

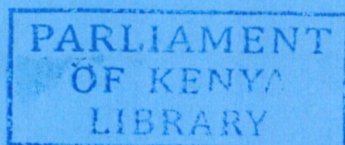
REPUBLIC OF KENYA



Enhancing Accountability

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REPORT



OF

THE AUDITOR-GENERAL

ON

**BUNGOMA COUNTY YOUTH AND
WOMEN EMPOWERMENT FUND**

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



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**COUNTY GOVERNMENT OF BUNGOMA
FUND COMMITTEE
BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2022**

**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

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

The fund's objective is to;-

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

The Fund's principal activity

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;

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 loans.

**Bungoma County Youth and Women Empowerment Fund
Reports and Financial Statements
For the year ended June 30, 2022.**

Board of Trustees/Fund Administration Committee

| Ref | Position | Name |
|-----|---|-------------------------|
| | Chairman of the Board | Saphia Awil Ibrahim- |
| 1 | Chief Officer | Saphia Awil Ibrahim- |
| 2 | Chief Officer finance(representative) | Musungu Joseph |
| 3 | Committee Members (PWLDS representative) | Adrian Sakwa- |
| 4 | Fund Administrator | Moses Chebonya |
| 5 | Committee Members (CBO representative) | Rev Johnstone Wanyonyi- |
| 6 | Committee Member (Youth Representative) | MetrineTenga- |
| 7 | Committee Members (County Legal Representative) | Cynthia Nanyokia- |
| 8 | Member/Women Representative | Ummi Maloba- |

c) Key Management

| Ref | Position | Name |
|-----|-----------------------------|-------------------|
| 1 | Fund Manager/ Administrator | Moses Chebonya |
| 2 | Fund Accountant | Washington Makata |
| 3 | Fund Clerks | Lydia Wanjala. |

d) Fiduciary Oversight Arrangements

| Ref | Position | Name |
|-----|---|-------------------|
| 1 | Directorate Internal Audit | Brian Makokha |
| 2 | Executive Audit Committee | Committee members |
| 3 | County Assembly Sector committee of women and Youth | County assembly |
| 4 | County Office of the Controller budget | Dennis Nyamwea |

**Bungoma County Youth and Women Empowerment Fund
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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
www.bungoma.go.ke

g) Fund Bankers

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




h) Independent Auditors

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





i) Principal Legal Adviser

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

2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE.

| Name | Details of qualifications and experience |
|--|---|
|  <p>Saphia Awil Ibrahim</p> | <p>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</p> <p>The member is an executive chairperson.</p> <p>She is 32 years old</p> |
|  <p>Moses Chebonya</p> | <p>Masters in Gender and advocacy. Bachelor of Arts Education specialising in English literature. He is the director of Gender affairs in the department</p> <p>The member is a Fund Administrator, prior to his appointment; he was a deputy principle of a high school.</p> <p>Main responsibility, Oversees daily fund operations.</p> <p>He is 50 years old</p> |
| <p>Rev: Johnston Nyongesa</p> | <p>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. He is an independent director as a member representing Business community and faith-based community</p> <p>He is 61 years old</p> |
|  <p>Joseph Musungu</p> | <p>He is the accountant in charge of reporting unit at the county government treasury. A certified public accountant (CPA K). A representative of the chief officer finance and economic planning in the fund.</p> <p>He is 5 years old</p> |

Bungoma County Youth and Women Empowerment Fund
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For the year ended June 30, 2022.

| | |
|---|---|
|  | <p>Prior to his appointment, he worked as the director of Bungoma county disabled network; He is the coordinator of NCPLD Bungoma branch. He holds a Bachelor of Arts linguistic religion from Kampala University.</p> <p>He is 39 years old</p> |
|  | <p>She is the current NYC executive member in the region. A diploma holder in corporative management from Cooperatives college University. She is an independent director representing youths affairs</p> <p>She is 33years old</p> |
|  | <p>The member works as the secretary of Maendeleo ya Wanawake Bungoma county chapter. Academic qualifications; diploma in gender advocacy and mainstreaming from hamburger institute of Canada. She is 45 years old</p> <p>She is an independent director in the fund representing women.</p> |
|  | <p>She holds LLB holder from university of Nairobi, post graduate diploma from the LSK an advocate of the low court. Currently she works in the county legal office.</p> <p>She is an executive director in the fund representing County Attorney.</p> |

