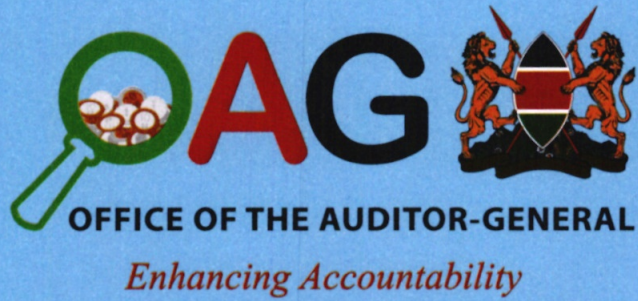


REPUBLIC OF KENYA



# REPORT

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OF

**THE AUDITOR-GENERAL**

ON

**BUSIA COUNTY TRADE DEVELOPMENT  
REVOLVING FUND**

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

PAPERS LAID	
DATE	19/03/2024
TABLED BY	ML
COMMITTEE	—
CLERK AT THE TABLE	Cornelene Cherop





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**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022**

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



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**1. Acronyms and Glossary of Terms**

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**2. Key Entity Information and Management**

**a) Background information**

Busia Trade Development Revolving Fund is established by and derives its authority and accountability from The County Government of Busia through an Act of the County Assembly of Busia, THE BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND Act, (2016). The Fund is wholly owned by the County Government of Busia and is domiciled in Kenya.

The fund's objective is to provide affordable (low interest) loans to traders in Busia County, with a view to support them to scale up their lending activities, Value addition, promote entrepreneurship and enhance production and productivity.

The Fund's principal activity is to provide funds to be used for granting low interest loans to traders and Entrepreneurs in Busia County with a view to scaling up their lending activities, value addition, promote entrepreneurship and enhance productivity

**b) Principal Activities**

The Funds' principal activity is to provide funds to be used for granting low interest loans to Traders operating in Busia County with a view to scaling up their business activities

**c) Board of Fund Administration Committee**

Ref	Name	Position
1	Sebastian Sunya	Chairperson
2	Joan Kubebea	Vice chairperson
3	Fredrick Naku	Fund Manager/ Administrator
4	Lydia Ogutu	Member
5	Maurice Juma	Member
6	Erick Emodo	Member
7	Rose sang	Departmental accountant

**d) Key Management team**

Ref	Name	Position
1	Fund Manager/ Administrator	Fred Naku Odalo
2	Fund Accountant	Amos Ayieko
3		



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Key Entity and Management (Continued)**

**e) Fiduciary Oversight Arrangements**

SN	Position	Name
1	Directorate Internal Audit	Zardock Koech
2	Busia County Assembly	

**f) Registered Offices**

P.O. Box Private Bag  
Cooperative House  
Assembly Road  
Busia, KENYA

**g) Fund Contacts**

Telephone (254) 704202817  
Website: [www.busiacounty.go.ke](http://www.busiacounty.go.ke)

**h) Fund Bankers**

KCB Bank-Busia Branch  
Busia, Kenya  
Revolving account **1259492192**  
Administration account **1260054462**  
Collection account **1260054527**

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**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Key Entity and Management (Continued)**

**i) Independent Auditors**

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

**j) Principal Legal Adviser**



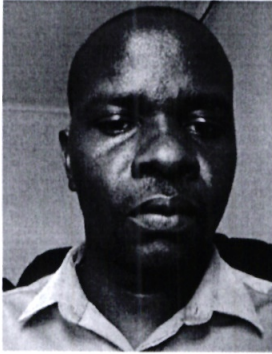
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**k) County Attorney**

