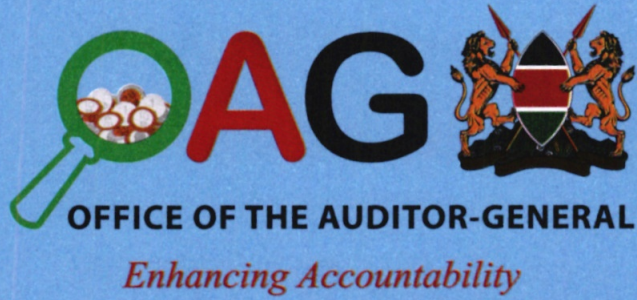


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**EMBU COUNTY YOUTH TRUST FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

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**EMBU COUNTY YOUTH TRUST FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2023**

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

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***Embu County Youth Trust Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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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

ECYTF	Embu County Youth Trust Fund
CO	Chief Officer

**2. Key Entity Information and Management**

**a) Background information**

County Youth Trust Fund is established by and derives its authority and accountability from public finance management Act (No. 18 of 2012) on 24<sup>th</sup> April, 2015. The Fund is wholly owned by the County Government of Embu and is domiciled in Kenya.

The fund's objective is to promote culture of savings and investment amongst the youth and to promote establishment of both new and existing small youth enterprises in the County.

The Fund's principal activity is economic empowerment of the youths which enables them to access finances to promote their business and enterprises, thereby enhancing economic growth towards the realization of vision 2030,

The fund addresses sustainable development goals No.1 (End poverty in all its forms), No.5 (achieve gender equity and empower women and girls), No.8 (promote sustained, inclusive and sustainable economic growth, full and productive empowerment and decent work for all) and No.10 (reduced inequity among countries) by providing affordable credit to youth, and youthful persons with disability)

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to

- (a) Expand access to finances in promotion of youth businesses and enterprises at the ward level for economic growth towards the realization of the goals of Vision 2030.
- (b) To generate gainful self- employment for the youth.
- (c) To model an alternative framework in funding youthful community driven development.

**c) Fund Administration Committee**

<b>Name</b>	<b>Position</b>
1. Pius Mutugi Kimani	Chairman
2. Silvia wanjiru Kamau	Vice Chairlady
3. Vera Murugi Njiru	Member
4. Allan Mugendi Njeru	Member
5. Joseph Njuki Kibuti	Member
6. Paul N. Thiga	Member
7. Luceta N. Ngari	Member
8. Rehema W. Ibrahim	Fund Administrator and Secretary to the Council

**Embu County Youth Trust Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**Key Entity Information and Management (Continued)**

**d) Key Managements team**

	<b>Name</b>	<b>Position</b>
1	Rehema W. Ibrahim	Director Youth Empowerment/Fund Administrator.
2	Luceta N. Ngari	Chief Officer – Youth Empowerment
3.	Paul N. Thiga	Chief Officer – Finance

**Key Entity Information and Management (Continued)**

**e) Registered Offices**

Embu County Government  
P.O. Box 36 - 60100  
Embu, KENYA

**f) Fund Contacts**

Youth Trust Fund  
E-mail: [ytfembu@gmail.com](mailto:ytfembu@gmail.com)

**g) Fund Bankers**

1. Equity Bank – Embu branch  
P.O. Box 75104  
City Square 00200  
Nairobi, Kenya

**2. Independent Auditors**

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

**3. Principal Legal Adviser**

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

***Embu County Youth Trust Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**Key Entity and Management (Continued)**

**h) Independent Auditors**

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

**i) Principal Legal Adviser**





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

**j) County Attorney**





Embu County Government  
P.O box 36-60100 County  
Embu, Kenya





**3. EMBU COUNTY YOUTH TRUST FUND COUNCIL.**

	<b>Name</b>	<b>Position</b>	<b>Details of qualifications and experience</b>
	Pius Kimani	Chairman	24/12/1990 Bachelor Degree in Human Resources management 2 Years Experience.
	Sylvia Kamau	Vice Chairlady	17/05/1998 Bachelors Degree in commerce – Accounts Option 1 Year Experience
	Joseph Kibuti	Member	5/10/1989 Bachelors Degree in Human Resources management. 2 Years Experience.
	Vera Njiru	Member	06/09/1995 Bachelors Degree in Sociology 1 Years Experience.