3. STATEMENT OF PERFORMANCE AGAINST BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the Bungoma County Youth and Women Empowerment Fund the periods under review are as follows

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

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

| Program | Objective | Outcome | Indicator | Performance |
|--|---|--|--|--|
| Bungoma County Youth and Women Empowerment Fund. | To enhance economic activities and social welfare of the disadvantaged persons in the society through access to cheap loans | Increased youth and Women individual/ groups accessing the loans | No groups benefited in loans but upgraded to Sacco and individual enterprises to upscale their economic activities | FY 21/22 -No transfer from the county exchequer. -No advance of loan facility to groups due to on-going review of regulations to close loopholes during vetting. |
| | To attract & facilitate investment in economic sectors that have linkages to micro, small and medium enterprises | Increased number of investment partners to provide cheap loans and grants. | 13 % of partners representing 5 partners providing credit facilities and grants to the society. | FY 2021/2022 21 groups accessed financial aid from our corporate investment partners. |
| | To Facilitate formalization and upgrading of informal micro and small enterprises; and promoting an entrepreneurial culture | Approved legislations and partnership deeds that improve and promote entrepreneurial culture and as well upgrading SMES. | partners ministry of natural resource and environment world bank environmental programme | FY 2021/2022 No groups upgraded to Sacco after training and recommendations' Entered an agreement with KCB Bank to train our youths and advance them loans to employ themselves. |

Challenges Bungoma County Youth and Women Empowerment Fund

a. Long outstanding loan/defaulters.

Currently there is huge uncollected amount of money outstanding as loans. Efforts to recover have yielded little resulted. Together with internal audit we are verifying the status of our beneficiaries to identify those that we can recover and those that we cannot trace for recovery.

Those we can recover, we indent to commence legal process to recover the outstanding amount.

b. No budget allocation.

For the last four years, the department has not allocated funds to the programme. Failure to access exchequer funding for the four year as the main sources of funding to the programme and huge default rate has negatively impacted on the working capital of the programme. We are unable to run some programmes and activities as scheduled and this has a huge impact on the success of the program.

c. Political interference.

The political input has negatively affected the programme, mainly in areas where their political rivalry the government of the day. Some local leaders have told residents not to repay the loan saying its government money and one should not be forced to repay.

d. Huge unemployment among youths

Huge unemployment status amongst the youths has created an artificial demand amongst the youths for loans just as the last resort. They join groups not for just to seek for funding to engage in job search but they don't implement projects that they requested funds for.

e. Inadequate knowledge on saving and investments.

A number of youths who are willing to enter groups for economic empowerment, majority are semi illiterate or no education at all. Despite interest to form groups for economic or social empowerment they suffer knowledge deficiency and experience to undertake some projects that can genuinely impact them positively.

Opportunities of Bungoma County Youth and Women Empowerment Fund

The presence of larger population in Bungoma County is made of youths and women comprising of 67% from 2019 total population censuses. This is a good factor to consider coming up with radical youth and women oriented programmes that targets larger percentage of the population. This ensures already available clients for consumption of the programme and quick positive impact economically and socially to the community.

Devolved programmes in the community that targets youths and women.

More programmes have been devolved either from the National Government or County Government to empower the youth and women as majority of the population.

More empowerment programmes like; Uwezo fund, Women Enterprise fund and Youth Enterprise fund. They are serving the same client and capacity building is happening across the board. Sensitisation and knowledge sharing is at a good rate. This in the near future will create the informed society and such programme will succeed easily unlike now.




Empowering Youth through Vocational Training

Youth in Kenya face many challenges. At the heart of these challenges is poverty that makes them vulnerable to involvement in risky behavior, cutting short their potential, dreams and lives.

HOPE worldwide Kenya works with youth in informal settlements and addresses the structural drivers that directly and indirectly increases their vulnerability including poverty, gender inequality, sexual violence, and a lack of education.

