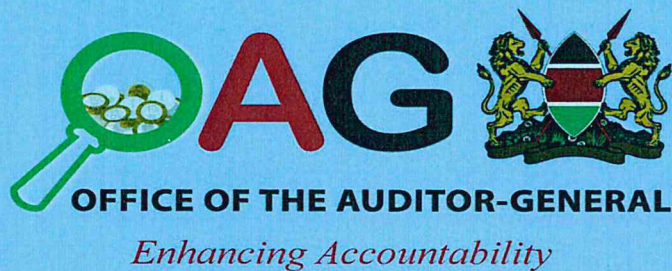


REPUBLIC OF KENYA



PAPERS LAID	
DATE	10/11/22
TABLED BY	Sen. Majority Whip
COMMITTEE	
CLERK AT THE TABLE	S. Njoroge

REPORT

OF

THE AUDITOR-GENERAL

ON

**VIHIGA COUNTY TRADE AND
ENTERPRISE FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**



COUNTY GOVERNMENT OF VIHIGA

VIHIGA COUNTY TRADE AND ENTERPRISE FUND

ANNUAL REPORT AND FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2021

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



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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Vihiga County Trade and Enterprise Fund was formed after extensive consultations between the County Executive and the Members of the County Assembly of Vihiga which resulted in the enactment of Vihiga County Trade and Enterprise Fund Act 2018. The Fund is operationalized by the Vihiga County Trade and Enterprise Fund Regulations 2018.

The beneficiaries of the program comprise of residents, traders and entrepreneurs of Vihiga County.

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide affordable loans to eligible residents of Vihiga County.

Vision

“Powering Your Dream”

Mission

To provide affordable, accessible and sustainable credit to eligible resident, traders and entrepreneurs of Vihiga County

Core Values

The fund upholds the values of:

INTEGRITY: We strive to be honest, fair and ethical in all dealings with our clients, suppliers, partners, co-workers and the communities in which we operate.

ACCOUNTABILITY: We will individually and collectively take full responsibility for our actions and hold ourselves accountable to each other and to all stakeholders.



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c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
1	Chairman	Mr. Boaz Indeje
2	Fund Administrator – Secretary	CPA;CS; Allossah B. Omukuti
3	Chief Officer Trade	Mr. Gilbert E. Vidiya
4	Board Member	Ms. Everlyne Kisato
5	Board Member	Mr. Morris Ayodi
6	Board Member	Mr. Abisai Angote
7	Board Member	Mr. Christopher Kwache
8	Board Member	Mr. Franklin Muchile
9	Board Member	Ms. Doris Anjawa
10	Board Member	Mr. Hajj Amani
11	Board Member	Mr. Rameson Ongalo, OGW
12	Board Member	Ms. Philice Mukhala Khimuli
13	Board Member	Ms. Achungo Lilian Omumia

d) Key Management

Ref	Position	Name
1	Fund Administrator-Secretary	CPA;CS Allossah B. Omukuti
2	Fund Accountant	Geoffrey Moller
3	Credit Manager	Duke Agalomba
4	Secretariat	Josephine Abwao
5	Secretariat	Jotham Amutsama
6	Secretariat	Jenipher Mutuli
7	Secretariat	Aludah Vincent
8	Secretariat	Joyce Vutagwa
9	Secretariat	Mercy Toroitich
10	Secretariat	Iris Mudasia
11	Secretariat	Millicent Khalwala
12	Secretariat	Carol Kajaira
13	Secretariat	Lucy Gathoni
14	Secretariat	Fanuel Mulindi



e) Registered Offices

P.O. Box 344 – 50300,
Maragoli.
Kisumu-Busia Highway,
Kenya.
Email: vihigatradeandenterprisefund@gmail.com
Cell Phone: +254-715838599 / +254-721254849

f) Fund Bankers

Equity Bank,
Mbale Branch,
P.O. Box 75104-00200,
Nairobi, Kenya.

g) Independent Auditors








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

h) Principal Legal Advisor

County Attorney,
County Government of Vihiga,
P.O. Box 344-50300,
Maragoli, Kenya.








2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

NO.	Name	Details of qualifications and experience
1	 Mr. Boaz Indeje	Fund Chairperson FY 2020/2021 and board member in charge of most representative association i.e. The Kenya National Chamber of Commerce
2	 CPA,CS: Allossah B. Omukuti	Fund Administrator and Secretary of the Board of Trustee.
3	 Mr. Gilbert E. Vidija	Chief Officer Trade Industry Tourism and Entrepreneurship and ex officio board member.
4	 Ms. Everlyne Kisato	Board Member in charge of most representative business membership organization i.e. Small-Medium Enterprises.
5	 Mr. Morris Ayodi	Board member in charge of Sabatia sub-county
6	 Mr. Abisai Angote	Chairperson credit committee and a Board member in charge of Vihiga sub-county.
7	 Mr. Christopher Kwache	Board member in charge of Differently Abled Persons.