**Embu County Youth Trust Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

	<p>Allan Njeru</p>	<p>Member</p>	<p>9/7/1985          Bachelors Degree in          Economics          1Year experience</p>
	<p>Paul N. Thiga</p>	<p>Member</p>	<p>29/06/1978          MBA          B.Com          Work Experience 15 Years</p>
	<p>Luceta Ngari</p>	<p>Member</p>	<p>7/2/1989,          B.A Social Science          Work Experience 10 Years</p>
	<p>Rehema Ibrahim</p>	<p>Fund          Administrator/Secretary          to the Council.</p>	<p>21/07/1985.          Masters in Project planning          and management.          B.A Development Studies          10 Years Experience.</p>

**4. Management Team**

	Rehema Ibrahim	Fund Administrator	21/07/1985. Masters in Project planning and management. B.A Development Studies 10 Years Experience.
	Bonface Mbogo	Fund Accountant	17/09/1987 CPA(K) BBM – Finance 7 Years Experience

## **5. Board/Fund Chairperson's Report**

I would like to recognise the fund council and the whole of the management of the Youth Trust Fund for their relentless effort to deliver their mandate of serving the youths of Embu County. Let's continue serving our youths and county at large in all ways that we can. Thank you.

- **The Changes in the Fund during the quarter (in terms of the Council) are as follows.**

### **Fund Administrator**

There was no change.

### **Council Leadership**

No changes.

### **Members**

There was a change of the chief officer youth empowerment from Mr. Samuel Wachira to Ms Luceta Ngari.

- **Review of the fund's performance**

The allocations from treasury have not been consistent and therefore we will follow-up to see to it that there is consistent allocation to the fund. On the other hand, the recovery has been considerably slow thus posing threat to the fund existence and going concern of the fund. The management is in the process of revising the regulations on recovery in order to maintain the revolving fund.

- **Future outlook of the Fund.**

We will be committed to the recovery process so that the fund can expand to the four corners of Embu County Youth. At the same time we will emphasise to the youth on the need for timely payment of their loan, in order for the revolving fund principle to be realised.



**Name:** PIUS KIMANI

**CHAIRMAN**  
**EMBU COUNTY YOUTH TRUST FUND COUNCIL**

**6. Report of the Fund Administrator**

• **The Review of the Fund's performance**

In general the fund's performance has been a bit slow in the year because of issues beyond the control of the fund management. The issue of outbreak of COVID-19 made things even worse. This led to drastic drop of loan repayments. We hope in the forthcoming year, the fund is going to stabilize and run smoothly.

• **Future outlook of the Fund**

We will endeavour to put in place the best mechanism to run the fund as required. With assistance from County IT department we will put effort to see we have an ERP system to run the fund for efficient and effective management.

Moreover, there is also a need for policy review in order to include fund recovery mechanism which will ease recovery process going forward.

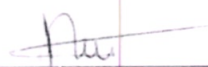
• **Any other matters deemed necessary**

Some of the major drawbacks include:

- ✓ Lack of Credit officers and recovery tools. E.g. transport
- ✓ 5% administration fee is not adequate to ensure smooth running of the fund hence the need to consider increasing it to at least 8%.
- ✓ The Fund lacks clear recovery process structures that are geared towards recovery process like; field officer, means of transport for making follow-ups among others.

• **Conclusion**

The above mentioned challenges have slowed down the repayment and recovery measures. However, the Youth Trust Fund being one of the flagship projects requires constant funding from treasury for 10 years as per the Embu County Youth Trust Fund Regulations.