Part of the devolved function of the county governments is the vocational training. The counties have created a huge opportunities in the counties for the youths to explore their potential in terms of job creation, financial aids funding and poverty eradication.

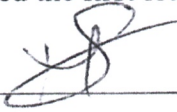
4. MANAGEMENT TEAM

| Name | Details of qualifications and experience |
|---|--|
|  <p>Saphia Awil Ibrahim</p> | <p>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</p> <p>The member is an executive chairperson.</p> <p>She is 32 years old</p> |
|  <p>Moses Chebonya</p> | <p>Academics qualifications: Masters in Gender and advocacy. Bachelor of Arts Education specialising in English literature.</p> <p>Work Experience: Gender director affairs and prior to his appointment, was a deputy principle of a high school. Main responsibility, Oversees daily fund operations</p> |
|  <p>Washington Makata</p> | <p>M.B.A Finance, Bachelor of commerce finance and a certified accountant. Worked as an internal auditor teacher Sacco, an administrator at Jomo Kenyatta university of Agriculture and technology currently as an Accountant. Responsibility: preparations of; vouchers, cashbook, imprests, ledges, vote books and loan repayment schedules.</p> |

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In conclusion, the fund is generally not doing well. We are not achieving the value for money of our programme. A big number of groups are not repaying loans, most groups' projects are not sustainable and generally a larger number are defaulting loans. This has necessitated some drastic action to be taken including stopping to fund new groups but refinance those old groups that have cleared the first loan as well as reviewing the law to tighten the vetting processes.

Signed: _____



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

6. REPORT OF THE FUND MANAGER/ 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, 2022. 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.

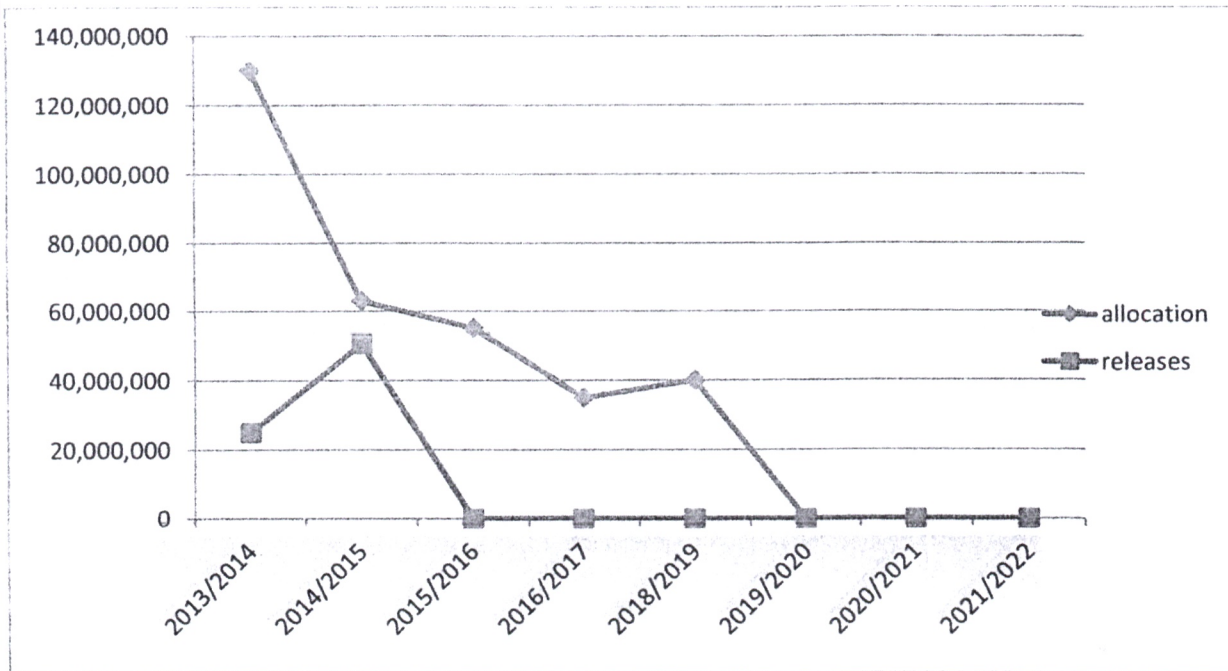
The budget performance against actual amounts for current year and for cumulative to-date based on programmes.

