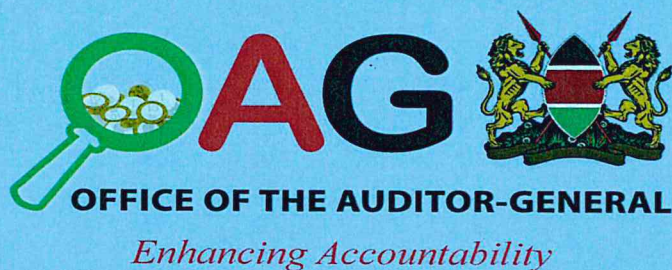


REPUBLIC OF KENYA



REPORT

OF

PAPERS LND	
DATE	11/11/2021
TITLE	Senate Minority Whip
CLERK/ETABLE	Kenya 101

THE AUDITOR-GENERAL

ON

**VIHIGA COUNTY TRADE AND
ENTERPRISE FUND**

**FOR THE SIX MONTHS' PERIOD
ENDED 30 JUNE, 2019**



**COUNTY GOVERNMENT OF VIHIGA
DEPARTMENT OF TRADE, INDUSTRY, TOURISM AND
ENTREPRENEURSHIP
VIHIGA COUNTY TRADE AND ENTERPRISE FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE SIX (6) MONTHS ENDED
JUNE 30, 2019**

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



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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Vihiga County Trade and Enterprise Fund was formed after extensive consultations between the County Executive and the members of the Vihiga County Assembly vide the Vihiga County trade and Enterprise Act, 2018. The Fund is operationalized by the Vihiga County Trade and Enterprise Fund regulations, 2018.

The beneficiaries of the program comprises of resident traders and entrepreneurs of Vihiga County.

The fund is established under the Department of Industrialization, Trade and Tourism.

The fund is wholly owned by the County Government of Vihiga and is domiciled in Kenya.

b) Principal Activities

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

Vision

The fund of choice

Mission

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

Core Values

The fund upholds the values of:

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

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

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Boaz Indeje	Chairman
2	Felix Mugalitsi	Fund Administrator
3	Philip Gavuna	Member
4	Everline Kisato	Member
5	Mark Siro Alulu	Member

*Vihiga County Trade and Enterprise Fund
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For the six (6) months ended June 30, 2019*

6	Morris Ayodi	Member
7	Abisai Angote	Member
8	Christopher Kwache	Member
9	Pamella Amunga	Member
10	Franklin Muchile	Member
11	Doris Anjawa	Member
12	Ramson Ongalo, OGW	Member
13	Haji Amani	Member

d) Key Management

Ref	Name	Position
1	Felix Mugalitsi	Fund Administrator-Secretary
2	Fanuel Mulindi	Fund Accountant

e) Registered Offices

P.O. Box 344 – 50300,
Maragoli.
Mbale/Kisumu-Kakamega Highway,
Kenya.

f) Fund Contacts

P.O. Box 344 – 50300,
Maragoli.
Mbale/Kisumu-Kakamega Highway,
Kenya.

g) Fund Bankers

Equity Bank,
Mbale Branch,
P.O. Box 545,
Maragoli, Kenya.

h) Independent Auditors

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

i) Principal Legal Adviser

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

2. BOARD/FUND CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the board of trustees, the Vihiga County Trade and Enterprise Fund annual report and financial statements for the six months ended 30th June 2019. The financial statements present the financial performance of the fund over the past six months after establishment.

Sustainability

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

Board and Management Changes

Since this is the first year of operation, there has been no management change.

Review of performance

Income

The fund received its budgetary allocation of KShs. 33,000,000 from the County Treasury for the financial year 2018/2019. However, we are looking forward to expand our revenue sources so as to effectively meet our objective.

Expenditure

The Fund incurred an expenditure of kshs 906,120.

Future outlook

The outlook of the Fund for 2019/2020 looks brighter. The fund hopes expand its revenue sources so as to improve its capital base. The management is focused to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in service delivery. The fund looks forward to continued support from the County Government and development partners to the realization of its objective.

Appreciation

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

Signed: _____

Boaz Indeje
Board Chairman

3. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Vihiga County Trade and Enterprise Fund annual report and financial statements for the six months ended 30th June 2019. The financial statements present the financial performance of the fund over the past year.

The fund was established on 10th January 2019 and started with an initial capital of KShs 33M which was received in the reporting period. Due to the delay in the receipt of the monies, the Fund did not issue any loans to beneficiaries as the appraisal process was ongoing.

