REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

MARSABIT COUNTY ENTERPRISE FUND

FOR THE YEAR ENDED 30 JUNE, 2023

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MARSABIT COUNTY ENTERPRISE FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIALYEAR ENDED JUNE 30 2023

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

1. KEY ENTITY INFORMATION AND MANAGEMENT

1.1 Background information

Marsabit County Enterprise Fund is established by and derives its authority and accountability from Marsabit County Enterprise Fund Act on 16th July 2015. The Fund is wholly owned by the County Government of Marsabit and is domiciled in Kenya.

The fund's objective is to provide demand-led and timely credit to various borrowing segments such as Micro and Small Enterprises (SMEs) and Livestock Trader

The Fund's principal activity is to provide financial credits to three critical sectors of the County Economy, namely i) Micro and Small Enterprises (MSEs) sector, ii) Livestock trade and associated enterprises sector, and iii) Jua Kali sector for value addition

1.2 Principal Activities

Specific objectives of the Fund are:

(a) To promote the start-ups and flourishing of small businesses through access to affordable finances; (b) To nurture the growth of micro and small enterprises to promote self-reliance among youths and women; (c) To establish a uniform or standardized management of the enterprise fund throughout the county; (d) To provide funds for Livestock Traders who have potential to market or add value to their stock for domestic and international markets; (e) To boost the Jua kali sector towards achieving the County Government's industrialization objective; (f) To source for funding from external sources to compliment County Government allocations; (g) To attract and facilitate investment in cooperative sector institutions that have linkages to micro, small and medium enterprises that benefit the youth, low income persons and women groups; (h) To encourage value addition of livestock products like milk and milk products, hides and skin and meat and meat products. (i) To partner with strategic public, private and Civil Society Organizations involved in provision of finance and Entrepreneurship development (j) To provide funds to support enterprises that has potential to create jobs and value for exports

1.3 Key Management

Ref	Name	Position
1	Adan Hirbo	CEC -TIED
2	Ahmed Salat	Chief Officer-TIED
3	Wolde Nur Guleid	Fund Manager
4	Boru Dulacha	Chief Officer – Finance

a) Registered Offices

P.O. Box 384-60500
Next to KCB Bank-Marsabit
Isiolo-Moyale Highway
Marsabit, KENYA

b) Fund Contacts

E-mail: info@cef.marsabit.go.ke
Website: www.marsabitgo.ke

c) Fund Bankers

Kenya Commercial Bank
Marsabit Branch

d) Independent Auditors

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

e) Principal Legal Adviser

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

2. COUNTY ENTERPRISE FUND BOARD

County enterprise Fund board Term ended in the year March 2018.

3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'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 County Enterprise Board 2018-2022 plan are to:

a) Promote Access to Affordable Credit through County Enterprise Fund
b) Increase in Loan recovery and reduce bad debts

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Loan Disbursement	Promote Access to Affordable Credit through County Enterprise Fund	Wealth creation/ formalization of enterprises/ increased enterprise turnover	No. of Loans Beneficiaries	**In FY 2022/23 Loan to be disbursed was not budget in the County Budget. No loan disbursement was done**
Loan Recovery	Improve repayment rate by 5% from the baseline of 5%	Increase loan kitty, Principal repaid back is revolved	% of increase in Loan repayment rate	**In the FY 20/21 Loan repayment rate increased by 4%. Overall repayment rate increased from 5% to 9%**

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Wolde Nur Guleid 	**Fund Manager** Bachelor of Commerce Masters of Business Administration Previously work as Regional Business Manager-Standard Chartered Bank
2. Woche Bulge 	**Credit Officer** International Business Relations Majoring in Finance Has Working been working with the County Government of Marsabit as Credit Officer-County Enterprise Fund since 2016

5. BOARD/FUND CHAIRPERSON'S REPORT

The Fund Board Chairperson tenure expired in March 2018. The Chairperson tenure has not been renewed nor new chairperson of the Board appointed during the financial year 2022/2023.