Office of the county attorney  
Private Bag -Busia




**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**3. Board of Fund Administration Committee**

Name	Details of qualifications and experience
 <p>Joan Andeso Ayuku Kubebea</p>	<p><b>DOB</b> 4<sup>th</sup> August, 1960</p> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>✓ Human Resource And Business Management(Abma)</li> <li>✓ Kenya Advanced Certificate Of Education (K.A.C.E)-Kenya High School Grade-2 Principals</li> </ul> <p><b>Work Experience</b> Worked With Standard Chartered Bank Positions Held Include</p> <p><b>Position</b> Vice Chair to the fund</p>
 <p>Omare .E. Eric</p>	<p><b>DOB</b> 12<sup>th</sup> October, 1988</p> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>✓ Higher Diploma In Library And Information Management</li> <li>✓ Diploma in information studies</li> <li>✓ Diploma in computer Science</li> </ul> <p>✓ <b>Work Experience</b></p> <p><b>Position</b> Member</p>
 <p>Sebastian Sunya</p>	<p><b>DOB</b> 12 OCT 1984</p> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>✓ Bachelor of Commerce-Accounting/Finance</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>✓ Over 10 years in finance and accounting</li> </ul> <p><b>Position</b> Chairperson</p>





**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

 <p>Fredrick Naku Odalo</p>	<p><b>DOB</b> 1982</p> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>✓ Master's in Business Administration "strategic management"</li> <li>✓ Bachelors of education arts "mathematics &amp; Business study"</li> <li>✓ Diploma in Business Administration.</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>✓ 13 years of study experience</li> <li>✓ 6 years cooperatives manager</li> <li>✓ 3 years fund administrator</li> </ul> <p><b>Position</b> <b>Fund Administrator</b></p>
 <p>Rose Sang</p>	<p>Born 26/11/1979</p> <p>Higher diploma in Accounting and degree</p> <p>Over 10 years experience as Accountant</p> <p><b>DEPARTMENTAL ACCOUNTANT</b></p>
 <p>Maurice Robert Juma</p>	<p><b>DOB</b> 1949</p> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>✓ Diploma in Statistics from the Eastern African training Institute</li> <li>✓ Cambridge school certificate St. Pauls High School Amukura</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>✓ Director Mumias Sugar Company Limited</li> <li>✓ Central bank of Kenya, Head of Economic and Financial Statistics Division</li> <li>✓ Kenya Bankers Co-Operative Savings and Credit Society Limited- Vice-Chairman And Chairman Investment Committee</li> </ul> <p><b>Position</b> Member to the Fund</p>

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**4. Management Team**

Name	Details of qualifications and experience
<p>1.</p>  <p>Fredrick Naku Odalo</p>	<p><b>DOB</b> 1982</p> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>✓ Master’s in Business Administration “strategic management”</li> <li>✓ Bachelors of education arts “mathematics &amp; Business study”</li> <li>✓ Diploma in Business Administration.</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>✓ 13 years of study experience</li> <li>✓ 6 years cooperatives manager</li> <li>✓ 3 years fund administrator</li> </ul> <p><b>Position</b> <b>Fund Administrator</b></p>
<p>2.</p>  <p>Amos Ayieko</p>	<ul style="list-style-type: none"> <li>➤ Born 17/2/1988</li> <li>➤ Bachelor of Business Management(Finance and Banking)</li> <li>➤ Over 7 years working Experience</li> </ul> <p><b>FINANCE OFFICER</b></p>



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**5. Fund Chairperson's report**

The trade development revolving fund is committed in providing affordable loans to traders in Busia County and therefore more effort have been put in place to facilitate the activity. More opportunities have been realised in Busia County and so the entity has come in to facilitate the traders in their business development.

Our aim is to make sure that the fund has impacted positively on the traders in Busia County and therefore there is need to secure more resources in place to cater for all upcoming demands. The fund capital seed must be increase to meet the increasing demands for both MSMEs. Currently the fund is inadequate to satisfy the demand of all seven sub counties. The Fund need to foster growth of the business and ensure capacity building among the traders is achieved. During the financial the Fund has not achieved much as a result of underfunding. In relation to the National government agenda on the bottom up agenda, we need to realise and promote enterprise that focus on value addition to enhance production and sales of specific products with the county.

On behalf of the fund, there is need for quarterly review of the beneficiaries to understand their challenges and adopt the based practises to facilitate their internal and external factors that affect the business environment. In future we seek to partner with other stakeholders to foster more funds and opportunities in the capacity building of the traders. We plan to roll out sensitization of traders to understand what is required of the in any business practises and governance.

We look forward to have a fund that will also champion traders at group level especially the youth who are innovative and skilled to expand their businesses. However we have had issues on default from traders and some of the cause of default were underfunding that never realise profits to some of the loanees. We are planning to come up with mechanism to recover all the outstanding loans to make the fund viable and sustainable.