Vihiga County Trade and Enterprise Fund
Report and Financial Statement
For the year ended 30th June, 2021

NO.	Name	Details of qualifications and experience
8	 Mr. Franklin Muchile	Chairperson Human Resource Committee and Board member in charge of special interest groups i.e. Boda boda sector.
9	 Ms. Doris Anjawa	Chairlady Training Committee and Board member in charge of most representative association of women engaged in micro, small enterprises
10	 Mr. Hajj Amani	Board member in charge of youth engaged in micro and small enterprises.
11	 Mr. Rameson Ongalo, OGW	Chairperson Monitoring and Evaluation Committee and Board member in charge of Luanda Sub-county.
12	 Philice Mukhala Khimuli	Board member in charge of Hamisi sub-county
13	Achungo Lilian Omumia	Board member in charge of Emuhaya sub-county.



3. STATEMENT OF PERFORMANCE AGAINST THE FUND'S PREDETERMINED OBJECTIVE

OBJECTIVES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Overall objective: Improved loan accessibility for SMEs, Co-operatives, Individuals, Differently Abled-Persons and organised groups promoting the socio-economic potential for the residents of Vihiga County	The number of groups, Co-operatives, Individuals, Differently Abled-Persons, SMEs being supported by VCTEF.	-Group's/Individuals transformation -Loan repayment performance	
Specific objective 1: Assessment of loan demands from the interested groups and Individuals	Number of local groups, Differently Abled-Persons, individuals with established business ventures with growth and development attitude Number of groups with a business plan seeking to start the business venture		
Output 1.1: Loan policy programme in place Activities <ul style="list-style-type: none"> - Carry out Training Needs Assessment - Sensitisation of the groups, individuals over loan advancement scheme - Provision of open loan application forms to potential applicants - Vetting of the loan applicants - Evaluation of loan deficit Collaborate with development partners (charities and donor	The number of groups that have applied and enrolled in VCTEF. <ul style="list-style-type: none"> - Baseline survey conducted - Number of groups/individuals identified and sensitized - Number applicants enrolled in VCTEF pool - Number of successful applicants identified, trained and advanced loan - Amount of loan deficit identified Identified development partner to	<ul style="list-style-type: none"> - Baseline survey report - Fully filled application forms with attachments - The approved loan management plan - Project Reports - Participant's/training records Stakeholder mapping	Assumptions: <ul style="list-style-type: none"> - Training policy in place - Loan policy in place - Monitoring and evaluation policy in place

		collaborate with VCTEF		
Specific objective 2: Established loan recovery strategies		Updated loan recovery statement		
Output 2.1: Established efficient loan recovery strategies		Loan recovery strategies incorporated.		
Activities <ul style="list-style-type: none"> - Assessment of potential applicants - Assessment of business ventures - Capacity building of loan secretariat team - Monitoring and Evaluation of the groups and SMEs performance after receipt of the loans 		<ul style="list-style-type: none"> - Established credit committee - Established training committee - Establish Till Number and loan recovery account for loan recovery - Established Monitoring and Evaluation Committee. 	<ul style="list-style-type: none"> - Credit committee reports/minutes - Training reports - Monitoring and evaluation reports - Loan recovery statements 	Assumptions: <ul style="list-style-type: none"> - Loan recovery policy in place - Credit committee in place - Risk management and audit committee in place - Monitoring and evaluation policy in place



4. FUND CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the entire board, the Vihiga County Trade and Enterprise Fund Annual Report and Financial Statement for the period ending 30th June 2021. The financial statement represents the financial performance of the Vihiga County Trade and Enterprise Fund over the FY 2020/2021.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability of its investments, resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

Board and Management Changes

During the FY 2020/2021, there were key Board of Management changes. Ms Philice Mukhala Khimuli and Ms Lilian Achungo Omumia were appointed by the County Executive Committee Member of Trade, Industry, Tourism and Entrepreneurship to represent Hamisi Sub-county and Emuhaya Sub-county respectively. These changes were necessitated by the resignation of Mr Mark Alulu from his position as a board member following his appointment to the Vihiga County Public Service Board and the demise of Hon. Pamella Amunga who was a board member and a representative of Emuhaya sub-county.

Review of performance

Income

During the period under review, the fund had an opening balance of Kes 21,464,890.00 in the Main Account and Kes 6,182,407.00 in the recovery account. The Fund did not receive Kes 25,000,000.00 which was its budgetary allocation during the financial year 2020-2021 from the County Executive. The fund was able to recover Kes 6,875,276.00 from the loan beneficiaries.

