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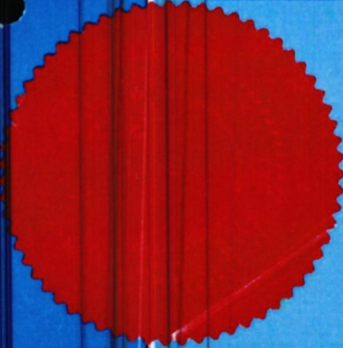


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**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

PAPERS LAID	
DATE	1st July 2022
TABLED BY	SEN MASONDA WILIP
COMMITTEE	_____
CLERK AT THE TABLE	A. MACHARIA

**GARISSA COUNTY INVESTMENT  
DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



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**GARISSA COUNTY INVESTMENT DEVELOPMENT AUTHORITY  
(GIDA)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2021**

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

*Garissa County Investment Development Authority*  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**Garissa County Investment Development Authority**  
**Reports and Financial Statements**  
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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Garissa County Investment Development Authority is established by and derives its authority and accountability from Garissa County Investment Development Authority Act, 2018 of 1<sup>ST</sup> December 2018. The Garissa County Investment Development Authority is wholly owned by the County Government of Garissa and is domiciled in Kenya.

The Authority's objective is to make investments on behalf of the county for the purposes of generating revenue.

**b) Principal Activities**

The mandate of the Authority is to attract investors, holding properties on behalf of the county for investment and attract investors to invest within the county.

**c) Board Members for GIDA**

Ref	Name	Position
1	Siyat Osman Ibrahim	Chief Executive Officer
2	Ahmed Haji Issa	Chairman
3	Abdisirat Abdirabe	Member
4	Mahat Salah Sheikh	Member/Co trade
5	Aden Harun	Member/Co finance
6	Mohamed M Salat	Member
7	Mohamed Amin Muhumed	Fund Administrator

**d) Key Management**

Ref	Name	Position
1	Siyat Osman Ibrahim	CEO
2	Mohamed Amin Muhumed	Director in charge of Administration

*Garissa County Investment Development Authority*  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**e) Registered Offices**

P.O. Box 235-70100  
Province Road  
Garissa, KENYA

**f) Authority's Contacts**

E-mail: [Enquiries@garissa.go.ke](mailto:Enquiries@garissa.go.ke)  
Website: [www.garissa.go.ke](http://www.garissa.go.ke)

**g) Parent Bank**

1. Co-operative Bank of Kenya  
Garissa Branch

**h) Independent Auditors**



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

**i) Principal Legal Adviser**

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

**Garissa County Investment Development Authority**  
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**2. THE BOARD OF TRUSTEES**

Name	Details of qualifications and experience
<p>1. </p>	<p><b>SIYAT OSMAN IBRAHIM (CEO,GIDA)</b>            Siyat Osman is the CEO for Garissa County Investment Development Authority, born the year 1965,he holds Master’s degree in Project Planning and Management, Executive Manager in conflict management, Bachelor of Arts degree and diploma in International Relations and Diplomacy.            In 2013-2017 he served as a County Secretary of Lamu 2007-2013 worked in the Ministry of Foreign Affairs and in 1998-2007 he served as a Mayor in Garissa Municipality</p>
<p>2. Mohamed Amin Muhumed</p>	<p><b>MOHAMED AMIN MUHUMED</b>            Mohamed Amin is the fund administrator for Garissa County Investment Authority. Previously he served as head teacher in Ifin primary school and later he joined Garissa County as Director Administration in the department of Finance and Currently he is serving in Garissa investment Development Authority as fund Administrator</p>
<p>3. Ahmed Haji Issa (Chairman GIDA)</p>	<p>He is the Non-Executive Chairperson of Garissa Investment Development Authority appointed by Governor of Garissa</p>
<p>4. Abdisirat Abdirabe (Member)</p>	<p>Professional member appointed by the Governor</p>
<p>5. Mohamed M Salat (Member)</p>	<p>Professional member appointed by the Governor</p>
<p>6. </p>	<p>Mahat salah sheikh (Member)            Mahat salah Sheikh is Chief officer of trade and becomes automatic member as per Act of GIDA.            He is highly accomplished, Managerial, Administrative in Public Health Management, Humanitarian partnership programs, and Management Development professional offering more than 20 years of senior managerial leadership experience in various government departments as well as the NGOs. Highly experienced at launching, directing and managing public sector programs by leading and supporting the coordination of work execution, reporting project status, implementing schedules and</p>

