,000 out of which, loans totaling Kshs.24,942,731 had been recovered as at 30 June, 2019, while loans amounting to Kshs.22,307,269 were still not recovered from the borrowers. Further scrutiny revealed that annual



repayments have been declining steeply, with very little being repaid in the 2017/2018 and 2018/2019 financial years as shown in the table below:

<b>Financial year</b>	<b>Amount Recovered Kshs.</b>
2015/2016	21,482,379
2016/2017	3,145,122
2017/2018	273,100
2018/2019	42,130

Consequently, the recoverability of the outstanding loans remains doubtful and this may affect sustainability of services by the Fund.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bungoma County Youth and Women Empowerment 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 other key audit matters to report in the year under review.

### **Other Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.40,000,000 and Kshs.41,600 respectively resulting to under-funding of Kshs.39,958,400 or 99% of the budget. Similarly, the Fund expended Kshs.598,610 against an approved budget of Kshs.1,200,000 resulting to under-expenditure of Kshs.601,390 or 50% of the budget. The Fund Management ought to relook at the budget preparation process with a view to making it as effective and realistic as possible in order to achieve the objective for which the Fund was established.

In addition, the statement of comparison of budget and actual amounts reflects transfers from County Government, interest income and general expenses budget amounts of Kshs.38,000,000, Kshs.2,000,000 and Kshs.1,200,000 respectively which were not supported with the relevant approved estimates.

Finally, the statement reflects transfers from County Government utilization of 0% which was not explained in the footnotes, contrary to the recommended reporting template which requires utilization of below 90% to be explained. Further, utilization percentages for interest income, total income, general expenses and total expenses of 4.2%, 0.21%, 7% and 92% differ with recomputed utilization percentages of 2%, 0.1%, 50% and 50% respectively. The anomaly was not explained.

In view of the foregoing, the Fund may not have achieved its objective of delivering services to the youth and women of Bungoma County.

## **2. Progress on Follow Up of Auditor Recommendation**

The progress on follow up of auditor recommendations statement at Note 11 does not include audit issues reported in the Report of the Auditor-General on Bungoma County Youth Empowerment Fund and Bungoma County Women Empowerment Fund for the year ended 30 June, 2018 as required.

Consequently, the financial statements presented for audit, do not comply with International Public Sector Accounting Standards No.1 as prescribed by the Public Sector Accounting Standards Board.

## **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 Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Non-Compliance with Revolving Fund Principle**

As at 30 June, 2019, the Fund had, since its inception in the year 2013/2014, received grants totaling Kshs.75,414,500 from the County Executive of Bungoma. The revolving fund principles dictates that the fund balance should be equal to the initial funds disbursed or it should increase in value which was not the case as at 30 June, 2019 as analyzed below:

<b>Details</b>	<b>Amount Kshs.</b>
<b>Amount Disbursed since Inception of the Fund</b>	<b>75,414,500</b>
Bank Balances as at 30 June, 2019	132,941
Outstanding Loans	24,101,394
<b>Total</b>	<b>24,234,335</b>
<b>Deficit in the Fund Account Utilized as Expenditures not Recoverable</b>	<b>51,180,165</b>

Management has explained that the expenditure of Kshs.51,180,165 was unavoidable as it was spent on setting up policies and regulations of the Fund after it was established and subsequently on recruitment, training and remuneration of staff as provided for in the regulations. Management has, further, indicated that following a discussion with the Controller of Budget, the Fund dropped its staff and instead, engaged the staff of the parent ministry on secondment basis to reduce expenses.



In view of the above, the purpose of the Fund may not be achieved as desired and will lead to difficulty in sustainability of the service.

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 SYSTEMS AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements



are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund financial reporting process, reviewing the effectiveness of how the Fund 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 overall 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 going concern 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 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.

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**14 October, 2021**



**Bungoma County Women and Youth Empowerment Fund**  
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**10. FINANCIAL STATEMENTS**

**10.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED**  
**30<sup>th</sup> JUNE 2019**

	Note	FY2018/2019	FY2017/2018
		Kshs	Kshs
<b>Revenue from exchange transactions</b>			
Interest income	1	41,600	119,600
<b>Total revenue</b>		<b>41,600</b>	<b>119,600</b>
<b>Expenses</b>			
General expenses	2	598,610	2,809,150
<b>Total expenses</b>		<b>598,610</b>	<b>2,809,150</b>
<b>Deficit for the Year</b>		<b>(557,010)</b>	<b>(2,689,550)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.