6. REPORT OF THE FUND ADMINISTRATOR

The fund was created by an Act of the Marsabit County Assembly (**Marsabit County Enterprise Fund Act, 2015, No.2 of 2015**) to establish a legal and institutional framework to provide access to affordable credit by Micro, Small and Medium enterprises across Marsabit County.

The fund, with a budgetary allocation of *30 million shillings* per every financial year is distributed between the four Sub-Counties of *Moyale, North Horr, Laisamis and Saku* respectively using a formula provided by the Commission for Revenue Allocations (CRA) which takes several factors into consideration including population size and poverty index among others.

The distribution formula (in %) per Sub County is as shown below:

SUB COUNTY	Percentage Allocation
Moyale	29%
North Horr	27%
Laisamis	23%
Saku	21%
TOTAL	**100%**

Since its inception until now, the has received and disbursed ONLY one financial year's budgetary allocation of Ksh 30M i.e., FY2017/2018) and subsequently no other loan disbursements have been made since then.

The public uptake of the fund; in terms of the number of individuals and groups who showed interest and applied for loans from across the entire county was impressively high. However, a sizeable number of applications were rejected during the appraisal exercise, mainly due to technicalities i.e. failure to meet or produce all the mandatory requirements needed to qualify for a loan.

Signed: ______________________

Fund Administrator

Wolde Nur Guleid

7. CORPORATE GOVERNANCE STATEMENT

Marsabit County enterprise fund Board constitute of eight members, five members appointed by the governor, chief officer trade, chief officer finance and fund manager who is board secretary. Functions of the board include:

a) Formulate policies relating to the fund including credit policy;
a) Advise County Government on the structure and operations of the fund;
b) Establish uniform standards for the operations of the Board;
c) Administer the property and the funds in such a manner and for such purpose as shall promote the functions of the fund;
d) Mobilize resources for the enhancement of the fund's mandate;
e) Partner with county government for purposes of creating cooperation between the two levels of government in the management of the fund;
f) Keep disaggregated data of beneficiaries by sex, age, region and other relevant factors;
g) Undertake periodic review of the legal framework;
h) Formulate training, development and capacity building programmes for its employees; 0) ensure compliance within the Fund operations, sound financial management practices;
i) Provide where necessary management support services to eligible persons;
j) Protect the long-term viability of the fund;
k) Collaborate with relevant institutions so as to promote access to credit and other financial services;
l) Monitor and evaluate the performance of the fund; and
m) Perform any other functions assigned to it under this Act.

The County Fund Board shall have at least four meetings in every financial year and not more than four months shall elapse between the date of one meeting and the date of the next meeting. In the financial year 2022/2023 the county enterprise fund board did not do any meeting.

The term of the five board members who are appointed by the Governor ended on March 2018 and since then no new members are nominated to the board nor the term of former board members renewed. The remaining board members that is Chief Officer Finance, Chief Officer Trade and Fund Manager could not meet the quorum of four members required by the act for any sitting.

8. MANAGEMENT DISCUSSION AND ANALYSIS

As provided for by the rules and regulations governing the fund, a loan beneficiary gets a one-month window before commencement of the payment of loan instalments. As such, for the first batch of loan beneficiaries whose loans were disbursed in May and June of 2017, the commencement of loan repayments was set to begin in July and August of 2017 respectively.

Nonetheless, the loan repayments did not take off as expected due to some major challenges that existed at the time some of which were:

1. **Mode of loan repayment**: The fund's bank account at KCB Marsabit branch was initially the only available mode/option for making loan instalments. Many loan beneficiaries especially those who reside in or operate from the remote parts of the county could not access the bank to make regular monthly loan repayments.
2. **Local Politics**: The fund's first loan disbursement exercise coincided with the political campaign season of the 2017 general elections thereby. Many of the loan beneficiaries took advantage of the campaign period to either deliberately hold back their repayments as required or out of ignorance (especially the illiterate ones from the remote parts of the county) took heed of the misinformation/deception by some political players that the money they received was some sort of a grant/political tokens.
3. **Business failures**: Some loan beneficiaries especially those who engage in livestock trade blamed the long droughts and famine in the last 2 quarters of 2018 which ravaged a lot of livestock in the county as the main factor which contributed to the *slump/failure* of their livestock trade businesses, thereby hampering their financial capabilities to regularly repay their loans.