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

**REHEMA W. IBRAHIM**  
DIRECTOR YOUTH EMPOWERMENT/ FUND ADMINISTRATOR.

**Embu County Youth Trust Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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

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 Embu County Government Entity’s 2023-2027 plans are to:

- a) Promote the culture of savings and investment amongst the youths.
- b) Access to finances in promotion of youth businesses and enterprises.
- c) To provide self employment to the youth.

**Progress on attainment of Strategic development objectives (Adopted from Embu County)**

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Sensitizing youths on Saving and investment	Promote the culture of savings and investment amongst the youths	Increased number of youths who have a culture of saving and investing.	% of increasing number of loan beneficiaries.	<b>In the year under review there were various youth training programs.</b>
Training Youths on entrepreneurship and financial management	To promote access to finances and promotion of youth businesses and enterprises.	Increased number of loan repayment.	% of increasing of loan repayment amount.	<b>In the year, There was a notable decrease in loan repayment due to reduced hard economic situation brought by draught.</b>

**8. Corporate Governance Statement**

The Council held no meeting during the quarter under review.

The attendance of the meetings was as below

<b>DATE</b>	<b>MEMBERS PRESENT</b>	<b>MEMBERS ABSENT WITH APOLOGY</b>	<b>MEMBERS ABSENT WITHOUT APOLOGY</b>	<b>IN-ATTENDANCE</b>

• **Remuneration of the Council**

The Council Chairman is paid an allowance of Ksh. 15,000 per sitting.

The Council Vice Chairman is paid an allowance of Ksh. 12,000 per sitting.

The Council Members are paid an allowance of Ksh. 10,000 each per sitting.

The Other Ex-official are paid 4,000 each per sitting, the fund accountant is paid 3,000 per sitting and the secretariat is paid 2,000 per sitting.

• **Appointment Process**

The council after expiry of their term is to be competitively sourced from the four sub-counties who shall be youths provided that at least one person shall be of the opposite gender.

• **Removal of a Council Member**

A member of the Council will cease to hold office if –

- He or she resigns upon giving one month’s notice in writing to the appointing authority;
- Is removed from office by the appointing authority upon recommendation of the Council to terminate the appointment of a member of the Council on any of the following grounds–
  - (a) violation of the Constitution or any other law;
  - (b) gross misconduct, whether in the performance of the member’s functions or otherwise;
  - (c) physical or mental incapacity to perform the functions of office or;
  - (d) Incompetence or neglect of duty.
- (e) Whenever the office of a member becomes vacant before the expiry of the term the appointing authority may appoint another person to be a member. Provided that such other person shall hold office only for the unexpired term of office of the person who vacated such office.

**Corporate Governance Statement (Continued)**

**Roles and Functions of the Council.**

The functions of the Council are –

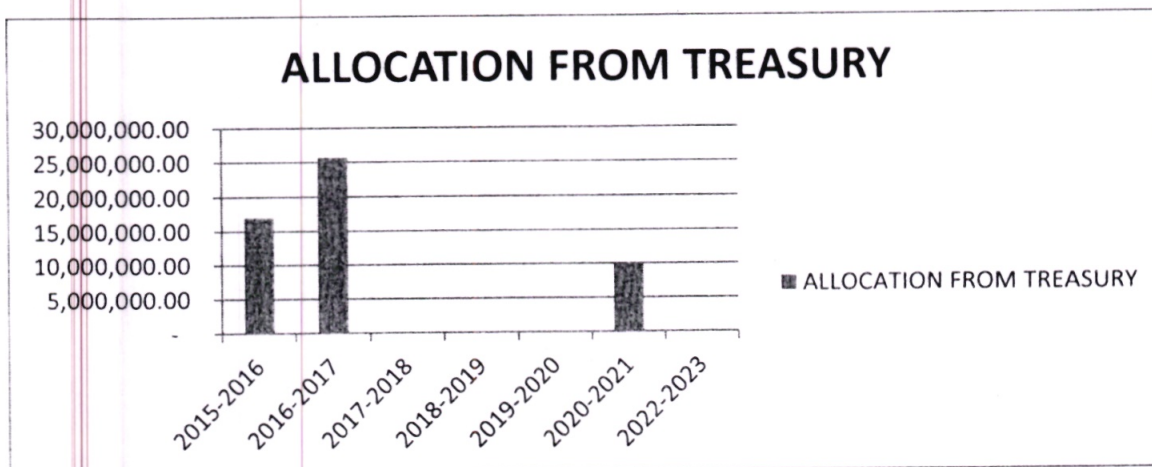
- (a) to supervise the administration of the Fund;
- (b) to consider applications for loans in accordance with the existing terms and conditions of borrowing;
- (c) to advise the Executive member on the programmes relating to youth affairs and development;
- (d) to coordinate funded youth activities;
- (e) to evaluate funded and to be funded youth programmes
- (f) assist and encourage organizations interested in youth development in the initiation of youth training and development programmes;