Expenditure

The Fund incurred an expenditure of Kes 10,754,208.00 during the period under review on administrative and general expenses.

Future outlook

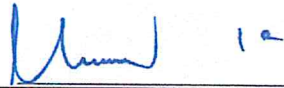
The outlook of the Fund for the FY 2021/2022 looks brighter. The fund hopes to expand its revenue sources so as to improve its capital base. The management is focused to build a robust and a sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in service delivery. The fund looks forward to continued support from the County Government and development partners in the realization of its objective.



Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the County Government, stakeholders, management, staff and fellow board members for their support. I look forward to your continued support with the Vihiga County Trade and Enterprise Fund.

Signed: _____



Boaz Indeje
BOARD CHAIRPESON



5. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Vihiga County Trade and Enterprise Fund annual report and financial statements for the year ended 30th June 2021. The financial statements represent the financial performance of the fund over the past financial year 2020/2021.

During the period under review the fund had an opening balance of Kes 27,647,297.00 in the Main Account and recovery account. The Fund did not receive its budgetary allocation from the County Executive. The fund was also able to recover Kes 6,875,276.00 from the beneficiaries of the cheque amount issued.

Financial Performance

a) Revenue

In the year ending 30th June, 2021 the fund had a closing balance of Kes. 76,984.00 In its main account and Kes 1,907,276.00 in its loan recovery account. The Fund is exploring other ways of increasing its capital base mostly through donors and strategic partnerships.

b) Loans

During the period under review the net outstanding loan advances amounted to Kes. 45,517,972.00 The fund explored other mechanisms of encouraging beneficiaries to repay their loans on timely basis. For instance, this has been actualized through establishment of Safaricom pay bill number **247247** for loan recoveries, training, publicity campaigns and awareness. The fund also took-over liabilities from Vihiga County Community Empowerment fund of Kes 36,336,456.00 attributable to net outstanding loans which shall be verified and consolidated in the preceding FY 2021/2022.

Cash flows

In the period under review the fund did not receive its budgetary allocation from the County Executive as captured in the approved budget. Following the winding up of Vihiga County Community Empowerment Fund by the County Assembly and taking over of its assets, the cash and cash equivalents at the end of the period under review was Kes. 1,984,260 Attributable to the bank balances in its main and recoveries account of VCCEF.

c) Conclusion

I take this opportunity to thank the Vihiga County Trade and Enterprise Fund Board for their support, the secretariat team and other stakeholders who have ensured that Vihiga County Trade and Enterprise Fund achieve its mission, vision and objectives.

Signed: _____

CPA; CS; Allossah B. Omukuti
FUND ADMINISTRATOR
MEMBER NO. 8820



6. CORPORATE GOVERNANCE STATEMENT

THE BOARD

The Vihiga County Trade and Enterprise Fund is a revolving fund established pursuant to Vihiga County Trade and Enterprise Act, 2018. The Fund is operationalized by the Vihiga County Trade and Enterprise Fund regulations, 2018.

The Fund mandate is to provide affordable and accessible loans to traders and entrepreneurs of Vihiga County.

The fund is in the process of putting up a robust corporate governance structure to guide its operations with other stakeholders.

BOARD MEETINGS

The Board meets quarterly or as need arises in order to monitor and review the implementation of the fund's strategic decisions. It plays an oversight role on all financial and operational issues as pertains to the Fund. The Trustees held fourteen board meetings during the financial year under review.

AUDIT AND RISK COMMITTEE

There exists an established Independent Vihiga County Trade and Enterprise Fund Audit and Risk Committee whose mandate is to oversight utilisation of Public Funds in the fund as guided by Vihiga County Trade and Enterprise Fund Act, 2018 and the Public Finance Management Act, 2012

STATEMENT OF COMPLIANCE

The Board confirms that the fund has complied with all the statutory and regulatory requirements and that the fund has been managed in accordance with the Principles of Good Corporate Governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The board is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.



Statement of Corporate Governance (Continued)

Internal Control Framework

Internal controls are reviewed by the external auditors. Where weaknesses are identified, the auditor recommends appropriate actions to be taken by the management.

Management Team

The management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently. The management team is comprised of the secretariat who are stationed in respective sub counties.

Auditor

The fund is audited by the Auditor General Kenya



7. MANAGEMENT DISCUSSION AND ANALYSIS

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 operating 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.

The management has ensured that we comply with statutory requirements relating to the functions of the fund.

BUSINESS PERFORMANCE

Revenue

The fund received its budgetary allocation of Kshs.33Million from the County Executive in FY 2018/2019 and Kes 26,977,000.00 in FY 2019/2020, which has continued to sustain the Fund's objectives in the financial year under review. During the FY under review the fund did not receive its budgetary allocation from the County Executive.