On behalf of the board, I take this opportunity to thank County Government through the department of Trade, Investment, Industry and Cooperatives, fellow board members and trade staff for their support and commitment to empower the trades in Busia County.

Name SEBASTIAN SUTA ..... Signature *Sebastian Suta* ..... Date 5/8/2022 .....



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**6. Report of the Fund Administrator**

During the year under review the fund had one activity to follow up on the beneficiaries through phone calls. Much is needed to upscale the fund in terms of meeting the rising demand across all sectors of business in the county. We also plan to engage the traders on monthly basis for sensitization on the need to have their businesses to run in collaboration with the government guidelines. The Fund operations were stalled by minimal loan repayments making it difficult for the board to realize areas of weakness and strength through field visits and forums.

**Financial Performance**

In the year under review no interest income was realised as interest on loans was not charged up front during the repayments. The outstanding loan at the end of the financial year stands at Kshs 5,578,316 as principal balance.

**Challenges**

- i. Non allocation of fund to the unit has hindered board meetings and therefore no policies can be examined
- ii. Lack of transport for use in the field and do recoveries
- iii. Non allocation of recurrent budget of the fund. The money allocated has only been treated as development, thus limiting the Fund's education and training activities for beneficiaries

**Way forward**

- i. The Fund needs to receive a capital seed of Kshs 50,000,000 to be sustainable and operate fully to the demands of the traders.



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**Introduction**

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

The key development objectives of the Trade Development Revolving Fund are to:

- a) Promote economic growth and development in the county
- b) Promote equity and equality in access to trade development services
- c) Ensure rural and regional development within the county.
- d) Promotion of micro and small enterprises in the county.

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
<b>Lending traders</b>	to To promote micro and small enterprises with affordable loans	Amounts disbursed increased	Amount disbursed	Ksh2,110,000 disbursed
Loan recovery	To recover loans	Increased revolving fund	Amount paid	Kshs 125,300 repaid during the year

## **8. Corporate Governance Statement**

### **i. Introduction**

The board of the Fund is committed to upholding the principle of corporate governance that will promote the interest small and micro business entities within Busia County

### **ii Board of the Fund**

#### **a. Mandate**

The conduct and regulation of the business and affairs of the board is to consider and approve loan applications submitted from each small and micro Enterprise owner, ensure timely and efficient disbursement of funds to each small and micro enterprise owner, ensure efficient management of the Fund, receive and consider annual reports and returns from each Loanee, receive and receive and address complaints and disputes and take any appropriate action. The board operations is governed by the Busia County Trade Development Revolving Fund Act 2016

#### **B. Membership and size**

The board consist of three representatives from the public appointed by Executive member, a representative of the local Kenya National Chamber of commerce and industry, two representatives from business community, representative from the department of Enterprise Development and county director of trade.

#### **c. Operations**

It is the mandate of the chairperson together with the Fund administrator to ensure that the committee operates effectively and in accordance with the Fund Act 2016. The board works with trade development officers to ensure proper and efficient services.

#### **d. Board Compensation**

The board members are paid allowances as per the salaries and Remuneration Commission Guidelines

#### **e. Separation of roles**

The roles of the chairperson and the Fund Administrator are separately held and the division of their responsibilities is clearly established to ensure no duplication or conflict of roles. The chairperson is responsible for ensuring effective communication with stakeholders including donors promoting high level of corporate governance and serving as a resource to management in matters of strategic importance to the fund.

The committee secretary/CEO is responsible for managing day-to-day operations of the fund, execution of strategy and policy approved by the committee. He is also accountable for the Fund performance and reports to the committee

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**9. Management Discussion and Analysis**

There were no key activities carried out under the year of review by management.

**Operational and Financial performance of the Fund**

As at the year ended 30<sup>th</sup> June 2022 the Fund's assets were valued at Ksh 189,592. The total receivables as at 30<sup>th</sup> June 2022 is Ksh 5,578,316. Total revolving fund stands at Kshs 6,934,000



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**10. Environmental and Sustainability Reporting**

The Fund did not carry out any corporate social responsibility under the year of review.

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**11. Report of the Board of Fund**

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

**Principal activities**

The principal activity is to provide loans to micro and small enterprises in Busia County.