**Bungoma County Women and Youth Empowerment Fund**  
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**10.2 STATEMENT OF FINANCIAL POSITION AS AT 30<sup>th</sup> JUNE 2019**

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	132,941	375,104
Long term receivables	4	24,101,394	24,458,532
<b>Total assets</b>		<b>24,234,335</b>	<b>24,833,636</b>
<b>Net assets</b>			
Revolving Fund Balance B/fwd.		24,833,636	27,605,605
Accumulated deficit		(598,610)	(2,852,259)
<b>Total net assets and liabilities</b>		<b>24,235,026</b>	<b>24,833,636</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The fund financial statements were approved on \_\_\_\_\_ 2019 and signed by:

  
 Administrator of the Fund  
**Moses Chebonya**

  
 Fund Accountant  
 Washington Makata  
 ICPAK Member Number:



**Bungoma County Women and Youth Empowerment Fund**  
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**10.3 STATEMENT OF CHANGES IN NET ASSETSAS AT 30 JUNE 2019**

	<b>Revolving Fund</b>	<b>Accumulated surplus</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Balance as at 1 July 2017</b>	27,605,605	23,737,773	<b>3,867,832</b>
Deficit for the period	2,772,065	2,772,065	<b>0</b>
<b>Balanceasat30 June 2018</b>	<b>24,833,540</b>	<b>26,509,838</b>	<b>1,676,298</b>
<b>Balance as at 1 July 2018</b>	<b>24,833,540</b>	<b>26,509,838</b>	<b>1,675,298</b>
Deficit for the period	598610	598610	<b>-</b>
<b>Balanceasat30 June 2019</b>	<b>24,234,930</b>	<b>27,108,448</b>	<b>2,873,518</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.



**Bungoma County Women and Youth Empowerment Fund**  
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**10.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2019**

	Note	FY2018/2019	FY2017/2018
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received		41,600	119,600
<b>Total Receipts</b>		<b>41,600</b>	<b>119,600</b>
<b>Payments</b>			
General expenses	1	598,610	2,809,150
<b>Net cash flows from operating activities</b>		<b>(557,010)</b>	<b>(2,689,550)</b>
<b>Cash flows from investing activities</b>			
Increase in long term receivables		209,530	1,031,630
<b>Net cash flows used in investing activities</b>		<b>209,530</b>	<b>1,031,630</b>
<b>Net increase in cash and cash equivalents</b>		<b>(270,794)</b>	<b>(2,870,816)</b>
Cash and cash equivalents at 1 JULY		375,104	3,245,999
<b>Cash and cash equivalents at 30 JUNE</b>		<b>104,310</b>	<b>375,104</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.





**Bungoma County Women and Youth Empowerment Fund**  
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**10.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Transfers from County Government	38,00,000	-	38,00,000	-	38,00,000	0%
Interest income	2,00,000	-	2,00,000	41,600	1,958,400	4.2%
<b>Total income</b>	<b>40,00,000</b>	<b>-</b>	<b>40,00,000</b>	<b>41,600</b>	<b>39,958,400</b>	<b>0.21%</b>
<b>Expenses</b>						
Staff costs	-	-	-	-	-	
General expenses	1,200,000	-	1,200,000	598,610	601,390	7%
<b>Total expenditure</b>	<b>1,200,000</b>	<b>-</b>	<b>1,200,000</b>	<b>598,610</b>	<b>601,390</b>	<b>92%</b>
<b>Surplus for the period</b>	<b>38,800,000</b>	<b>-</b>	<b>38,800,000</b>	<b>(557,010)</b>	<b>39,357,010</b>	<b>2.6%</b>

**Notes:**

- i. The interest income expected for the year under was to amount Kshs.2,000,000 representing 8% on the LPO financing product. The actual on comparable basis amounted to Kshs 41,600. This was the interest income we received on the LPO financing repayments in the fund.
- ii. The year under review, it was expected to receive Kshs 1,200,000 that was to go for general expenses in the fund, representing 3 percent on administration of the fund as the PFM Act provision. On actual comparison on budget Kshs.598,610 was used in running the fund in the year under review, representing 92 percent of the allocation



## 10.6. OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Statement of compliance and basis of preparation

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

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

### 2. Adoption of new and revised standards

- a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019
- b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

### c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.





## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **3. Revenue recognition**

#### **i) Revenue from non-exchange transactions**

##### **Transfers from other government entities**

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

#### **ii) Revenue from exchange transactions**

##### **Interest income**

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

### **4. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly and 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 a deduction appropriation of Ksh 10M on the 2017-2018 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.