Cash flow

The cash and cash equivalents at the end of the period under review was Kes 1,984,260.00. Attributable to the bank balances in its main and recoveries account.

OPERATIONAL PERFORMANCE

The fund's core operating activity is to offer affordable and accessible credit to the traders and entrepreneurs of Vihiga County.

Employees

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services. However, Vihiga County Trade and Enterprise Fund Staff Establishment has a variance of thirty positions against an authorised fifty-three positions. The employees of the Fund are staff seconded by the Department of Trade, Industry, Tourism and Entrepreneurship.

Conclusion

We appreciate the unrelenting support from the Board of Trustees, Management Staff, The County Government of Vihiga, partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the period to come.



8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate social responsibility is an integral part of our culture. As a responsible organisation, we respect the interests of our stakeholders – our employees, customers, suppliers and the wider community and we actively seek opportunities to improve the business environment and to contribute to the well-being of the communities around us.

During the financial year 2019/2020, the Vihiga County Trade and Enterprise Fund gave out face masks as a measure to contain the spread of Covid 19 to the residents of Vihiga County and the entire nation.

We are looking forward to getting involved in more Corporate Social Responsibility activities by partnering with other stakeholders in areas of mutual interest.



9. REPORT OF THE TRUSTEES

The Trustees submit their report and financial statements for the year ending 30th June 2021 which show the state of the Fund affairs during the financial year.

Principal activities

The principal activity of the Fund is to provide financing to the eligible Vihiga County business people to improve their business and in the long run improve their living standards.

Results

The results of the Fund for the year ending 30th June 2021 are set out in the financial statements and report.

Trustees

The Board of Trustees who served during the year under review is captured above.

Auditors

The Auditor General Kenya 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



MR. Boaz Indeje

CHAIRPERSON

Date: 2nd September, 2022



10. 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 Vihiga County Trade and Enterprise Fund Act 2018 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the International Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Vihiga County Trade and Enterprise Fund Act 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 2nd September, 2022 and signed on its behalf by:

Signed: _____



CPA; CS; Allossah B. Omukuti
FUND ADMINISTRATOR
MEMBER NO. 8820



11. REPORT OF THE INDEPENDENT AUDITOR



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON VIHIGA COUNTY TRADE AND ENTERPRISE FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal 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 Vihiga County Trade and Enterprise Fund set out on pages 20 to 40, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 Vihiga County Trade and Enterprise Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Vihiga County Trade and Enterprise Fund, 2018 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

1.1 Statement of Financial Position

The statement of financial position reflects net assets of Kshs.49,463,032. However, the statement of changes in net assets reflects a balance of Kshs.1,984,260 for the same component resulting to an unexplained and unreconciled variance of Kshs.47,478,772.

1.2 Statement of Financial Performance

The statement of financial performance and as disclosed in Note 5 to the financial statements, reflects general expenses of Kshs.9,739,277 which includes Kshs.744,725 in respect of depreciation of assets. Although the Management explained that the straight-line method of depreciation was applied in computation of depreciation charge, the Fund did not have a depreciation policy in place.

Further, the statement reflects fund administrative expenses and fund general expenses of Kshs.1,014,931 and Kshs.9,739,277 respectively. According to the guidelines in the financial reporting template (revised 30 June, 2021) issued by the Public Sector Accounting Standards Board, the fund administrative expenses as reflected in Note 4 to the financial statements relate to fund general expenses. Similarly, fund general expenses totalling to Kshs.8,168,142 reflected in Note 5 to the financial statements were in respect of fund administrative expenses. In the circumstances, the expenses were misclassified.

1.3 Statement of Changes in Net Assets

The statement of changes in net assets reflects an opening balance of Kshs.27,647,297 while the audited financial statements for the year ended 30 June, 2020 reflects a closing balance of Kshs.21,339,890 resulting to an unexplained and unreconciled variance of Kshs.6,307,407. Further, the statement reflects nil balance for the revolving fund yet the statement reflects funds received from the County Government during the previous years and the year under review. In addition, the statement reflects an unsupported

accumulated surplus of Kshs.1,984,260 which was not reflected in the statement of financial position.

1.4 Statement of Cash Flows

The statement of cash flows reflects prior year amount in respect of proceeds from revolving fund receipts of Kshs.6,875,276 while the audited financial statements for the 2019/2020 financial year reflects a balance of Kshs.6,307,407 resulting to an unexplained and unreconciled variance of Kshs.567,869.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unsupported Transfers from County Government

The statement of financial performance reflects Kshs.10,808,893 in respect of transfers from County Government while the supporting Note 3 to the financial statements reflects a revenue allocation analysis for the Fund during the year under review. The relevant supporting Note 1 to the financial statements reflects transfers from Vihiga County Government of Kshs.59,070,880 as a brought forward amount from the previous year resulting to an unexplained and unreconciled variance of Kshs.48,261,987.