**Results**

The results of the Fund for the year ended June 30, 2022 are set out on page 1-6.

**Trustees**

The members of the Board of Trustees who served during the year are shown on page vii & viii

**Auditors**

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

By Order of the Board

*[Handwritten signature]*

.....  
**Chair of the Board/Fund Administration Committee**

**Date:** 07/8/2022



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**12. Statement of Management’s Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Busia County Trade Development Revolving Fund 2016 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 Busia County Trade Development Revolving Fund 2016. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2022, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

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

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 5/8/ 2022 and signed on its behalf by:

  
.....

**Administrator of the County Public 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 BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

- 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 the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly defined 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 Busia County Trade Development Revolving Fund set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial performance,



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

In my opinion, 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 Busia County Trade Development Revolving 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 Busia County Trade Development Revolving Fund Act, 2016.

### **Basis for Qualified Opinion**

#### **1. Unsupported Expenditure on Use of Goods and Services**

The statement of financial performance and Note 7 to the financial statements reflects use of goods and services expenditure of Kshs.1,595,453 . However, schedules were not provided to support the expenditure.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.1,595,453 on use of goods and services could not be confirmed.

#### **2. Unsupported Current Portion of Long-term Receivables**

The statement of financial position and Note 13 to the financial statements reflects current portion of long term receivables from exchange transactions balance of Kshs.5,578,316 which relates to current loan repayments due. However, supporting documents including loan repayment ledgers and quarterly reports were not provided for audit review.

In the circumstances, the accuracy and completeness of the current portion of long-term receivables from exchange transactions balance of Kshs.5,578,316 could not be confirmed.

#### **3. Inaccuracies in the Financial Statements**

The statement of financial performance reflects a deficit for the year of Kshs.151,453. However, the statement of financial position reflects accumulated deficit of Kshs.1,166,092 while the statement of comparison of budget and actual amounts reflects a deficit of Kshs.2,136,153. The variances among the three statements were not reconciled.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Busia County Trade Development



Revolving Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **Failure to Prepare Budget**

During the year under review, the Fund did not prepare an annual budget. Consequently, the source of the figures reflected in the statement of comparison of budget and actual amounts could not be confirmed. This was contrary to Section 24(2) of the Busia County Trade Development Revolving Fund Act, 2016 which states that the expenditure for running the Board and related purposes shall be set aside at the beginning of the financial year and not more than five per centum (5%) of the total allocation to the Fund in the financial year may be used for this purpose, the annual budget of which shall be approved by the County Executive Committee Member.

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

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.



# REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

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

## **Basis for Conclusion**

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

## **Responsibilities of 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 such internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to 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 the 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 of Kenya. 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 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal 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 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 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 Management.
- Conclude on the appropriateness of 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 control that are identified during the audit.

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

05 February, 2024



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**14. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2022**

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	1,890,000	-
Fines, Penalties and Other Levies	3	-	-
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	-	-
Other Income	5	-	-
<b>Total Revenue</b>		<b>1,890,000</b>	<b>-</b>
<b>Expenses</b>			
Employee Costs	6	446,000	-
Use of goods and services	7	1,595,453	-
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
<b>Total Expenses</b>		<b>2,041,453</b>	<b>-</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
<b>Surplus/(Deficit) for the Period</b>		<b>(151,453)</b>	<b>-</b>

*(The notes set out on pages 19 to 35 form an integral part of these Financial Statements)*

.....  
 Name: Frederick Ojwal  
 Administrator of the Fund

.....  
 Name: Amos Agallo  
 Fund Accountant  
 ICPAK Member Number:



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**15. Statement of Financial Position As at 30 June 2022**