**9. Management Discussion and Analysis**

In general the fund's performance has been a bit slow in the previous quarter due to hard economic times brought about by the recent draught this led to drastic drop of loan repayments. Also there was no consistency of the fund allocation. We hope in the forthcoming year, the fund is going to stabilize and run smoothly.

<b>YEAR</b>	<b>ALLOCATION FROM TREASURY</b>
2015-2016	17,000,000.00
2016-2017	25,700,000.00
2017-2018	-
2018-2019	-
2019-2020	-
2020-2021	10,000,000.00
2022-2023	-



Some of the major drawbacks include:

- ✓ Lack of Credit officers.
- ✓ Low management fund allocation that hinders proper Administration and recovery of money disbursed.
- ✓ The Fund does not have its own means of transport for making follow-ups.

*Embu County Youth Trust Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**10. Environmental and Sustainability Reporting**

The Fund did not undertake any corporate social Responsibility during the year under review.

## **11. Report of the Trustees**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Fund affairs.

### **11.1 Principal activities**

The principal activities of the Fund are economic empowerment of the youth which enables them to access finances to promote their business and enterprises, thereby enhancing economic growth towards the realization of vision 2030,

The fund addresses sustainable development goals No.1 (End poverty in all its forms), No.5 (achieve gender equity and empower women and girls), No.8 (promote sustained, inclusive and sustainable economic growth, full and productive empowerment and decent work for all) and No.10 (reduced inequity among countries) by providing affordable credit to youth, and youthful persons with disability)

### **11.2 Performance**

The performance of the Fund for the year ended June 30, 2023, are set out on page 1 - 57

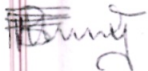
### **11.3 Trustees**

The members of the *Administration Committee* who served during the year are shown on page v to viii. There were changes of chief officer during the year under reviews as indicated on pages xi.

### **11.4 Auditors**

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

By Order of the Board



**PIUS KIMANI.**

Chair of the Fund Administration Committee

Date: 16/10/2023

## **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 **public finance management (No 18 of 2012) (Embu county (youth trust) fund Regulations, 2015** shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. 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 **public finance management (18 of 2012) (Embu county (youth trust) fund regulations, 2015)**. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date.

**Statement of Management's Responsibilities (Continued)**

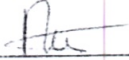
The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 16/10/2023 2023 and signed on its behalf by:

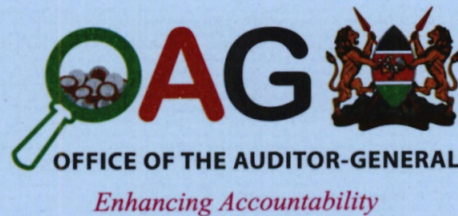


Name: REHEMA W. IBRAHIM

**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 EMBU COUNTY YOUTH TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2023

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the 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, the 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 designed and were working effectively in the financial year under review.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Embu County Youth Trust Fund set out on pages 1 to 26, which comprise the statement of financial position as at

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*Report of the Auditor-General on Embu County Youth Trust Fund for the year ended 30 June, 2023*

30 June, 2023 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 Embu County Youth Trust Fund as at 30 June, 2023 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 Public Finance Management (Embu County Youth Trust) Fund Regulations, 2015.