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 12 (e) of these financial statements.

## **5. Financial instruments**

### **Financial assets**

#### ***Initial recognition and measurement***

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

#### ***Loans and receivables***

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

#### ***Impairment of financial assets***

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





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

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

#### ***Financial liabilities***

##### ***Initial recognition and measurement***

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

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

##### ***Loans and borrowing***

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

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



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6. 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.

### *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.





## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Contingent assets***

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

### **7. 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.

### **8. 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.

### **9. 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.



#### **10. Comparative figures**

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

#### **11. Events after the reporting period**

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

#### **12. Ultimate and Holding Entity**

The entity is a County Public Fund established by THE BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND REGULATIONS, 2015 under the Ministry of Gender, Culture, Youth Affairs and Sports. Its ultimate parent is the County Government of Bungoma.

#### **13. Currency**

The financial statements are presented in Kenya Shillings (kshs), which is the financial and reporting currency of the fund? All values are rounded off the nearest Kenya shilling.

#### **14. 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.

Judgements, estimates and assumptions made:





## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

### **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

### **Provisions**

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

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

## **15. 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 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:





## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 company 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 loans

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.

### **c) Market risk**

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

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



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

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

**d) 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 company's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

*Management of interest rate risk*

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

*Sensitivity analysis*

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

**e) 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:





## 10.7. NOTES TO THE FINANCIAL STATEMENTS

### 1. Interest income

Description	FY202018/2019	FY202017/2018
	KShs	KShs
Interest income from loans (loans)	41,600	119,600
<b>Total interest income</b>	<b>41,600</b>	<b>119,600</b>

### 2. General expenses

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumables	320,000	1,497,300
Printing and stationery	86,430	400,000
Telecommunication		13,000
Hospitality	192,180	898,850
<b>Total</b>	<b>598,610</b>	<b>2,809,150</b>

### 3. Cash and cash equivalents

Description	FY2018/2019	FY2017/2018
	Kshs	Kshs
Current account	132,941	375,104
<b>Total cash and cash equivalents</b>	<b>132,941</b>	<b>375,104</b>

#### Detailed analysis of cash and cash equivalents

		FY2018/2019	FY2017/2018
Financial institution	Account number	Kshs	Kshs
<b>Current account</b>			
Kenya Commercial bank	01141536727201	61,399	214,615
Cooperative Bank of Kenya	01141536727200	42,911	14,377
Cooperative Bank of Kenya	01141536727100	28,631	65,532
<b>Total</b>		<b>132,941</b>	<b>375,104</b>



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**4. Receivables from exchange transactions**

Description	FY2018//2019	FY2017/2018
	KShs	KShs
<b>Current Receivables</b>		
Current loan repayments due	24,101,394	24,458,532
Other exchange debtors	209,530	1,031,630
<b>Total Current receivables</b>	<b>24,310,924</b>	<b>25,490,162</b>
<b>Total receivables from exchange transactions</b>	<b>24,310,924</b>	<b>25,490,162</b>

**5. 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) Key management;
- c) Board of Trustees; etc





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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:	Timeframe:
				(Resolved / Not Resolved)	(Put a date when you expect the issue to be resolved)
	Sustainability of the fund	Moved all expenses to the ministry	Fund administrator/ committee	<i>Not completely solved</i>	30 <sup>th</sup> June 2019
	Funding of the fund through exchequer	We have applied for the releases with county treasury	The chairperson and chief officer mother ministry	<i>Not Resolved</i>	30 <sup>th</sup> June 2019
	Gazetting of the regulation of the fund	We have gazetted the regulation	County legal attorney	<i>Resolved</i>	30 <sup>th</sup> June 2018
	High loan default rate	We have stopped advancing group loans to youth group until the law is reviewed to tighten loopholes in vetting and exposes the credit risk in any group	Fund administrator	<i>Not Resolved</i>	30 <sup>th</sup> June 2019