Description	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	12	189,592	-
Current Portion of Long- Term Receivables From Exchange Transactions	13	5,578,316	
Prepayments	14	-	-
Inventories	15	-	
Investments in financial assets	16	-	-
<b>Total current assets</b>		<b>5,767,908</b>	-
			-
<b>Non-Current Assets</b>			-
Property ,Plant and Equipment	17	-	-
Intangible Assets	18	-	-
Long Term Receivables from Exchange Transactions		-	-
Investment Property	19		-
<b>Total non- current assets</b>			-
<b>Total Assets</b>		<b>5,767,908</b>	-
<b>Liabilities</b>			-
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	20	-	-
Current Portion of Borrowings	22	-	-
Employee Benefit Obligations	23	-	-
Social benefit liabilities	24	-	-
<b>Total current liabilities</b>		-	-
<b>Non-Current Liabilities</b>			
Long Term Portion of Borrowings	22	-	-
Non-Current Employee Benefit Obligation	23	-	-
Social benefit liabilities	24	-	-
<b>Total Liabilities</b>		-	-

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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Description	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Net Assets</b>			-
Revolving Fund		<b>6,934,000</b>	-
Reserves			
Accumulated Surplus		<b>(1,166,092)</b>	-
<b>Total Net Assets and Liabilities</b>		<b>5,767,908</b>	-

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 18/08/2022 and signed by:

  
 Name: **FREDERICK ODUHO**  
 Administrator of the Fund

  
 Name: **Amos Alicko**  
 Fund Accountant  
 ICPAK Member Number:





**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**16. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2020</b>	-	-	-	-
Surplus/(Deficit) For the Period	-	-	-	
Funds Received During the Year	-	-	-	-
Transfers				
Revaluation Gain				
<b>Balance As At 30 June 2021</b>	-	-	-	-
<b>Balance As At 1 July 2021</b>	<b>5,044,000</b>	-	<b>(1,014,639)</b>	<b>4,029,361</b>
Surplus/(Deficit)For the Period			<b>(151,453)</b>	<b>(151,453)</b>
Funds Received During the Year	<b>1,890,000</b>			<b>1,890,000</b>
Transfers	-		-	-
Revaluation Gain	-		-	-
<b>Balance As At 30 June 2022</b>	<b>6,934,000</b>		<b>(1,166,092)</b>	<b>5,767,908</b>

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**17.Statement of Cash Flows for The Year Ended 30 June 2022**

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1	-	-
Transfers from the county government	2	1,890,000	-
Interest received	3	-	-
Receipts from other operating activities		-	
<b>Total receipts</b>		<b>1,890,000</b>	
<b>Payments</b>			
Fund administration expenses	6	446,000	-
General expenses	7	1,595,453	-
Finance cost		-	
Other payments		-	
Total Payments		<b>2,041,453</b>	
<b>Net cash flows from operating activities</b>		<b>(151,453)</b>	-
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		-	
Proceeds from sale of property, plant& equipment		-	
Proceeds from loan principal repayments		125,300	-
Loan disbursements paid out		(2,110,000)	-
<b>Net cash flows used in investing activities</b>		<b>(1,984,700)</b>	-
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	
Additional borrowings			
Repayment of borrowings			
<b>Net cash flows used in financing activities</b>		-	
<b>Net increase/(decrease)in cash&amp;cash Equivalents</b>		<b>(2,136,153)</b>	
Cash and cash equivalents at 1 July 2021		-	-
<b>Cash and cash equivalents at 30<sup>th</sup> June 2022</b>	12	<b>189,592</b>	-

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

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**18. Statement Of Comparison Of Budget And Actual Amounts For The Period ended 30<sup>th</sup> June 2022**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
				<b>d</b>	<b>e=(c-d)</b>	<b>f=d/c*100</b>
<b>Revenue</b>						
Balance b /f	-		-	-	-	100%
Transfers From County Govt.	1,890,000	-	1,890,000	1,890,000	0	100
Interest Income	200,000	-	200,000	0	200,000	0
Loan repayments	700,000		700,000	125,300	574,700	<b>17.9</b>
<b>Total Income</b>	<b>5,062,372</b>	<b>-</b>	<b>5,062,372</b>	<b>2,015,300</b>	<b>774,700</b>	
<b>Expenses</b>						
Fund Administration Expenses		-		-	-	
General Expenses	862,372	-	862,372	2,041,453	1,179,081	236
Loan disbursements	4,200,000	-	4,200,000	2,110,000	2,090,000	50
<b>Total Expenditure</b>	<b>5,062,372</b>		<b>5,062,372</b>	<b>4,151,453</b>	<b>3,269,081</b>	
<b>Surplus For the Period</b>	<b>0</b>		<b>0</b>	<b>(2,136,153)</b>	<b>(135,592)</b>	
<b>Capital expenditure</b>						

**Budget notes**

1. Over utilization was as result of allocation of more funds to training which affected underfunding of loans.



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**3. Notes to the Financial Statements**

**1. General Information**

Busia County Trade Development Revolving Fund is established by and derives its authority and accountability from Busia County Trade Development Revolving Act 2016. The entity is wholly owned by the Busia County Government and is domiciled in Kenya. The entity's principal activity is lending loans to small and micro enterprises in Busia County.