## **Basis for Qualified Opinion**

### **1. Long Outstanding Receivables**

The statement of financial position as at 30 June, 2023 reflects total assets balance of Kshs.50,176,337 out of which Kshs.33,605,833 and Kshs.16,336,731 relates to current and long term portion of receivables from exchange transactions respectively all amounting to Kshs.49,942,564 which when compared with the previous year's balance of Kshs.49,928,798 indicates that the accounts are largely dormant. However, Management has not shown efforts made to recover the outstanding loans.

In the circumstances, the valuation and recoverability of the current and long term receivables from exchange transactions balance of Kshs.49,942,564 could not be confirmed.

### **2. Sustainability of the Fund**

The statement of financial position as at 30 June, 2023 reflects total assets balance of Kshs.50,176,337 out of which Kshs.33,605,833 and Kshs.16,336,731 relates to current and long term portion of receivables from exchange transactions respectively all amounting to Kshs.49,942,564. Review of the loans disbursed revealed that actual disbursements during the period between February, 2015 and June, 2023 amounted to Kshs.55,467,552 out of which Kshs.2,773,378 was retained by the Fund, being management fees. The loans disbursed were interest free and were to be repaid within three (3) years of disbursements. However, as at the time of audit in October, 2023, by 30 June, 2023 over nine years later, only disbursements amounting to Kshs.5,469,772 had been recovered from Kshs.39,075,605 leaving disbursements amounting to Kshs.33,605,833 outstanding.

In the circumstances, the sustainability of the Fund and recoverability of the outstanding loans receivables could not be confirmed.

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

### **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 section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Presentation and Disclosure in the Financial Statement**

The independent auditors postal address code is reflected as GOP 00100 instead of GPO 00100. The principal legal adviser and independent auditor details are reflected twice on pages vi and vii.

In the circumstances, the financial statements did not comply with the requirements of the Public Sector Accounting Standards Board.

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



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

## **Conclusion**

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

## **Basis for Conclusion**

The audit was conducted in accordance with the International Standards for 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 maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal 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 the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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**

**12 January, 2024**

**Embu County Youth Trust Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**14. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2023**

Description	Note	Ken	USD
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations		-	-
Transfers From the County Government		-	-
Fines, Penalties and Other Levies		-	-
		-	-
<b>Revenue From Exchange Transactions</b>			
Interest Income	1	3,947	29,750
Other Income		-	-
		<b>3,947</b>	<b>29,750</b>
<b>Total Revenue</b>		<b>3,947</b>	<b>29,750</b>
<b>Expenses</b>			
Employee Costs		-	-
Use of goods and services	2	960	21,240
Depreciation and Amortization Expense		-	-
Finance Costs		-	-
<b>Total Expenses</b>		<b>960</b>	<b>21,240</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets		-	-
Gain /Loss on fair value of investments		-	-
<b>Surplus/(Deficit) for the Period</b>		<b>2,987</b>	<b>8,510</b>

.....  
 Name: REHEMA W. IBRAHIM  
 Administrator of the Fund

.....  
 Name: B. J. M. Mbuga  
 Fund Accountant  
 ICPAK Member Number: 20312

**Embu County Youth Trust Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**


**15. Statement of Financial Position As at 30 June 2023**

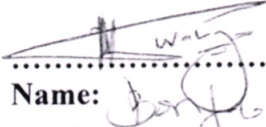
Description	Notes	FY 2022/23	FY 2021/22
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	233,773	244,552
Current Portion of Long- Term Receivables From Exchange Transactions	4	33,605,833	33,620,114
Prepayments		-	-
Inventories		-	-
Investments in financial assets		-	-
<b>Total current assets</b>		<b>33,839,606</b>	<b>33,864,666</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment		-	-
Intangible Assets		-	-
Long Term Receivables from Exchange Transactions	4	16,336,731	16,308,684
Investment Property		-	-
<b>Total non- current assets</b>		<b>16,336,731</b>	<b>16,308,684</b>
<b>Total Assets</b>		<b>50,176,337</b>	<b>50,173,350</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions		-	-
Current Portion of Borrowings		-	-
Employee Benefit Obligations		-	-
Social benefit liabilities		-	-
<b>Total current liabilities</b>		<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>			
Long Term Portion of Borrowings		-	-
Non-Current Employee Benefit Obligation		-	-