In the circumstances, the accuracy of transfers from the County Government of Kshs.10,808,893 could not be confirmed.

3. Outstanding Loans Advanced to Beneficiaries

The statement of financial position and as disclosed in Note 9 to the financial statements, reflects outstanding loan advanced to beneficiaries' balance of Kshs.45,533,697. However, the balance was not analyzed to disclose separately the current and long-term portion of the receivables. Further, no disclosure was made in the financial statements in regard to loan defaulters, interest accrued, and penalties charged to defaulters.

In the circumstances, the accuracy of outstanding loans advanced to beneficiaries' balance of Kshs.45,533,697 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Vihiga County Trade and Enterprise 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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis of Conclusion

1. Presentation of the Financial Statements

Review of the financial statements revealed that the dates of birth, key academic and professional qualifications and work experience for the members of the Fund Administration Committee were not disclosed in the relevant sections of the financial statements.

In the circumstances, the financial statements did not comply with the financial reporting framework prescribed by the Public Sector Accounting Standards Board.

2. Exceeded Limit on Fund Administrative Expenses

The statement of comparison of budget and actual amounts reflects total expenditure budget of Kshs.37,082,313. The statement of financial performance reflects fund administrative expenses of Kshs.1,014,931. However, the amount was not correctly classified. The recomputed amount for administrative expenses was Kshs.8,168,142 representing 22% of the expenditure budget. This was contrary to Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the administration costs of the fund shall be a maximum of three (3) per cent of the approved budgets of the Fund.

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 section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and 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 controls, risk management and overall 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, 2019.

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 manner.

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 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 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 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 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 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 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

04 October, 2022

12. FINANCIAL STATEMENTS

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

	NOTE	FY 2020-2021 KES	FY 2019-2020 KES
Revenue from non-exchange transactions			
Transfer from County Government b/f	3	10,808,893	26,977,000
		-	-
		10,808,893	26,977,000
Revenue from exchange transactions			
Other income (Direct Deposits)		-	-
		-	-
Total Revenue		10,808,893	26,977,000
EXPENDITURE			
Fund administrative expenses	4	1,014,931	809,310
General expenses	5	9,739,277	6,826,430
Total Expenditure		10,754,208	7,635,740
Surplus / Deficit		54,685	19,341,260

The accounting policies and explanatory notes to the end year financial statement form an integral part of this Comprehensive Income Statement. The Vihiga County Trade and Enterprise Fund Income Statement was approved on 2nd September, 2022 and signed by:



CPA; CS; Allossah B. Omukuti
FUND ADMINISTRATOR
MEMBER NO. 8820



Boaz Indeje
CHAIRPERSON

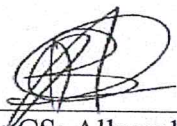


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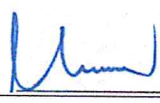
12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	NOTE	FY 2020-2021 KES	FY 2019-2020 KES
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	1,984,260	27,647,297
Outstanding advances		-	-
		1,984,260	27,647,297
NON-CURRENT ASSETS			
Outstanding loan advanced to beneficiaries	9	45,533,697	23,057,943
Property, plant and equipment	7	1,398,408	729,900
Intangible assets-software	8	546,667	-
		-	-
TOTAL ASSETS		47,478,772	23,787,843
LIABILITIES			
Current liabilities			
Accounts payables		-	-
NON-CURRENT LIABILITIES			
Non-current employee benefit obligation		-	-
TOTAL LIABILITIES		-	-
NET ASSET		49,463,032	51,435,140
Financed by	3	49,408,347	32,093,880
Surplus		54,685	19,341,260
		-	-
		49,463,032	51,435,140

The accounting policies and explanatory notes to the end year financial report form an integral part of this Statement of Financial Position. The Vihiga County Trade and Enterprise Fund Statement of Financial Position was approved on 2nd September, 2022 and signed by:


 CPA, CS; Allossah B. Omukuti
FUND ADMINISTRATOR
MEMBER NO. 8820




 Boaz Indeje
CHAIRPERSON

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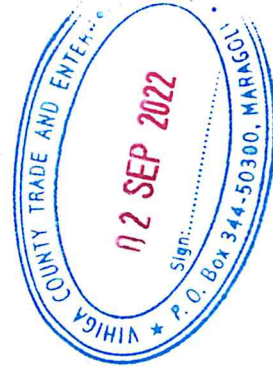
12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Accumulated surplus	Total
	KES	KES	KES
Balance as at 1st July 2019	-	32,093,880	32,093,880
Surplus/(deficit)for the period	-	-	-
Funds received during the year	26,977,000	-	26,977,000
Funds Recovered during the year	6,307,407	-	6,307,407
Revaluation gain	-	-	-
Utilization	(37,730,990)	-	37,730,990
Balance as at 30th June 2020	-	27,647,297	27,647,297
Balance as at 1st July 2020	-	27,647,297	27,647,297
Surplus/(deficit)for the period	-	-	-
Funds received during the year	4,544,000	-	4,544,000.00
Funds Recovered during the year	6,875,276	-	6,875,276.00
Revaluation gain	-	-	-
Utilization	(37,082,313)	-	(37,082,313.00)
Balance as at 1st July 2021	=	1,984,260	1,984,260

The accounting policies and explanatory notes to the end year financial report form an integral part of this Statement of Changes in Net Assets. The Fund Statement of Changes in Net Assets was approved on 2nd September, 2022 and signed by:

CPA; CS; Allossah B. Omukuti
FUND ADMINISTRATOR
MEMBER NO. 8820

Mr. Boaz Indeje
CHAIRPERSON



**Vihiga County Trade and Enterprise Fund
Report and Financial Statement
For the year ended 30th June, 2021**

12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	FY 2020-2021 KES	FY 2019-2020 KES
Cash flow from operating activities			
Receipts			
Transfers from the County Government	1	-	26,977,000
Transfers from the VCCEF	2	4,544,000	-
Interest received			-
Total Receipts from Operating Activities		4,544,000	26,977,000
Payments for operating expenses			
Fund Administrative Expenses	4	(1,014,931)	(809,310)
Fund General Expenses	5	(9,739,277)	(6,826,430)
Finance Cost		-	-
Adjusted for			
Decrease/(Increase) in Accounts receivable:		-	-
Increase/(Decrease) in Accounts Payable:		-	-
Net cash flow from operating activities		(6,210,208)	19,341,260
CASHFLOW FROM INVESTING ACTIVITIES			
Purchase of Computers and accessories	7	(1,140,800)	(729,900)
Intangible assets-software	8	(820,000)	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out	9	(24,367,305)	(29,365,350)
Net cash flow from investing activities		(26,328,105)	(30,095,250)
CASHFLOW FROM FINANCING ACTIVITIES			
Outstanding Advances		-	-
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from revolving fund receipts	9	6,875,276	6,307,407
Net cash flows used in financing activities		6,875,276	6,307,407
Net Increase In Cash and Cash Equivalent			
Cash & cash equivalent at BEGINNING of the period		27,647,297	32,093,880
Cash and cash equivalent at END of the period		1,984,260	27,647,297

The accounting policies and explanatory notes to the end year financial report form an integral part of this Cash Flow Statement. The fund Cash Flow Statement was approved on 2nd September, 2022 and signed by:

CPA; CS Allossah B. Omukuti
FUND ADMINISTRATOR
MEMBER NO.8820

Mr. Boaz Indeje
CHAIRPERSON



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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2020/2021 KES	2020/2021 KES	2020/2021 KES	2020/2021 KES	2020/2021 KES	2020/2021 KES
Revenue						
Public contributions and donations	-	-	-	-	-	-
Balance b/f Main a/c	21,464,890	-	21,464,890	21,464,890	-	100
Balance b/f Recovery a/c	6,182,407	-	6,182,407	6,182,407	-	100
Transfers from recovery a/c	4,968,000	-	4,968,000	4,968,000	-	100
Transfers from Community Empowerment Fund	4,544,000	-	4,544,000	4,467,016	76,984	98
Total income	37,159,297	-	37,159,297	37,082,313	76,984	99
Expenses						
ADMINISTRATIVE	KES	KES	KES	KES	KES	KES
Other Operating Expenses - bank charges	73,100	-	73,100	70,090	3,010	95
General administrative Expenses	235,540	-	235,540	229,310	6,230	97
Telephone, Telex, Facsimile and Mobile Phone Services	-	-	-	-	-	-
Catering Services (receptions), Accommodation, Gifts, Food and Drinks	374,383	-	374,383	366,900	7,483	98
Advertising, Awareness and Publicity Campaigns	48,000	-	48,000	48,000	-	100
Maintenance & Repair of Motor Vehicle	160,000	-	160,000	150,631	9,369	94
Refined Fuels and Lubricants for Transport	150,000	-	150,000	150,000	-	100
Administrative Sub-Total	1,041,023	-	1,041,023	1,014,931	26,092	97