**2. Statement of compliance and basis of preparation**

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

**3. Adoption of new and revised standards**

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

<b>Standard</b>	<b>Effective date and impact</b>
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<b>IPSAS 42:</b> Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a</p>

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Standard	Effective date and impact
	<p>reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>

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

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



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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<b>Standard</b>	<b>Effective date and impact:</b>
	<p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.  <i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i>  The Standard requires,  Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:  Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.  <i>State the expected impact of the standard to the Entity if relevant</i></p>

**(iii) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**1. Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii. Revenue from exchange transactions**

**Interest income**

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

**Dividends**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2022 was approved by the Board on 7<sup>th</sup> July 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of on the FY 2022 budget following the governing body's approval.

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

**Summary of Significant Accounting Policies (Continued)**

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 actual as per the statement of financial performance has been presented under section of statements of comparison and actual at the financial statements .

**c) Property, plant and equipment**

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

**d) Intangible Assets**

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

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

**e) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(entity to amend appropriately)* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal



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proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

**Summary of Significant Accounting Policies (Continued)**

**f) Financial instruments**

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

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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



**Summary of Significant Accounting Policies (Continued)**

**Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

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

## **Significant Accounting Policies (Continued)**

### **Financial liabilities**

#### **Classification**

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

#### **g) Inventories**

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

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

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

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

#### **h) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### **i) Social Benefits**

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



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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*Summary of Significant Accounting Policies (Continued)*

**j) Contingent liabilities**

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

**Contingent assets**

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

**k) Nature and purpose of reserves**

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

**l) Employee benefits– Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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***Summary of Significant Accounting Policies (Continued)***

**m) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**n) 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.

**o) Related parties**

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

**p) 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.

**q) Comparative figures**

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





**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**6. Notes to the Financial Statements**

**1. Public contributions and donations**

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
<b>Total</b>		

**2. Transfers from County Government**

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	1,890,000	-
Payments By County On Behalf Of The Entity	-	-
Unconditional Development grants	-	-
<b>Total</b>	<b>1,890,000</b>	<b>-</b>

**3. Fines, penalties and other levies**

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**4. Interest income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income from Mortgage Loans	-	-
Interest Income From Car Loans	-	-
Interest Income From Investments in financial assets	-	-
Interest Income On Bank Deposits	-	-
<b>Total Interest Income</b>	<b>-</b>	<b>-</b>



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes to the Financial Statements Continued**

**5. Other income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	-
<b>Total Other Income</b>	-	-

**6. Employee Costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Staff unit subsistence costs	446,000	-
<b>Total</b>	<b>446,000</b>	

**7. Use of Goods and Services**

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Telecommunication	-	-
Bank charges	6528	-
Insurance costs	68,925	-
Committee Allowances	20,000	-
Printing and stationery	-	-
Insurance Costs		-
Training	1,500,000	-
<b>TOTAL</b>	<b>1,595,453</b>	-

**8. Depreciation and Amortization Expense**

Description	2021-2022	2020-2021
	Kshs.	Kshs.

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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Property Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	-	-

**9. Finance costs**

Description	2021-2022	2020-2021
	Kshs	Ksh
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
<b>Total</b>	-	-

**10. Gain/(loss) on disposal of assets**

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	-	-

**11. Gain/ (loss) on Fair Value Investments**

Description	2021-2022	2020-2021
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
<b>Total Gain</b>		

**12. Cash and cash equivalents**

Description	2021-2022	2020-2021
	Kshs	Kshs
Car Loan Account	-	-
County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others ( <i>Specify</i> )	-	-



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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<b>Total Cash And Cash Equivalents</b>	-	-
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**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**Notes to the Financial Statements Continued**