Financial Performance

a) Revenue

For the six months ended 30th June 2019, the fund projected to receive its County Exchequer issue of 33M. The Fund is exploring other ways to increase its capital base mostly through donors and strategic partnerships.

b) Loans

During the financial year 2018/2019, the fund did not disburse any loans. This was occasioned by the non receipt of the capital grant on time and the appraisal of voluminous applications.

Cash flows

For the six months ended June 30th 2019, there were no liquidity disruptions.

c) Conclusion

I take this opportunity to thank the board of trustees for their support. I would also want to thank all staff who worked hand in hand and are determined to ensure that Vihiga County Trade and Enterprise Fund achieve its mission.

Signed: _____



Felix Mugalitsi
Fund Administrator

4. CORPORATE GOVERNANCE STATEMENT

THE BOARD

The Vihiga County Trade and Enterprise Fund is a revolving fund established pursuant to Vihiga County trade and Enterprise Act, 2018. The Fund is operationalized by the Vihiga County trade and Enterprise Fund regulations, 2019.

The Funds' mandate is to provide cheap and accessible loans to resident traders and entrepreneurs of Vihiga County. The fund has not yet put in place a corporate governance structure.

BOARD MEETINGS

The board of trustees meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets. The board of trustees also plays an oversight role over all other financial and operational issues. The trustees held six board meetings during the year under review.

AUDIT AND RISK COMMITTEE

During the year under review, the Audit and Risk Committee had not been established.

STATEMENT OF COMPLIANCE

The board of trustees confirms that the fund has complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

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

Statement Of Corporate Governance (Continued)

Internal Control Framework

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

Management Team

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

Auditor

The fund is audited by the Auditor-General.

5. MANAGEMENT DISCUSSION AND ANALYSIS

The fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks.

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

BUSINESS PERFORMANCE

Revenue

The fund received its budgetary allocation of 33M from the County Exchequer.

Cash flow

The cash and cash equivalents at the end of the financial year was Kshs. 32,093,880. No extra cash was received nor spend.

OPERATIONAL PERFORMANCE

The fund's core operating activity is to offer cheap accessible credit to the residents of Vihiga County. The County Government has supported the Fund.

Employees

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

The employees of the Fund are staff seconded by the mother Department of Trade whose remuneration is catered for by the Department.

Conclusion

We appreciate the unrelenting support from the board of trustees, management, staff, the County Government, partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2019/2020.

6. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

During the financial year 2018/19, the Fund did not carry out any CSR activity.

We are looking forward to getting involved in CSR activities in the near future. The management team has been tasked with coming up with more CSR ideas.

7. REPORT OF THE TRUSTEES

The Trustees submit their report together with the unaudited financial statements for the six months ended June 30, 2019 which show the true and fair state of the Fund affairs.

Principal activities

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

Results

The results of the Fund for the six months ended June 30, 2019 are set out in the financial statements.

Trustees

The members of the Board of Trustees who served during the year are shown on page 1&2. There were no changes in the Board during the FY 2018/19.

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



Boaz Indeje

Member of the Board

Date: 06/12/19

8. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

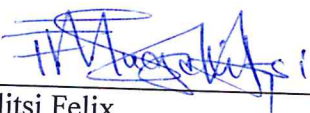
Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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 six months ended June 30, 2019. 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. 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 six months ended June 30, 2019, 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.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 06/12 2019 and signed on its behalf by:



Mugalitsi Felix
Fund Administrator



9. REPORT OF THE INDEPENDENT AUDITOR

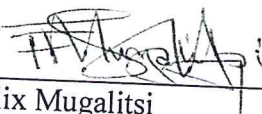
*Vihiga County Trade and Enterprise Fund
Reports and Financial Statements
For the six (6) months ended June 30, 2019*

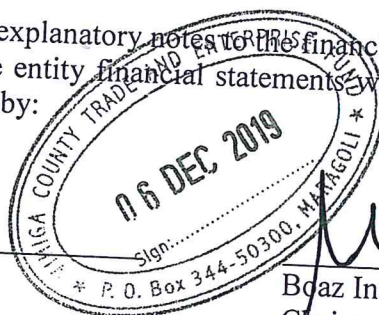
10. FINANCIAL STATEMENTS

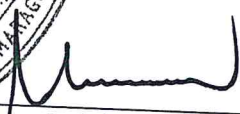
10.1. STATEMENT OF FINANCIAL PERFORMANCE