**Garissa County Investment Development Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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	ensuring programs are completed in time and within budget. He has history of working hand in hand with county governments, local governments, state agencies, International Organizations and other relevant players
7. Aden Harun	Chief officer of Finance becomes automatic member as per Act of GIDA



**Garissa County Investment Development Authority  
Reports and Financial Statements  
For the year ended June 30, 2021**

**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S  
PREDETERMINED OBJECTIVES**

**Introduction**

The key development objectives of the Garissa Investment Development Authority 2018-2021 plan are to:

- a. Development of county Assets and inventory
- b. County resource mapping
- c. Tourism/Site mapping
- d. Investment conference
- e. Investment policy/ strategic plan development.


**Progress on attainment of Strategic development objectives (Adopted from Garissa county investment development authority)**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Development of county asset/inventory	To develop and maintain county assets and inventory	The assets and inventory was not maintained due to lack of funds from finance	<b>It indicates no assets and inventor in place till date</b>	<b>In FY 19/20 we did not do any work as per assets and inventory work</b>
County resource mapping	To develop and and maintain county resource mapping	No work done as per county resource mapping	N/A	N/A
Tourism/ site mapping	To develop tourism site for the county	No work done	N/A	N/A
Investment conference	To carry out investment conference for the county	No work done	N/A	N/A
Investment policy	To develop investment policies	No work done	N/A	N/A

**Garissa County Investment Development Authority  
Reports and Financial Statements  
For the year ended June 30, 2021**

**4. MANAGEMENT TEAM**

Name	Details of qualifications and experience
<p>1. </p>	<p><b>SIYAT OSMAN IBRAHIM (CEO,GIDA)</b> Siyat Osman is the CEO for Garissa county investment development authority, born the year 1965; he holds master’s degree in project planning and management, executive manager in conflict management, bachelor of arts degree and diploma in international relations and diplomacy. In 2013-2017 he served as a county Secretary of Lamu 2007-2013 worked in the ministry of foreign affairs and in 1998-2007 he served as a mayor in Garissa municipality</p>
<p>2. Mohamed Amin Muhumed (Director Administration)</p>	<p>Amin is currently working in GIDA as the administrator and the authorizing officer. He previously worked with the department of finance Garissa County as the administrator finance, before joining the county he worked as a headteacher in Iftin Primary school.</p>

**Garissa County Investment Development Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**5. BOARD CHAIRPERSON'S REPORT**

Garissa County Investment Development Authority is established by and derives its authority and accountability from Garissa County investment development Authority Act, 2018 of 1st December 2018. The Garissa County Investment Development Authority is wholly owned by the County Government of Garissa and is domiciled in Kenya.

Garissa County Investment Development Authority is established and derives its authority and accountability from Garissa County Investment development Authority Act 2018 which came into effect from 1<sup>ST</sup> December 2018.

The Authority shall be responsible for, holding the property and assets of the county for the purpose of investment and development, undertaking investment on behalf of the county for the purpose of generating revenue, undertaking any development initiative for the county with a business or social purpose, identifying strategic investment opportunities, undertaking business ventures solely or in partnership with the entities or persons on behalf of the county, advising the county government and county residents on investments opportunities within and outside the county.

● **Main work plan for the Authority**

The Main work pan for the authority is as follows;

- ✓ Development of county Assets and inventory
- ✓ County resource mapping
- ✓ Tourism/Site mapping
- ✓ Investment conference
- ✓ Investment policy/ strategic plan development.

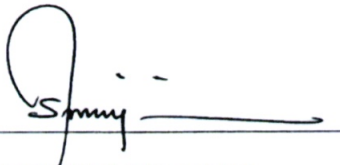
● **Review for the performance of the Authority**

The County Government of Garissa allocated Kshs. 20 million for the Authority for the financial year 2020/2021. However, out of the budgeted 1.2 million was received form the treasury which was used to pay salary and office operation.