Loan Recovery Progress

Despite the challenges experienced so far, some notable positive strides have already been achieved or are in advanced stages/process of being achieved as measures meant to improve CEF loan performance and the management/administration of the Marsabit County Enterprise Fund in general.

Some of these positive strides include:

- Introduction and implementation of an *Mpesa Paybill Number* as a more effective and efficient mode for loan repayments to complement the fund's bank account at KCB
- Regular *phone calls* as follow up reminders for loan beneficiaries to honour their monthly loan instalments
- Use of *Demand Letters* issued to loan beneficiaries to initiate enforced regularization of the loans in arrears
- Periodic *loan recovery field activities* by the CEF team in the various wards to follow up on loan arrears and defaulters

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- Regular *announcements* on the *local FM radio stations* as reminders for loan defaulters to pay up their loan arrears

Other measures already in place or in the process of implementation include;

- Recruitment of a competent and full-time management and administrative staff of the fund
- Acquisition of a reliable Financial Management Information System tool to improve the overall management and administrative efficiency of the fund
- Facilitation to put in place effective logistical support mechanisms to assist in the administration of the fund at the sub-county level e.g. a CEF Credit Officer in all the Sub Counties respectively
- A review of the fund policy through the County Assembly to empower the management of the fund to be able to implement penalties for example powers to repossess the loan securities provided by loan beneficiaries as collaterals for loans.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The fund has not undertaken any activity under corporate social responsibility during the financial year 2022/2023

10. 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.

Principal activities

The principal activity of the County Enterprise Fund is to provide demand-led and timely credit to various borrowing segments such as Micro and Small Enterprises (SMEs) and Livestock Traders.

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 16-36

Trustees

The term of the 5 Board Members of County Enterprise Fund expired on March 2018. The term has not been renewed nor new Board members appointed. The remaining board members that is Chief Officer Finance, Chief Officer Trade and Fund Manager could not meet the quorum of four members required by the act for any sitting to transact business on behalf of the board.

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

Chief Officer-Trade, Industry, Cooperative Development

Member of the Board

Signed: ____________

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Marsabit County Enterprise Fund Act, 2015, No.2 of 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 Marsabit County Enterprise Fund Act, 2015, No.2 of 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. 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 CECM - TICDT on 30/07/2024 ~~2023~~

Signed: ....

CECM - Trade, Industry Cooperative Development & Tourism

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

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON MARSABIT COUNTY ENTERPRISE FUND FOR THE YEAR ENDED 30 JUNE, 2023

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 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 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 Marsabit County Enterprise Fund set out on pages 16 to 36, which comprise of the statement of financial position as at 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 Marsabit County Enterprise 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 Marsabit County Enterprise Fund Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Variance Between the Ledger and the Financial Statement Balances

The financial statements reflects Kshs.24,028,115 in respect to long-term receivables from exchange transactions as disclosed in Note 5. However, the ledger on the same item reflects Kshs.25,372,791 resulting to an understatement of Kshs.1,344,676 that was not reconciled or explained.

In the circumstance, the accuracy and completeness of the long-term receivables from exchange transactions could not be confirmed.

2.0 Long Outstanding Loan Balances

The financial statement reflects Kshs.24,028,115 in respect of long-term receivables from exchange transactions as disclosed in Note 5. However, the loan register records provided for audit revealed that the entire amount was disbursed between 2017 and 2018 and has remained outstanding without being serviced for the last five years.

Further, thirteen (13) borrowers with a total loan of Kshs.660,000.00 had been issued with these loans without guarantors' contrary to Section 27(1) of the Marsabit County Enterprise Fund Act, 2015 which provided that the County Fund Board shall evaluate credit applications by using prudent financial principles, exercise business discretion, use due diligence in approving commercially viable proposals and conduct the account of the borrowers with normal financial prudence.