**Embu County Youth Trust Fund**  
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Social benefit liabilities		-	-
		-	-
<b>Total Liabilities</b>		-	-
<b>Net Assets</b>		<b>50,176,337</b>	<b>50,173,350</b>
Revolving Fund		52,700,000	52,700,000
Reserves		-	-
Accumulated Surplus		(2,523,664)	(2,526,651)
<b>Total Net Assets and Liabilities</b>		<b>50,176,336</b>	<b>50,173,349</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 16/10 2023 and signed by:

  
 Name: REHEMA K. IBRAHIM  
 Administrator of the Fund

  
 Name: Jerry Mboya  
 Fund Accountant  
 ICPAK Member Number: 20212

**Embu County Youth Trust Fund**  
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**16. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2023**

Description	Revenue	Revaluation	Accumulated Surplus
<b>Balance As At 1 July 2021</b>	52,700,000	-	(2,535,161)
Surplus/(Deficit) For the Period	-	-	8,510
Funds Received During the Year	-	-	-
Transfers	-	-	-
Revaluation Gain	-	-	-
<b>Balance As At 30 June 2022</b>	<b>52,700,000</b>	<b>-</b>	<b>(2,526,651)</b>
<b>Balance As At 1 July 2022</b>	52,700,000	-	(2,526,651)
Surplus/(Deficit) For the Period	-	-	2,987
Funds Received During the Year	-	-	-
Transfers	-	-	-
Revaluation Gain	-	-	-
<b>Balance As At 30 June 2023</b>	<b>52,700,000</b>	<b>-</b>	<b>(2,523,664)</b>

**17. Statement of Cash Flows for the Year Ended 30 June 2023**

Description	Nil	2022/23	2021/22
		Ksh.	Ksh.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		3,947	29,750
Receipts from other operating activities		-	-
<b>Total receipts</b>		<b>3,947</b>	<b>29,750</b>
<b>Payments</b>			
Fund administration expenses		-	-
General expenses		-	-
Finance cost		(960)	(21,240)
Other payments		-	-
<b>Net cash flows from operating activities</b>		<b>2,987</b>	<b>8,510</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		65,181	316,830
Loan disbursements paid out		(78,947)	(595,000)
<b>Net cash flows used in investing activities</b>		<b>(13,766)</b>	<b>(278,170)</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>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>(10,779)</b>	<b>(269,660)</b>
Cash and cash equivalents at 1 July 2022		244,551	514,211
<b>Cash and cash equivalents at 30 June 2023</b>		<b>233,772</b>	<b>244,551</b>



18. Statement of Comparison of Budget and Actual Amounts for the Period.

Description	Original budget	Adjustments	Final budget	Total budgeted income	Total actual income	
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Public Contributions and Donations	-	-	-	-	-	
Transfers From County Govt.	-	-	-	-	-	
Interest Income	3,947	-	3,947	3,947	-	100
Other Income	-	-	-	-	-	
<b>Total Income</b>	<b>3,947</b>	<b>-</b>	<b>3,947</b>	<b>3,947</b>	<b>-</b>	<b>100</b>
<b>Expenses</b>						
Fund Administration Expenses	-	-	-	-	-	
General Expenses	-	-	-	-	-	
Finance Cost	960	-	960	960	-	100
<b>Total Expenditure</b>	<b>960</b>	<b>-</b>	<b>960</b>	<b>960</b>	<b>-</b>	<b>100</b>
<b>Surplus For the Period</b>	<b>2,987</b>	<b>-</b>	<b>2,987</b>	<b>2,987</b>	<b>-</b>	<b>-</b>
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**19. Notes to the Financial Statements**