The year under reviews FY 2021/2022 there was no budget allocation, we didn't access our annual transfer from the county as exchequer releases. This was because of the on-going review of the regulations after the controller of budget pointing out some inconsistency in our regulations. It would be hard to access exchequer before reviewing issues addressed first. Up to date the fund has been allocated kshs 373,000,000 out of this only ksh75.4 M has been released to us. This has affected the working capital of the fund immensely. We have been unable to roll out some functions or mandate despite approval by the committee owing to insufficiency of funds.

| | Allocations | Releases |
|--------------|--------------------|-------------------|
| 2013/2014 | 130,000,000 | 25,000,000 |
| 2014/2015 | 63,000,000 | 50,414,500 |
| 2015/2016 | 55,000,000 | 0 |
| 2016/2017 | 50,000,000 | 0 |
| 2017/2018 | 35,000,000 | 0 |
| 2018/2019 | 40,000,000 | 0 |
| 2019/2020 | 0 | 0 |
| 2020/2021 | 0 | 0 |
| 2q1021-2022 | 0 | 0 |
| Total | 373,000,000 | 75,414,500 |

**Bungoma County Youth and Women Empowerment Fund
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Pie chart representation of allocation against releases



Physical progress based on outputs, outcomes and impacts since establishment of fund.

Disbursement of the loans

So far 2275 groups have expressed interest to apply of the empowerment loans. This is a good response remember the first year up to the third year there we no groups to apply for the devolved funds. The national government devolved funds had very little loan uptake. This shows good work going on regarding sensitization and trainings. Out of 2275 groups that have applied almost half have qualified and benefited from the fund in terms of loan facilities.

The fund has been able to train more than 1500 since inception on different topic relating economic empowerment and group dynamism. The 1500 groups trained, 650 groups have come up to seek for loans to start their projects.

Signed an MOU with KCB Bank to train our groups and identify potential projects to fund and employ youths and women on Tujiajira programme.

Formulating Bungoma county micro finance Act to operationalize all matters relating to maginalised members of the community at all levels now and in future.

The implementation challenges of strategic objectives for the fund and the future outlook

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 Youth And Women Empowerment Fund Loan Products. This was after the advice from our county legal office to change some clauses in the regulation to do with vetting and approval for the award of the loan. Through the fund committee decisions, 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.

We are as well amending the regulations to provide for individual products. Many youths and women that don't feel comfortable to work in groups but has more viable ideas will benefit from the fund in the near future.

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We are as well working around with the committee to provide more ways we can raise more funding to the programme to avoid depending on the exchequer only.

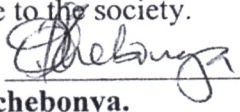
Value-for-money achievements,

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 hence achieved value for money.

Cost Cutting Measures in the Fund; the financial statement of Bungoma County Women and Youth Empowerment Fund indicates drastic reduction in the expenses in the FY 2021/2022.

Highlight key risk management strategies.

The major risk in the fund remains default rate. Poor loan repayment has disadvantaged every activity the fund. It's threatening sustainability of the fund and failure to execute the fund mandate to the society.

Signed: 

Moses chebonya.

7. 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 is 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 is 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
- (b) 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.

8. MANAGEMENT DISCUSSION AND ANALYSIS

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

Fund allocation versus releases since inception

| Financial yrs. | Allocations | Releases |
|-----------------------|--------------------|-------------------|
| Fy2013/14 | 130,000,000 | 25,000,000 |
| Fy2014/15 | 63,000,000 | 50,414,500 |
| Fy2015/16 | 55,000,000 | 0 |
| Fy2016/17 | 50,000,000 | 0 |
| FY 2017/18 | 35,000,000 | 0 |
| FY 2018/19 | 40,000,000 | 0 |
| FY 2019/20 | 0 | 0 |
| Fy 2020/2021 | 0 | 0 |
| Fy 2021/2022 | 0 | 0 |
| Total | 373,000,000 | 75,414,500 |

The total loan portfolio as at now is Kshs **373,000,000** out of which we have only received Kshs **5,414,500** representing a 13.4 percent

Entity’s key projects or investments decision implemented or on-going,

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 of the entity.