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021
Continued

	Original budget KES	Adjustments KES	Final budget KES	Actual on comparable basis KES	Actual on comparable basis KES	Performance difference KES
GENERAL EXPENSES						
Daily Subsistence Allowance	3,500,611	-	3,500,611	3,494,012	6,599	99
Depreciation	744,725	-	744,725	744,725	-	
Publishing & Printing Services	-	-	-	-	-	
Production and printing of Training Materials	-	-	-	-	-	
Training Expenses - Others (Bud	2,050,127	-	2,050,127	2,036,130	13,997	99
Board Allowances	1,324,000	-	1,324,000	1,324,000	-	100
General Office Supplies (papers, pencils, forms, small office equipment etc.)	834,407	-	834,407	826,410	7,997	99
Legal Dues, Insurance, Arbitration and compensation payments,	-	-	-	-	-	
Fund Airtime Allowance	1,314,000	-	1,314,000	1,314,000	-	100
General Expenses Sub-total	9,767,870	-	9,767,870	9,739,277	28,593	99
NON-CURRENT ASSETS	KES	KES	KES	KES	KES	KES
Purchase of Office Furniture & Fittings	-	-	-	-	-	
Purchase of Computers, Printers and other IT Equipment	1,140,800	-	1,140,800	1,140,800	-	100
Data management system	826,999	-	826,999	820,000	6,999	99
Non- current Sub-total	1,967,799	-	1,967,799	1,960,800	6,999	99
NON-CURRENT ASSETS	KES	KES	KES	KES	KES	KES
Loans to Beneficiaries	24,382,605	-	24,382,605	24,367,305	15,300	99
Non- current Sub-total	24,382,605	-	24,382,605	24,367,305	15,300	99
Total expenditure	37,159,297	-	37,159,297	37,082,313	76,984	99
Surplus for the period				76,984		

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P. O. Box 344-50300

12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the period under review

Standard	Effective date and impact:
IPSAS39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

b) New and amended standards and interpretations in issue but not yet effective in the period under review

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: 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 adopt any new or amended standards in the period under reviews



***Vihiga County Trade and Enterprise Fund
Report and Financial Statement
For the year ended 30th June, 2021***

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 Fund received additional appropriations.

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 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.



Vihiga County Trade and Enterprise Fund

Report and Financial Statement

For the year ended 30th June, 2021

Summary of significant accounting policies (continued)

5. Property, plant and equipment

The Fund acquired computers and accessories worth Kes 1,140,800.00 in the period under review. The cumulative property plant and equipment is Kes 1,869,800 as captured (under note number 7) as at 30th June 2021. The fund uses straight-line method of depreciation and during the period under review the accumulated depreciation on property plant and equipment was Kes 471,392 and the net book value was Kes 1,398,408.

6. Intangible assets

7. The Fund acquired a data management - software worth Kes 820,000.00 in the period under review. The data management system had an accumulated impairment of Kes 273,333 and a net book value of Kes 546,667

8. 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 effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.



Held-to-maturity

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an 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.



Vihiga County Trade and Enterprise Fund

Report and Financial Statement

For the year ended 30th June, 2021

Summary of significant accounting policies (continued)

9. 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.

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.

10. Provisions

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

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

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

Contingent liabilities

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



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.

11. Nature and purpose of reserves

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

12. 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.

13. 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.

14. 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.

15. 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.



16. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. Since this is the first year of reporting, there were no comparative figures.

17. Events after the reporting period

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

18. Ultimate and Holding Entity

The entity is a County Public Fund established by Vihiga County Trade and Enterprise Act, 2018. The Fund is operationalized by the Vihiga County Trade and Enterprise Fund regulations, 2018. Its ultimate parent is the Vihiga County Executive.

19. Currency

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

20. 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.

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



21. 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 operating 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 counter party 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 Board. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Funds management based on prior experience and their assessment of the current economic environment.

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.

c) Market risk

The board engages the services of internal audit 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.

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



i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The fund'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.

d) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern.



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12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	2020/2021	2019/2020
	KES	KES
Balance b/f	59,070,880	32,093,880
Transfers from Vihiga County Government	-	26,977,000
	-	-
Total	59,070,880	59,070,880

2. Revenue for the fund

Description	2020/2021	2019/2020
	KES	KES
Balance b/f Main Account Equity	21,464,890	32,093,880
Transfer From County Govt.	-	26,977,000
Loan Disbursement FY 2019/2020	23,057,943	
Transfer From Recovery Account	11,150,407	-
Transfers from VCCEF account	4,544,000	-
Total	60,217,240	59,070,880

3. Analysis for revenue allocation during the period under review

Description	2020/2021	2019/2020
	KES	KES
Administrative Expenses	1,041,023	809,310
General Expenses	9,767,870	10,098,456
Sub-Total	10,808,893	10,907,766
Non Current Assets	1,967,799	-
Loan Disbursement FY 2019/2020	23,057,943	32,093,880
Loan Disbursement FY 2020/2021	24,382,605	-
Sub-Total	49,408,347	32,093,880
Grand Total	60,217,240	43,001,646