In the circumstance, the accuracy and recoverability of long-term receivables balance of Kshs.24,028,115 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Marsabit County Enterprise 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 other key audit matters to report on during 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 matters 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

1.0 Late Submission of Financial Statements

The Management submitted the financial statements for the year ended 30 June, 2023 to the office of the Auditor General on 3 November, 2023 more than a month after the required submission date of 30 September, 2023. This was contrary to Section 7 of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

2.0 Non-Appointment of Board Members

Available records show that the board members of Marsabit County Enterprise Fund were appointed in the year 2015 and their tenure expired in March, 2018. However, after the expiry of the term of the board members a new board was not appointed contrary to Section 13(1) of the Marsabit County Enterprise Fund Act, 2015 which provides that every member of the board, other than members under 6(1)(c)(d) & (f) shall hold office on a part time basis for a term of three years but may be eligible for re-appointment. The Fund has, therefore, been operating without a board.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 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 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 the Fund Administration Committee

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

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

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

The Fund Administration Committee is 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

12 February, 2024

13. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Fines, penalties and other levies		-	-
Revenue from exchange transactions			
Interest income		-	-
Other income		-	-
Total revenue		-	-
Expenses			
Fund administration expenses			-
General expenses		-	-
Finance costs		-	-
Total expenses			-
Other gains/losses			
Gain/loss on disposal of assets		-	-
Surplus/(deficit) for the period			-

The notes set out on pages 34 to 36 form an integral part of these Financial Statements

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	4	2,372,827.50	2,370,827.50
Current portion of long-term receivables from exchange transactions	5	24,028,114.84	24,030,114.84
Prepayments		-	-
Non-current assets			
Property, plant and equipment		-	-
Total assets		**26,400,942.34**	**26,400,942.34**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		-	-
Non-current liabilities			
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
Total liabilities		-	-
Net assets		**26,400,942.34**	**26,400,942.34**
Revolving Fund	6	30,000,000.00	30,000,000.00
Reserves		-	-
Accumulated surplus	7	(3,599,057.66)	(3,599,057.66)
Total net assets and liabilities		**26,400,942.34**	**26,400,942.34**

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 ___________ 2023 and signed by:

Administrator of the Fund
Name:

ABUDO U. DAMBARA
Fund Accountant
Name:
ICPAK Member Number: 24177.

13.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 2023

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance as at 1 July 2021	30,000,000.00	-	(3,599,057.66)	26,400,942.34
Surplus/(deficit) for the period	-	-		
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2022	**30,000,000.00**	**-**	**(3,599,057.66)**	**26,400,992.34**
Balance as at 1 July 2022	30,000,000.00	-	(3,599,057.66)	26,400,942.34
Surplus/(deficit) for the period	-	-		
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2023	**30,000,000.00**	**-**	**(3,599,057.66)**	**26,400,992.34**

13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		-	-
Interest received		-	-
Receipts from other operating activities		-	-
Total Receipts		-	-
Payments			
Fund administration expenses	2	-	-
General expenses	3	-	-
Finance cost			-
Total Payments		-	-
Net cash flows from operating activities		-	-
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments	8	2,000.00	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		**2,000.00**	-
Cash flows from financing activities			
Proceeds from revolving fund receipts	-	-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		**2,000.00**	-
Cash and cash equivalents at 1st July 2022	-	**2,370,827.50**	**2,370,827.50**
Cash and cash equivalents at 30 June 2023	-	**2,372,827.50**	**2,370,827.50**

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2023	2023	2023	2023	2023	2023
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	-	-	-	-	-	
Interest income	-	-	-	-	-	
Other income	-	-	-	-	-	
Total income	-	-	-	-	-	
Expenses						
Fund administration expenses	-	-	-	-	-	-
General expenses	-	-	-	-	-	-
Finance cost	-	-	-	-	-	
Total expenditure	-	-	-	-	-	-
Surplus for the period	-	-	-	-	-	

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019** The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. Not relevant and no impact on Marsabit County enterprise Fund

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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;

Standard	**Effective date and impact:**
	• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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. Not relevant and no impact on Marsabit County enterprise Fund
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** 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: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. Not relevant and no impact on Marsabit County enterprise Fund
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2022:** 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.
Other Improvements to IPSAS	**Applicable: 1st January 2021:** a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current

Standard	Effective date and impact:
	references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard
	IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

In the financial year 2022/2023 no budgetary allocation was given to Marsabit County Enterprise Fund.

5. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. 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.

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. 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.

9. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The entity does not maintain any reserve.

11. 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.

12. Employee benefits – Retirement benefit plans

County Enterprise Fund does not provide retirement benefits for its employees and directors. Its employees are seconded from the department of trade & Industrialization

13. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. 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.

15. 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.

16. 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Marsabit County Enterprise Fund Act, 2015, No.2 of 2015 under the Ministry of trade & Industrialization. Its ultimate parent is the County Government of Marsabit.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. 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.

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

Useful lives and residual values

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

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

Provisions

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

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.

22. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables from exchange transactions	24,030,114.84	-	24,030,114.84	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	2,370,827.50	-	-	-
Total	**26,400,942.34**	**-**	**24,030,114.84**	**-**
At 30 June 2023				
Receivables from exchange transactions	24,028,114.84	-	24,030,114.84	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	2,372,827.50	-	-	-
Total	**26,400,942.34**	**-**	24,030,114.84	**-**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the 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 26,400,942.34**

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 fund has not borrowed any funds from outside and doesn't have any payables. Its liquidity risk is minimal.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Foreign currency risk

The entity has no transactional currency exposures has all its transactions are done through local currency.

ii. Interest rate risk

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

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.

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:

	2023	**2022**
	Kshs	**Kshs**
Revaluation reserve	-	-
Revolving fund	30,000,000.00	30,000,000.00
Accumulated surplus/(Deficit)	(3,599,057.66)	(3,599,057.66)
Total funds	**26,400,942.34**	**26,400,942.34**
Total borrowings	-	-
Less: cash and bank balances	2,372,827.50	2,370,827.50
Net debt/(excess cash and cash equivalents)	-	-
Gearing	0%	0%

13.7 NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	2022/2023	2021/2022
	Kshs	Kshs
Interest income from Business loans	-	-
Total interest income	-	-

2. Finance Administration Expenses

Description	2022/23	2021/2022
	Kshs	Kshs
Printing and stationery	-	-
Total	-	-

3. General expenses

Description	202\2/2023	2021/2022
	Kshs	Kshs
Travelling & Subsistence	-	-
Bank Charges	-	-
Total	-	-

4. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
Current account-KCB Bank	2,372,827.50	2,370,827.50
Total cash and cash equivalents	**2,372,827.50**	2,370,827.50

5. Long-term Receivables

Description	2022/2023	2021/2022
	Kshs	Kshs
Opening Balance	**24,030,114.84**	24,030,114.84
Loan Disbursed	-	-
Loan Repayment	(2,000.00)	-
Balanced c/d	**24,028,114.84**	**24,030,114.84**

6. Revolving Fund

Description	**2022/2023**	**2021/2022**
	Kshs	**Kshs**
Transfer from County Government	30,000,000.00	30,000,000.00
Balance c/d	**30,000,000.00**	**30,000,000.00**

7. Accumulated Surplus

Description	**2022/2023**	**2021/2022**
	Kshs	**Kshs**
Opening Balance	(3,599,057.66)	(3,599,057.66)
Accumulated surplus/(Deficit)		
Balance c/d	**(3,599,057.66)**	**(3,599,057.66)**

8. Proceeds from Principal Loan Repayments

Description	**2022/2023**	**2021/2022**
	Kshs	**Kshs**
Repayments during the year	2,000	0.00
Balance c/d	**2,000**	**0.00**

14 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Focal Point person to resolve the issue** ***(Name and designation)***	**Status:** ***(Resolved / Not Resolved)***	**Timeframe:** ***(Put a date when you expect the issue to be resolved)***

Guidance Notes:

a) Use the same reference numbers as contained in the external audit report;

b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.

Signed: ____________________

Wolde Nur Guleid

Fund Administrator,