Here we are considering many applicants to access more on asset financing than in LPO/LSO or group loaning. It’s out of poor loan repayment culture amongst the youths.

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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 YOUTH AND WOMEN EMPOWERMENT FUND REGULATIONS, 2015"

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 YOUTH AND WOMEN 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

(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

**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

Bungoma County Youth and Women Empowerment Fund exist to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our mandate, which is founded on Bungoma County Youth and Women Empowerment Fund pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. During the year under review because of the financial constraints we are facing, we were not able to carry out any corporate social responsibility as a fund but through the ministry where the fund is domiciled. Hence we cannot report in the fund financials.

**Bungoma County Youth and Women Empowerment Fund
Reports and Financial Statements
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10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

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

10.1 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 has linkages to micro, small and medium enterprises
3. Promoting an entrepreneurial culture.

10.2 Performance

The performance of the Fund for the year ended June 30, 2022, are set out on page 27 to 31

10.3 Trustees

The members of the Administration Committee who served during the year are shown on page 5 and 6. There were no changes in the committee during the financial year:

10.4 Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General carried out the audit of the Bungoma County Youth and Women Empowerment Fund for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board

Bungoma County youth and Women Empowerment Fund

Sign:

Name: Saphia Awil

Chair of the Fund Administration Committee

Date: 20/09/2022

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by THE BUNGOMA COUNTY YOUTH AND WOMEN 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, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and by THE BUNGOMA COUNTY YOUTH AND WOMEN 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, 2022, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

**Bungoma County Youth and Women Empowerment Fund
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For the year ended June 30, 2022.**

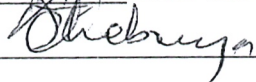
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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 Administration Committee on

20/09/2022 2022 and signed on its behalf

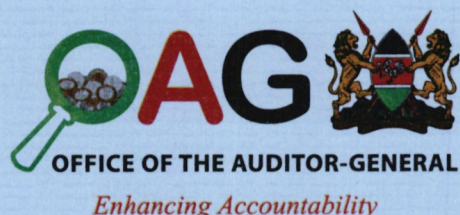
By: 

Name: Chebonya Moses

Administrator Bungoma County Youth and Women Empowerment Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON BUNGOMA COUNTY YOUTH AND WOMEN EMPOWERMENT FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Bungoma County Youth and Women Empowerment Fund set out on pages 28 to 47, which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial performance,

Report of the Auditor-General on Bungoma County Youth and Women Empowerment Fund for the year ended 30 June, 2022

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Bungoma County Youth and Women Empowerment Fund as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Bungoma County Youth and Women Empowerment Fund Regulations, 2015.

Basis for Qualified Opinion

1. Non-Recovery of Outstanding Loans

As reported in the previous year, the statement of financial position reflects a balance of Kshs.23,380,522 under current portion of long-term receivables from exchange transactions which, as disclosed in Note 3 to the financial statements, represents current loan repayments due. However, records maintained by the Fund indicate that the loans have remained outstanding for more than five (5) years since they became due for recovery, contrary to the provisions of Regulation 24(1) and (2) of the Bungoma County Youth and Women Empowerment Fund Regulations, 2015.

In addition, a provision for bad and doubtful debts has not been made in the financial statements to mitigate the effect of the apparent uncertainty in recovering the amounts.

In the circumstances, the fair valuation and recoverability of the current portion of long-term receivables from exchange transactions balance of Kshs.23,380,522 as at 30 June, 2022 could not be confirmed.

2. Unsupported Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.784,602 in respect to cash and cash equivalents which, as disclosed in Note 2 to the financial statements, comprises balances in four (4) bank accounts held in a local bank. However, certificates of bank balance as at 30 June, 2022 were not provided for audit review.

Further, bank reconciliation statements for two bank accounts for the month of June, 2022 reflect balances of Kshs.116,583 and Kshs.344,946 respectively, being receipts in bank statements not recorded in cash books. Similarly, a bank reconciliation statement for one bank account reflects payments in bank statements not recorded in the cash book amounting to Kshs.344,946. No explanation was provided for the failure to update the cash books with these transactions.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.784,602 as at 30 June, 2022 could not be confirmed.