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Fund Administrative Expenses

Description	2020/2021	2019/2020
	KES	KES
Other operating expenses Bank charges	70,090	41,220
General Administrative Expenses	229,310	276,590
Postage and Telephone	-	107,000
Catering services	366,900	182,500
Advertisement, Awareness and Publicity Campaign	48,000	21,000
Maintenance and Repair of Motor Vehicle	150,631	75,000
Refined Fuel and Lubricants for Transport	150,000	106,000
Total	1,014,931	809,310

5. Fund General Expenses

Description	2020/2021	2019/2020
	KES	KES
Production and printing of Training Materials	-	174,580
Training Cost	2,036,130	3,176,900
Board Allowance	1,324,000	1,701,200
General office supplies	826,410	723,400
Insurance	-	489,000
Fund Airtime Allowance	1,314,000	-
Depreciation	744,725	-
Daily Subsistence	3,494,012	561,350
Total	9,739,277	6,826,430



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Cash and Cash Equivalent

Description	2020/2021	2019/2020
	KES	KES
Current account	1,984,260	27,647,297
Others	-	-
Total cash and cash equivalents	1,984,260	27,647,297

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

		2020/2021	2019/2020
Financial institution	Account number	KES	KES
Current account			
Equity Bank - Recovery Account	960278742949	1,907,276	6,182,407
Equity Bank - Main Account	960278742925	76,984	21,464,890
KCB-Recovery Account	1166810348	-	-
KCB-Main Account	1166809986	-	-
Grand total		1,984,260	27,647,297



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Property, Plant and Equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KES	KES	KES	KES	KES
At 1 st July 2019	-	-	-	-	-
Additions	-	-	729,000	-	729,000
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30 th June 2020	-	-	729,000	-	729,000
At 1 st July 2020	-	-	729,000	-	729,000
Additions	-	-	-	1,140,800	1,140,800
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30 th June 2021	-	-	729,000	1,140,800	1,869,800
Depreciation and impairment	KES	KES	KES	KES	KES
At 1 st July 2019	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 th June 2020	-	-	-	-	-
At 1 st July 2020	-	-	-	-	-
Depreciation	-	-	(91,125)	(380,267)	(471,392)
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30 th June 2021	-	-	(91,125)	(380,267)	(471,392)
Net book values	KES	KES	KES	KES	KES
At 30 th June 2020	-	-	729,000	-	729,000
At 30 th June 2021	-	-	637,875	760,533	1,398,408



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Intangible Assets-software

Description	2020/2020	2019/2020
	KES	KES
Cost		
At 1 st July 2020	-	-
Additions	820,000	-
At 30 th June 2021	820,000	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	(273,333)	-
At 30 th June 2021	(273,333)	-
NBV	546,667	-

9. Outstanding Loans to Beneficiaries

Description	FY 2020/2021	FY 2019/2020
	KES	KES
Opening Balance	23,057,943	29,365,350
Additions	24,367,305	-
Sub-total	47,425,248	29,365,350
Less Repayments	(6,875,276)	(6,307,407)
Refinancing	4,983,725	-
Balance at end of the period	45,533,697	23,057,943

10. Related party balances

a) Nature of related party relationships

- The County Government of Vihiga;
- The Department of Trade Industry Tourism and Entrepreneurship
- The Vihiga County Trade and Enterprise Fund Board;
- The Vihiga County Trade and Enterprise Fund secretariat



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11. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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)
OAG/KSM/2020 -2021-2-01- 0038-21- VCTEF/1	A review of operations during the year indicated that the Fund operated without any insurance services. This is contrary to regulation 26(4) of the public finance management (county government) Regulations, 2015 which requires every loan granted to be insured for the benefit of the borrower and the premium in respect thereof debited to the account of the borrower. It further states that in case of the death of a loanee, when the loan amount remains in arrears, the County Committee shall file a claim with the insurance firm for settlement of the outstanding amount.	At the time of audit for six months period ended 30 th June, 2019, the loans had not been issued out to successful applicants. The vetting and appraisal of the applicants was ongoing. Therefore, it was not possible to determine the sum assured for purposes of procuring insurance services. The fund received its first allocation from the county executive on 14 th June 2019 and the tendering process for the insurance services required at least 21 days before awarding the successful bidder. The fund finally managed to procure insurance services for the issued loans during the financial year 2019/2020.	CPA, CS ALLOSSAH B. OMUKUTI FUND ADMINISTRATOR	NOT RESOLVED	FY 2021/2022