● **Future outlook of the Authority**

The Authority requests H.E the Governor, Garissa County to allocate more funds to the Authority in order to serve its functions better.

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



**CEO, SIYAT OSMAN IBRAHIM**

**Garissa County Investment Development Authority  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**6. REPORT OF THE FUND ADMINISTRATOR**

The Garissa County Investment Authority was established in 2018 with the gazettelement of the Garissa County investment Authority Act of 2018. However, the fund was operationalized in the financial year 2019/2020.

**The challenge faced by the fund includes.**

The following are among the challenges faced by the funds Administrator: -

1. Late disbursement of the Authority's Funds from the Treasury
2. The available funds could not fully cover the needs on the ground.
3. The vast land of Garissa County made some areas inaccessible due to various reasons such poor road infrastructure and insecurity making Mapping difficult.
4. The main functions of the office was not done, the office staffs have not received their salaries for the last seven months due to minimal financing from the county treasury.

**Way forward**

1. The county treasury should do timely disbursement of funds to the Authority to pay office salaries and operationalize the functions of the authority

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

**Mohamed Amin Muhumed**

**DIRECTOR ADMINISTRATION GIDA**

**Garissa County Investment Development Authority  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**7. CORPORATE GOVERNANCE STATEMENT**

Garissa County investment development authority is established by and derives its authority and accountability from Garissa County investment development Authority Act, 2018 on 1<sup>ST</sup> December 2018. The Garissa County Investment Development Authority is wholly owned by the County Government of Garissa and is domiciled in Kenya.

The Authority's objective is to make investments on behalf of the county for the purposes of generating revenue.

**THE MEMBERS OF THE BOARD**

**Process of Appointment**

The management of the Authority shall vest in a board which shall consist of

- a) A non-executive chairperson who shall be appointed by the Governor.
- b) The chief officer for the time being responsible for matters of finance;
- c) The chief officer for time being responsible for matters of trade and investments;
- d) Two professionals appointed by the executive member in consultation with the governor
- e) The chief executive officer who shall be an ex-official member and secretary to the board.

The board of members is responsible for the long-term strategic direction of the Authority .The board of members' exercises leadership, enterprise, integrity and judgment in directing the Fund.

The members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator

All members of the board have been taken through a comprehensive induction programme, and are adequately trained on their roles as board members. The members are professional, committed and guided by the mission, vision and core values of the Fund in execution of their

**BOARD MEETINGS**

The board of trustees meets as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets.

**STATEMENT OF COMPLIANCE**

The board of trustees confirms that the fund has throughout the FY2020/2021 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

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*Garissa County Investment Development Authority*  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**8. MANAGEMENT DISCUSSION AND ANALYSIS**

During the period under review, the County Assembly of Garissa appropriated Kshs. 20,000,000 for the Authority. The total Funds received during the year were Kshs. 1,200,000 out of which a total expenditure of Kshs. 1,200,000 was incurred on expenditure during the year. The expenditure was incurred as per the Authority Act and regulations approved by County Assembly of Garissa.

*Garissa County Investment Development Authority*  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

The fund was not involved in any corporate social responsibility activities in FY-2020/2021.

**10. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Authority's affairs.

**Principal activities**

The purpose of the Authority is to attract investors, holding properties on behalf of the county for investment and attract investors to invest within the county.

**Results**

The results of the Authority for the year ended June 30, 2021 are set out on page 16.

**Trustees**

The members of the Board who served during the year are shown on page 2.