3. Inaccuracies in the Financial Statements

The statement of financial performance reflects a surplus for the year of Kshs.60,000. However, a recasting of the performance for the year reflects a deficit of Kshs.60,000. Similarly, the statement of changes in net assets reflects accumulated surplus of Kshs.60,000 instead of accumulated deficit of Kshs.60,000. No explanation was provided for the anomaly.

In addition, the statement of cash flows reflects a cash and cash equivalents balance of Kshs.844,162 as at 1 July, 2021 instead of Kshs.844,602 shown in the audited financial statements for the year ended 30 June, 2021. The variance of Kshs.440 has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the respective balances could not be confirmed.

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 qualified opinion.

Emphasis of Matter

Sustainability of Services

The statement of financial performance indicates that there was no disbursement of new loans. Similarly, the statement of comparison of budget and actual amounts indicates that there was no budget for new loans during the year under review. The statement of financial position also indicates that there were no loan recoveries during the year.

In the circumstances, the Fund is not in a position to achieve the objective for which it was established and no effort has been made to improve the situation.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Outstanding Imprest

The statement of financial position reflects cash and cash equivalents balance of Kshs.784,602 which, as disclosed in Note 2 to the financial statements, includes an outstanding imprest balance of Kshs.600,000 representing imprests issued to two officers in 2017/2018 and 2018/2019. No explanation was provided for the failure to have the imprests accounted for as required by Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015, which provides that a holder of a temporary imprest shall account for or surrender the imprest within seven (7) working days after returning to duty station.

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, 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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability 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 its operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2023

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

**13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th
JUNE 2022.**

| | Note | 2021/2022 | 2020/2021 |
|-------------------------------------|------|---------------|--------------|
| | | | Kshs |
| Expenses | | | |
| General expenses | 1 | 60,000 | 2,040 |
| Total expenses | | 60,000 | 2,040 |
| Surplus/Deficit for the Year | | 60,000 | 2,040 |

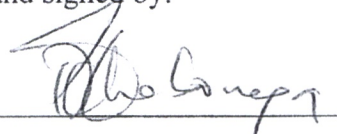
The notes set out on pages 32 to pages 45 to form an integral part of these Financial Statements.

Bungoma County Youth and Women Empowerment Fund
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13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

| | <u>Note</u> | 2021/2022 | 2020/2021 |
|---|-------------|-------------------|-------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 2 | 784,602 | 844,602 |
| Current portion of long term receivables from exchange transactions | 3 | 23,380,522 | 23,380,522 |
| Total assets | | 24,165,124 | 24,225,124 |
| Net assets | | | |
| Revolving Fund | | 51,294,092 | 51,294,092 |
| Accumulated surplus | | (27,128,968) | (27,068,968) |
| Total net assets and liabilities | | 24,165,124 | 24,225,124 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20/09/ 2022 and signed by:



Administrator of the Fund
Name: Fredrick Makokha



Fund Accountant
Name: Washington Makata
ICPAK Member Number

13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2022

| | Revolving Fund | Revaluation Reserve | Accumulated surplus | Total |
|-----------------------------------|-----------------------|----------------------------|----------------------------|-------------------|
| | KShs | KShs | KShs | KShs |
| Balance as at 1 July 2020 | 51,294,092 | | 27,066,928 | 24,227,164 |
| Surplus/(deficit) for the period | | | 2,040 | (2,040) |
| Funds received during the year | | | | |
| Revaluation gain | | | | |
| Balance as at 30 June 2021 | 51,294,092 | | 27,068,968 | 24,225,124 |
| Balance as at 1 July 2021 | 51,294,092 | | 27,066,928 | 24,227,164 |
| Surplus/(deficit) for the period | | | 60,000 | (60,000) |
| Funds received during the year | | | | |
| Revaluation gain | | | | |
| Balance as at 30 June 2022 | 51,294,092 | | 27,128,968 | 24,165,124 |