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
<b>a) Fixed Deposits Account</b>			
-		-	-
		-	
<b>Sub- Total</b>			
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank		-	-
<b>Sub- Total</b>		-	-
<b>c) Current Account</b>			
Kenya Commercial Bank	1259492192	-832	-
Kenya Commercial Bank	1260054462	31,480	-
Kenya Commercial Bank	1260054527	158,944	-
<b>Total</b>		<b>189,592</b>	-

**13. Receivables from exchange transactions**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable	-	-
Current Loan Repayments Due	5,578,316	-
Other Exchange Debtors	-	
Less: Impairment Allowance	-	
<b>Total Current Receivables</b>	<b>5,578,316</b>	
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	-	-
<b>Total Non- Current Receivables</b>	-	-
<b>Total Receivables From Exchange Transactions</b>	<b>5,578,316</b>	

**Notes to the Financial Statements Continued**

**Additional disclosure on interest receivable**

Description	2021-2022	2020-2021
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**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
<b>Current loan repayments due</b>	-	
Current portion of long-term loans from previous years		
Accrued principal from long-terms loans from previous periods	5,578,316	-
Current portion of long-term loans issued in the current year	2,110,000	-

**14. Prepayments**

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments ( <i>Specify</i> )	-	-
<b>Total</b>	-	-

**15. Inventories**

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories ( <i>Specify</i> )	-	-
<b>Total Inventories at The Lower of Cost and Net Realizable Value</b>	--	-

**Notes to the Financial Statements Continued**

**16. Investments in financial assets**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>a. Investment in Treasury bills and bonds</b>		

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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Financial institution	-	-
CBK	-	-
CBK	-	-
Sub- total	-	-
<b>b. Investment with Financial Institutions/ Banks</b>	-	-
Bank	-	-
Bank	-	-
Sub- total	-	-
<b>c. Equity investments (specify)</b>	-	-
Equity/ shares in Entity xxx	-	-
Sub- total	-	-
<b>Grand total</b>	-	-

**Movement of Equity Investments**

Impairment allowance/ provision	2021-2022	2020-2021
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	-	-
Gain/(loss) in fair value of investments through surplus or deficit	-	-
<b>At the end of the year</b>	-	-

**e) Shareholding in other entities**

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



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**Notes To The Financial Statements (Continued)**

**17. Property, plant and equipment**

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

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes To The Financial Statements (Continued)**

**18. Intangible assets**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Cost</b>		
<b>At Beginning of The Year</b>	-	-
Additions	-	-
<b>At End of The Year</b>	-	-
<b>Amortization And Impairment</b>		
<b>At Beginning of The Year</b>	-	-
Amortization	-	-
<b>At End of The Year</b>	-	-
Impairment Loss	-	-
<b>At End of The Year</b>	--	-
<b>NBV</b>	-	-

**19. Investment Property**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>At beginning of the year</b>	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-
<b>At end of the year</b>	-	-



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes To The Financial Statements (Continued)**

**20. Trade and other payables from exchange transactions**

Description	2021-2022		2020-2021	
	Kshs		Kshs	
Trade Payables	-		-	
Refundable Deposits	-		-	
Accrued Expenses	-		-	
Other Payables	-		-	
<b>Total Trade and Other Payables</b>	-		-	
Ageing analysis(Trade and other payables)	2022	% of the Total	2021	% of the Total
Under one year	--	-	-	-
1-2 years	-		-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total (tie to above total)</b>				

**21. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning Of The Year	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
<b>Balance At The End of The Year</b>	-	-	-	-

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**Notes To The Financial Statements (Continued)**

**22. Borrowings**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Balance At Beginning of The Period</b>	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
<b>Balance At End of The Period</b>	-	-

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

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>External Borrowings</b>		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'		
Euro Denominated Loan from Z Organization'	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
<b>Total Balance at End of The Year</b>	-	-

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
<b>Total</b>	-	-



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**Notes To The Financial Statements (Continued)**

**23. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**24. Social Benefit Liabilities**

Description	2021-2022	2020-2021
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	=	=
Elderly social benefit scheme		
Bursary social benefits	-	-
<b>Total</b>	=	=
Current social benefits	-	-
Non-current social benefits	-	-
<b>Total</b>		