	NOTES	2018/2019 KES
Income		
Receipt from County Government	1 (a)	33,000,000
Total income		33,000,000
Expenditure		
Fund administrative expenses	2	906,120
Total Expenditure		(906,120)
Fund Balance		32,093,880

The accounting policies and explanatory notes to the financial statements form an integral part of the financial statements. The entity financial statements were approved on 06/12/2019 and signed on its behalf by:

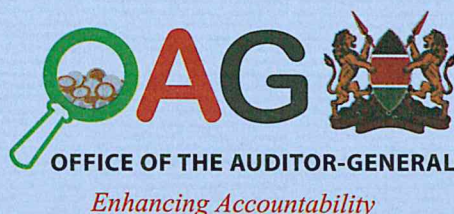

Felix Mugalitsi
Fund Administrator




Boaz Indeje
Chairman

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 VIHIGA COUNTY TRADE AND ENTERPRISE FUND FOR THE SIX MONTHS' PERIOD ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Vihiga County Trade and Enterprise Fund set out on pages 14 to 30, which comprise the statement of financial position as at 30 June, 2019, 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 period 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, the financial statements present fairly, in all material respects, the financial position of Vihiga County Trade and Enterprise Fund as at 30 June, 2019, and its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Vihiga County Trade and Enterprise Fund Regulations, 2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Vihiga County Trade and Enterprise Fund 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 opinion.

Key Audit Matter

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non Provision of Insurance Services

A review of operations during the year indicated that the Fund operated without any insurance services. This is contrary to Regulation 26(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires every loan granted to be insured for the benefit of the borrower and the premium in respect thereof debited to the account of the borrower. It further states that in case of death of a loanee, when the loan amount remains in arrears, the County Committee shall file a claim with the insurance firm for settlement of the outstanding amount.

The Management therefore breached the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit so as to obtain assurance as to 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 procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain 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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the Fund financial reporting process, reviewing the effectiveness of how the entity 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 review is planned and performed to express a conclusion with limited assurance as to 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 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 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund 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 going concern 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 ability to continue as a going concern or 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 as a going concern or 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

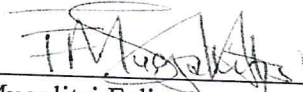
25 October, 2021

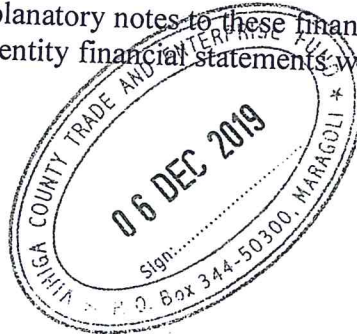
*Vihiga County Trade and Enterprise Fund
Reports and Financial Statements
For the six (6) months ended June 30, 2019*


10.2. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	NOTE	2018/2019
CURRENT ASSETS		KES
Cash and cash equivalents	3	32,093,880
		<u>32,093,880</u>
FINANCED BY		
Surplus	1 (b)	32,093,880
		<u>32,093,880</u>

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 06/12/2019 and signed by:


Mugalitsi Felix
Fund Administrator



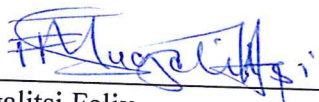
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Boaz Indeje
Chairman


*Vihiga County Trade and Enterprise Fund
Reports and Financial Statements
For the six (6) months ended June 30, 2019*


10.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2019

	Revolving Fund	Accumulate d surplus	Total
		KShs	KShs
Balance as at 1st July 2017	-	-	-
Surplus/(deficit) for the period	-	-	-
Funds received during the year	-	-	-
Revaluation gain	-	-	-
Balance as at 30th June 2018	-	-	-
Balance as at 1st July 2018	-	-	-
Surplus/(deficit)for the period	32,093,880	-	32,093,880
Funds received during the year (Capital Grant)	-	-	-
Revaluation gain	-	-	-
Balance as at 30th June 2019	<u>32,093,880</u>	=	<u>32,093,880</u>

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 06/12/2019 and signed by:


 Mugalitsi Felix
 Fund Administrator

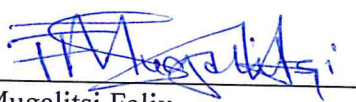



 Boaz Indeje
 Chairman

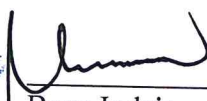
10.4. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2019