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13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

| | Note | 2021/2022 | 2020/2021 |
|--|------|-----------------|----------------|
| | | Kshs | Kshs |
| Payments | | | |
| General expenses | 1 | 60,000 | 2,040 |
| Total Payments | | 60,000 | 2,040 |
| Net cash flows from operating activities | | (60,000) | (2,040) |
| Cash flows from investing activities | | | |
| Increase in long term receivables | | 0 | 450,000 |
| Net cash flows used in investing activities | | 0 | 450,000 |
| Net decrease in cash and cash equivalents | | 60,000 | 152,440 |
| Cash and cash equivalents at 1 JULY | | 844,162 | 692,162 |
| Cash and cash equivalents at 30 JUNE | | 784,602 | 844,602 |

Bungoma County Youth and Women Empowerment Fund
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13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2022.

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % utilization |
|-------------------------------|-----------------|-------------|---------------|----------------------------|------------------------|-----------------|
| Revenue | Kshs | Kshs | Kshs | Kshs | Kshs | |
| Transfers from County Govt. | 0 | - | 0 | - | 0 | 0% |
| Interest income | 78,216 | - | 78,216 | 0 | 0 | 0% |
| Total income | 78,216 | - | 78,216 | 0 | 0 | 0% |
| Expenses | | | | | | |
| Staff costs | | - | | - | | |
| General expenses | 2,682 | - | 2,682 | 60,000 | 57,318 | 2,237.2% |
| Total expenditure | 2,682 | - | 2,682 | 60,000 | 57,318 | 2,237.2% |
| Surplus for the period | 75,534 | - | 75,534 | (60,000) | (57,318) | 1% |

Budget notes:

1. Zero percent Transfers from County Government; the fund didn't receive the exchequer releases in the financial year under review.
2. Zero percent on Interest income; the income we targeted was from the outstanding LPO financing loans of kshs 1,117,370 which is 7% as interest income. Having not collected any outstanding loans, no interest was paid.
3. 2,237.2% percent on general expenses; is the provision of 3% administration on the expected income in the fund. Realizing only Kshs60,000 as general expenses.
4. One percent on surplus for the period is the objective of in the fund to reduce on operational cost and improve on revolving fund balance.

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

Bungoma County Youth and Women Empowerment Fund
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

| Standard/ Amendments : Applicable: 1 st January 2021: | Impact |
|---|---|
| <p>a) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p> | <p>That there was no impact the fund has been reporting on accrual accounting for the past three years.</p> |

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Early adoption of standards

The entity did early – adopt new or amended standards in year 2020.

3. Revenue recognition

i) 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 2021/2022 was approved by the County Assembly on 18th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not get allocations during additional appropriation the FY 2021/2022 budget following the governing body's approval.

The fund'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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 two (financial) of these financial statements.

2. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

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

b) Financial liabilities

Initial recognition and measurement

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

**Bungoma County Youth and Women Empowerment Fund
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All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3. 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.

4. Related parties

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

5. 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 (*Remove if not applicable*) 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Comparative figures

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

7. Events after the reporting period

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

8. Ultimate and Holding Entity

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

9. Currency

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made: e.g. the outstanding receivable, they are long overdue loans but we believe we shall recover the money. That is why we are not providing for bad debts.

a) Estimates and assumptions

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

11. 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:

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a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Interest rate risk

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

Management of interest rate risk

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

d) Capital risk management

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

| | 2021/2022 | 2020/2021 |
|---|-------------------|-------------------|
| | KShs | KShs |
| Revaluation reserve | 0 | 0 |
| Revolving fund | 51,294,092 | 51,294,092 |
| Accumulated surplus | (27,128,968) | (27,068,968) |
| Total funds | 24,165,124 | 24,225,124 |
| Total borrowings | 0 | 0 |
| Less: cash and bank balances | (784,602) | (844,602) |
| Net debt/(excess cash and cash equivalents) | (784,602) | (844,602) |
| Gearing | 34.9% | 34.9% |

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14. NOTES TO THE FINANCIAL STATEMENTS

1. General expenses

| Description | 2021/2022 | 2020/2021 |
|-------------------------|---------------|--------------|
| | KShs | KShs |
| Consumables | 45,000 | 0 |
| Printing and stationery | 15,000 | 0 |
| Bank Charges | - | 2,040 |
| Total | 60,000 | 2,040 |