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Notes To The Financial Statements (Continued)**

**25. Cash generated from operations**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	-	-
<b>Adjusted For:</b>	-	-
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income		
Finance Cost	-	-
<b>Working Capital Adjustments</b>	-	-
Increase In Inventory		
Increase In Receivables		
Increase In Payables		
<b>Net Cash Flow From Operating Activities</b>	-	-



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**Notes To The Financial Statements (Continued)**

**26. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

**c) Key management remuneration**

Description	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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**d) Due from related parties**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Due From Parent Ministry	-	-
Due From County Government	-	-
<b>Total</b>	-	-



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures Continued**

**e) Due to related parties**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
<b>Total</b>	-	-

**27. Contingent assets and contingent liabilities**

<b>Contingent Liabilities</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Court Case Xxx Against the Fund	-	-
Bank Guarantees	-	--
<b>Total</b>	-	-

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Notes To The Financial Statements (Continued)**

**28. Financial risk management**

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

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

**a) Credit risk**

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

<b>Description</b>	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions	5,578,316	-	5,578,316	-
Receivables From Non-Exchange Transactions		-	-	-
Bank Balances	189,592			
<b>Total</b>	<b>5,767,908</b>			
<b>At 30 June 2021</b>				



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions		-	-	-
Bank Balances	-			
<b>Total</b>	-			

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Notes To The Financial Statements (Continued)**

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

The entity has significant concentration of credit risk on amounts due from Kshs 5,578,316

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

**b) Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June (Current FY)</b>	-	-	-	-
Trade Payables				
Current Portion Of Borrowings	-	-	-	
Provisions				
Employee Benefit Obligation	-	-	--	



**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
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<b>Total</b>				-
<b>At 30 June 2022</b>				
Trade Payables				
Current Portion Of Borrowings				
Provisions				
Employee Benefit Obligation				
<b>Total</b>	-	-		-

**BUSIA COUNTY TRADE DEVELOPMENT REVOLVING FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Notes To The Financial Statements (Continued)**

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

Description		Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>	-	-	-
Financial Assets	-		-
Investments			



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Cash	-	-	
Debtors/ Receivables			
<b>Liabilities</b>			
Trade And Other Payables			
Borrowings			
<b>Net Foreign Currency Asset/(Liability)</b>			

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**Notes To The Financial Statements (Continued)**

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
<b>2022</b>			
Euro	10%	-	-
USD	10%		
<b>2022</b>			
Euro	10%		
USD	10%	-	-

**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***



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

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**Notes To The Financial Statements (Continued)**

**d) Capital risk management.**

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

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	-	-
Revolving fund	6,934,000	-
Accumulated surplus	(1,166,092)	-
<b>Total funds</b>	<b>5,767,908</b>	<b>-</b>
Total borrowings	-	-
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
<b>Gearing</b>		

**29. Events after the reporting period**

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

**30. Ultimate and Holding Entity**

The entity is a County Public Fund established by Busia County Trade Development Revolving Fund Act 2016 under the department for trade and cooperatives. Its ultimate parent is the County Government of Busia

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**31. Currency**

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



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**4. Annexes**

**Annex I: Progress on Follow Up Of Prior Year Auditor’s Recommendations**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>

Fund Administrator

**Date**.....

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**Annex II: Inter-Fund Confirmation Letter**

**Busia County Trade Development revolving Fund**  
**The Busia County Trade Development revolving Fund**

Wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 <sup>th</sup> June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 <sup>th</sup> June 2022				Amount Received by [beneficiary Fund] (KShs) as at 30 <sup>th</sup> June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	-	-	-	-			-
Total					=		

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

**Head of Accountants department of beneficiary Fund:**

**Name** ..... **Sign** ..... **Date**.....

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**Annex IV: Reporting on Disaster Management Expenditure**

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

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Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 <sup>th</sup> June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 <sup>th</sup> June 2022				Amount Received by [beneficiary Fund] (KShs) as at 30 <sup>th</sup> June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	-	-	-	-			-
Total					=		

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

**Head of Accountants department of beneficiary Fund:**

**Name** ..... **Sign** ..... **Date**.....

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**Annex IV: Reporting on Disaster Management Expenditure**

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