		2018/2019
	NOTE	Kshs.
Receipts for operating income		
Receipt from the County Government	1 (a)	<u>33,000,000</u>
Total Receipts for operating income		<u>33,000,000</u>
Payments for operating expenses		
Fund Expenses	2	<u>906,120</u>
Net cash flow from operating activities		<u>32,093,880</u>
CASHFLOW FROM INVESTING ACTIVITIES		-
CASHFLOW FROM FINANCING ACTIVITIES		-
NET INCREASE IN CASH AND CASH EQUIVALENT		32,093,880
Cash and cash equivalent at BEGINNING of the year		<u> </u>
Cash and cash equivalent at END of the year		<u><u>32,093,880</u></u>

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 06/12/2019 and signed by:


Mugalitsi Felix
Fund Administrator



 12
Boaz Indeje
Chairman

10.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2018/19	Adjustments 2018/19	Final budget 2018/19	Actual on comparable basis 2018/19	Performance difference 2018/19	% utilization 2018/19
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	0%
Transfers from County Govt.	33,000,000	-	33,000,000	33,000,000	-	100%
Total income	33,000,000	-	33,000,000	33,000,000	-	100%
Expenses						
Secretariat Allowance	234,000	-	234,000	208,000	26,000	88%
Board Members Allowances	571,000	-	571,000	546,000	25,000	96%
Printing and Stationery	105,000	-	105,000	101,000	4,000	96%
Hire of Venue, PA and Chairs	25,000	-	25,000	14,000	11,000	56%
Refreshment and Lunch	50,000	-	50,000	37,000	13,000	76%
Bank Charges	5,000	-	5,000	120	4,880	2.4%
Total expenditure	990,000	-	990,000	906,120	83,880	97%
Surplus for the period	32,010,000	-	32,010,000	32,093,880	-	0%
Capital Budget (Disbursement)						
Loan	30,100,000	-	30,100,000	-	30,100,000	0%

10.6. 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 2019

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

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

c) Early adoption of standards

The entity did not adopt any new or amended standards in year 2018/19.

Summary of significant accounting policies (continued)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The Fund did not receive additional appropriations.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

Summary of significant accounting policies (continued)

5. Property, plant and equipment

The Fund did not own any property, plant and equipment in the period under review.

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.

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 creates and maintains reserves in terms of specific requirements.

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. 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.

13. Related parties

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

14. 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.

15. Comparative figures

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

16. Events after the reporting period

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

17. Ultimate and Holding Entity

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

18. Currency

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

19. Significant judgments and sources of estimation uncertainty

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

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

Useful lives and residual values

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

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

Summary of significant accounting policies (continued)

20. Financial risk management

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

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

a) Credit risk

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

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

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

b) Liquidity risk management

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

c) Market risk

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

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

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

Summary of significant accounting policies (continued)

i. Foreign currency risk

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

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

d) Capital risk management

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

*Vihiga County Trade and Enterprise Fund
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10.7. NOTES TO THE FINANCIAL STATEMENTS

1. (a) Transfers from County Government

Description	FY2018/2019
	KShs
Transfers from County Govt	33,000,000
Total	-

(b) Changes in Fund Balance

Description	FY2018/2019
	KShs
Transfers from County Govt	33,000,000
Expenses	(906,120)
Total	32,093,880

2. Fund administration expenses

Description	FY2018/2019
	KShs
Secretariat Allowance	208,000
Board Allowance	546,000
Printing and Stationery	101,000
Hire of Venue, PA and Chairs	14,000
Refreshment and Lunches	37,000
Bank Charges	120
Total	906,120

3. Cash and cash equivalents

Description	FY2018/2019
	KShs
Current account	32,093,880
Total cash and cash equivalents	32,093,880

*Vihiga County Trade and Enterprise Fund
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Notes to the financial statements (continued)

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

		FY2018/2019
Financial institution	Account number	KShs
a) Current account		
Equity Bank Main Acc-Mbale	0960278742925	32,093,880
Equity Bank Recoveries Acc-Mbale	0960278742949	-
Total		32,093,880

4. Other disclosures

Income 33,000,000

3% Administrative Cost (990,000)

Revolving Fund 32,010,000

Surplus as per Statement of Financial Performance 32,093,880

Revolving Fund (32,010,000)

Actual Surplus from 3% administrative cost 83,880

5. Related party balances

a) Nature of related party relationships

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

- a) County Government of Vihiga;
- b) Board of Trustees; and
- c) Key management personnel.

There were no related part transactions in the reporting period.

11. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Since this is the first year of reporting, the Fund has not been audited before. The same shall be availed in subsequent reporting period.