2. Cash and cash equivalents

| Description | 2021/2022 | 2020/2021 |
|--|----------------|----------------|
| | KShs | KShs |
| Current account | 184,602 | 244,602 |
| Others (Imprests) | 600,000 | 600,000 |
| Total cash and cash equivalents | 784,602 | 844,602 |

Detailed analysis of the cash and cash equivalents are as follows

| Financial institution | Account number | 2021/2022 | 2020/2021 |
|---|----------------|----------------|----------------|
| | | kshs | KShs |
| Current account | | | |
| Cash and cash equivalents for Women fund | | | |
| Cooperative Bank of Kenya | 01141536727200 | 4,311.65 | ,64,311.65 |
| Cooperative Bank of Kenya | 01141536727201 | 152,618.75 | 152,618.50 |
| Cash and cash equivalents for Youth fund | | | |
| Cooperative Bank of Kenya | 01141536727100 | 25,351.74 | 25,351.74 |
| Cooperative Bank of Kenya | 01141536727101 | 2320 | 2,320 |
| Total | | 184,602 | 244,602 |

3. Receivables from exchange transactions

| Description | 2021/2022 | 2020/2021 |
|----------------------------------|-------------------|-------------------|
| | KShs | KShs |
| Current Receivables | | |
| Current loan repayments due | 23,380,522 | 23,380,522 |
| Total Current receivables | 23,380,522 | 23,380,522 |

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Detailed analysis of Receivables from exchange transactions

i. Exchange transactions Youth

| Description | 2021/2022 | 2020/2021 |
|----------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Current Receivables | | |
| Current loan repayments due | 14313726 | 14313726 |
| Total Current receivables | 14,313,726 | 14,313,726 |

i. Exchange transactions women

| Description | 2021/2022 | 2020/2021 |
|----------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Current Receivables | | |
| Current loan repayments due | 9,064,636 | 9,064,636 |
| Total Current receivables | 9,064,636 | 9,064,636 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) County Assembly;
- d) Key management;
- e) Administrative Committee; etc.

In the interest to achieve the suitability of the fund and cost cutting measures we are employing. It was agreed that all expenses in the fund like remuneration to all parties in the fund are paid through the imprests from the mother ministry. This will help us easily achieve the revolving fund principle and once the fund is stable in terms of the working capital ratio, we will resume all the financial obligation of the fund.

Key Management Compensation; all our staff and managers of the fund are on secondment from the county government. This means no staff draws or gets any salaries and allowances from the fund but from the county government.

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15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S

RECOMMENDATIONS

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|---|--|--|---|
| 1.0 | Inaccuracies in the financial statement | During consultation of the two funds has taken time by we are working reconciliation to harmonise our figures | Not-resolved | June 2022 |
| 2.0 | Failure to provide the trial balance and ledger | It was an omission but we promise to avail the trial balance and ledger in the next audit | Resolved | Three month. |
| 3.0 | Cash and cash equivalents | The time we reconciled our books for the FS end of 30 June, 2020. We expected the bank charges were applied to the account. The time we applied for the certificate of balance we realised the charged had been applied passed 30 th June, 2020 bring this difference | Resolved | 1 month |
| 4.0 | Current portion of receivables from exchange transactions | Recovery of the loans remains the challenge to the fund. The fund committee decided to stop any further disbursement of loans to reduce the risk of more defaulting. We are reviewing the regulations to provide more powers to the unit to engage loan collectors through a competitive tender that will be away from political interference. | | |
| Other matter; | Budgetary control and performance | The funds regulations have no provisions for fund budget preparation. It's through treasury intervention that we review all regulations to provide for that. | Resolved | 6 month |
| 3.0 | Non-compliance with revolving fund principle. | Sustainability has been a challenge as well. We are reviewing the laws so that the fund can get enough working capital and be able to serve its mandate to the public and again be able to meets it's financial obligation and still observe the PFM Act stipulations. | Not-resolved | 18month. |

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16. APPENDIX I: INTER-ENTITY TRANSFERS

No transfers were done during the year under review.