**1. General Information**

Embu County Youth Trust Fund entity is established by and derives its authority and accountability from **public finance management (No 18 of 2012) (Embu county (youth trust) fund Regulations, 2015**. The entity is wholly owned by the Embu County Government and is domiciled in Kenya. The principal activities of the Fund are economic empowerment of the youth which enables them to access finances to promote their business and enterprises, thereby enhancing economic growth towards the realization of vision 2030, The fund addresses sustainable development goals No.1 (End poverty in all its forms), No.5 (achieve gender equity and empower women and girls), No.8 (promote sustained, inclusive and sustainable economic growth, full and productive empowerment and decent work for all) and No.10 (reduced inequity among countries) by providing affordable credit to youth, and youthful persons with disability)

**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*

Standard	Effective date and impact
IPSAS 41: 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>

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Standard	Description of the Standard
	<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>
<p><b>IPSAS 42: Social Benefits</b></p>	<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 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> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</li> </ul> <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> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

**Embu County Youth Trust Fund  
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Standard	Effective date and impact
	<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>
Other improvements to IPSAS	<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
IPSAS 43	<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 cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and</p>

**Embu County Youth Trust Fund**

**Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Entity's current accounting practice
	present information on right of use assets and lease liabilities. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<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>

**(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.)*

**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 2023 was approved by the County Assembly. 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 0 on the FY 2023 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 actuals as per the statement of financial performance has been presented under section xxx of these 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 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 cashflows 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 xx*.

**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.

***Embu County Youth Trust Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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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. *Entity to state the reserves maintained and appropriate policies adopted.*

**l) 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.

**m) 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.

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

**n) 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.

**o) 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.

**p) 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.

**q) 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.

**r) Comparative figures**

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

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

**5. Significant judgments and sources of estimation uncertainty**

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

State all judgements, estimates and assumptions made e.g.

**a) Estimates and assumptions –**

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

**b) Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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

**6. Notes To The Financial Statements**

**1. Interest income**

	FY 2022/23	FY 2021/22
	KSh	KSh
Interest Income From Loans	3,947	29,750
Interest Income On Bank Deposits	-	-
<b>Total Interest Income</b>	<b>3,947</b>	<b>29,750</b>

**2. Use of Goods and Services**

Description	FY 2022/23	FY 2021/22
	KSh	KSh
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	-	-
Bank Charges	-	-
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Bank Charges	960	21,240
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other ( <i>Specify</i> )	-	-
Social benefit expenses*		
<b>Total</b>	<b>960</b>	<b>21,240</b>

*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42*

*Embu County Youth Trust Fund*  
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**3. Cash and cash equivalents**

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Car Loan Account	-	-
County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – call deposits – Repayment Account	10,002.50	10,722.50
Current account	117,189.50	192,429.50
Others – Mpesa	106,581	41,400
<b>Total cash and cash equivalents</b>	<b>233,773</b>	<b>244,552</b>

**Notes to the Financial Statements Continued**

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

<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
<b>Sub- Total</b>		-	-
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
<b>Sub- Total</b>		-	-
<b>c) Current Account</b>			
Equity Bank	190164557091.00	10,002.5	10,722.50
Equity Bank	190264375530.00	117,189.50	192,429.50
<b>Sub- total</b>		<b>127,192.00</b>	<b>203,152.00</b>
<b>d) Others(Specify)</b>		-	-
Cash In Transit		-	-
Cash In Hand		-	-
M-pesa		106,581.00	41,400.00
<b>Sub- Total</b>		<b>106,581.00</b>	<b>41,400.00</b>
<b>Grand Total</b>		<b>233,773.00</b>	<b>244,552.00</b>



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**4. Receivables from exchange transactions**

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable	-	-
Current Loan Repayments Due	33,605,833	33,620,114
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
<b>Total Current Receivables</b>	<b>33,605,833</b>	<b>33,620,114</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	16,336,731	16,308,684
<b>Total Non- Current Receivables</b>	<b>16,336,731</b>	<b>16,308,684</b>
<b>Total Receivables From Exchange Transactions</b>	<b>49,942,564</b>	<b>49,928,798</b>

**Additional disclosure on interest receivable**

Description	FY 2022/23	FY 2021/22
	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	3,947	29,750
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

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

**5. 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:

Description	Total amount	Fully performing	Passive	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>				
Receivables From Exchange Transactions	16,336,731.37	16,336,731.37	-	-
Receivables From Non-Exchange Transactions	33,605,833.00	33,605,833.00	-	-
Bank Balances	233,773.00	233,773.00	-	-
<b>Total</b>	<b>50,176,337.37</b>	<b>50,176,337.37</b>	-	-
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions	16,308,684.00	16,308,684.00	-	-
Receivables From Non-Exchange Transactions	33,620,114.00	33,620,114.00	-	-
Bank Balances	244,552.05	244,552.05	-	-
<b>Total</b>	<b>50,173,350.05</b>	<b>50,173,350.05</b>	-	-

**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 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.

**Notes to the Financial Statements (Continued)**

**b) 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:

Description	31 <sup>st</sup> 12 <sup>th</sup> 2023	31 <sup>st</sup> 12 <sup>th</sup> 2022
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	52,700,000	52,700,000
Accumulated surplus	(2,523,664)	(2,526,651)
<b>Total funds</b>	<b>50,176,336</b>	<b>50,173,349</b>
Total borrowings	-	-
Less: cash and bank balances	233,773	244,552
Net debt/(excess cash and cash equivalents)	49,942,563	49,928,797
<b>Gearing</b>	<b>99.53</b>	<b>99.51</b>

**6. Events after the reporting period**

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

**7. Ultimate and Holding Entity**

The entity is a County Public Fund established by **public finance management (No 18 of 2012) (Embu county (youth trust) fund Regulations, 2015** under the Ministry of Youth Empowerment. Its ultimate parent is the County Government of Embu.

**8. Currency**

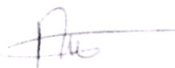
The financial statements are presented in Kenya Shillings (Kshs).

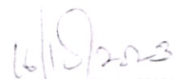
**20. Annexes**

**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.

Reference No. in the external auditor's report	Issue/objection from Auditor	Management comments	Status (Resolved/Not Resolved)	Planned/Actual date when the issue is/has to be resolved
1	Long Overdue Unrepaid loans	Plans are underway for restructuring the fund for easier & better recovery	Not resolved	31 <sup>st</sup> March 2024
1	Deficit for the period under review	Issue Resolved	Resolved	
2	Going concern of the ECYTF	Plans are underway for restructuring the fund for easier & better recovery	Not resolved	31 <sup>st</sup> March 2024

  
Fund Administrator

Date.....

*Embu County*  
*Embu County Youth Trust Fund*  
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**Annex II: Inter-Fund Confirmation Letter**

**EMBU COUNTY GOVERNMENT**



**DEPARTMENT OF YOUTH EMPOWERMENT, SPORTS, GENDER, CULTURE, CHILDREN AND SOCIAL SERVICES**

**OFFICE OF THE CHIEF OFFICER YOUTH EMPOWERMENT**

**Address:** P.O. Box 36-60100 Embu **Location:** Embu Town Hall **Email:** [info@embu.go.ke](mailto:info@embu.go.ke)

**Website:** [www.embu.go.ke](http://www.embu.go.ke)

*Embu County Youth Trust Fund*  
*P.O Box 36 - 60100*

The Embu County Youth Trust Fund wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2023 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.

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Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 <sup>th</sup> June 20xx							
Reference Number	Date Disbursed	Amounts Disbursed by Embu County Youth Trust Fund (Kshs) as at 30 <sup>th</sup> June 2023				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)		
1	N/A	0	0	0	0	0	0
Total		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0	0

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

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

Name P. Mwangi Sign [Signature] Date 16/10/2023