**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.

Date: 

**CEO GIDA**

**SIYAT OSMAN IBRAHIM**



*Garissa County Investment Development Authority*  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**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 Garissa County Investment Authority Act, 2018 shall prepare financial statements for the Authority in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Chief Executive Officer is responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2020. 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 Chief Executive Officer accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Garissa County investment Authority Act, 2018. The Chief Executive Officer is of the opinion that the Authority's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Chief Executive Officer further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Chief Executive Officer has assessed the Authority'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 Chief Executive Officer to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

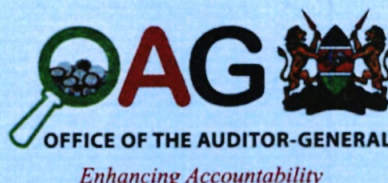
**Approval of the financial statements**

The Authority's financial statements were approved by the Board on 30 June 2021 and signed on its behalf by:

  
\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER GIDA**

## REPUBLIC OF KENYA

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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 GARISSA COUNTY INVESTMENT DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021**

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#### **PREAMBLE**

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

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

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

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

#### **REPORT ON THE FINANCIAL STATEMENTS**

##### **Qualified Opinion**

I have audited the accompanying financial statements of Garissa County Investment Development Authority set out on pages 16 to 42, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance,

*Report of the Auditor-General on Garissa County Investment Development Authority for the year ended 30 June, 2021*

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 Garissa County Investment Development Authority as at 30 June, 2021, 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 Garissa County Investment Authority Act, 2018 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracy in the Statement of Cash Flows**

The statement of cash flows reflects cash and cash equivalents balance of Kshs.17,880 as at 30 June, 2021. However, analysis of the cash flows indicate that depreciation cash and cash equivalents amount of Kshs.172,341 was omitted from the adjusting movement in arriving at the balance of Kshs.17,880 as at 30 June, 2021.

In the circumstances, it was not possible to confirm that the cash and cash equivalents balance of Kshs.17,880 as at 30 June, 2021 was fairly stated.

#### **2. Unauthorized Expenditure**

Analysis of the budget absorption indicates that the Authority spent Kshs.1,389,697 out of the Kshs.1,200,000 received, resulting to an over expenditure of Kshs.189,697. No explanation or authority for the over expenditure was provided for audit review.

In the circumstances, the unauthorized over expenditure may be an irregular charge to public funds.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional 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.

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.20,000,000 and Kshs.1,200,000 respectively, resulting to an underfunding of Kshs.18,800,000 or 94% of the budget. Similarly, the Authority spent Kshs.1,389,697 against an approved budget of Kshs.20,000,000 resulting to an under-expenditure of Kshs.18,610,303 or 93% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

### **2. Unresolved Prior Year Matters**

In the audit report of the previous year, several paragraphs were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and report in Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

## **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**

#### **1. Unapproved Budget**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects a budget of Kshs.20,000,000. A review of documents provided for audit revealed that annual budget of the Authority was not approved by the Board. This is contrary to Section 40(1) of the Garissa County Investment and Development Authority Act, 2018.

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

#### **2. Property, Plant and Equipment**

Note 5 to the financial statements reflects property, plant and equipment at a net book value of Kshs.1,034,045 as at 30 June, 2021. However, the serial number of computers and printers were not recorded in the asset register therefore, it was not possible to

identify them. Further, the non-current assets were not coded or tagged for ease of identification and tracking as required by Regulation 132(b) of the Public Finance Management (County Governments) Regulations, 2015.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Non-Compliance with Gender and Ethnic Composition**

During the year under review, the Board of Directors of the Authority were appointed in accordance with Section 17 of Garissa County Investment and Development Authority Act, 2018. However, the Board members were of the same gender and therefore the Board composition did not meet the two-third gender principle as spelt out in Article 27 (8) of the Constitution.

Consequently, the Authority was in breach of the law.

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

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

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misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Authority'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 Authority or to cease operations.

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

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 Authority's policies and procedures may deteriorate.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

21 July, 2022



*Garissa County Investment Development Authority*  
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**13. FINANCIAL STATEMENTS**

**13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2021**

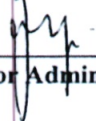
	Note	2020/2021	2019/2020
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	1	1,200,000	15,001,050
<b>Revenue from exchange transactions</b>			
Interest income		-	-
<b>Total revenue</b>		<b>1,200,000</b>	<b>15,001,050</b>
<b>Expenses</b>			
Staff Cost	2	711,760	10,797,786
General Expenses	3	505,595	2,789,303
Depreciation	5	172,341	172,341
<b>Total expenses</b>		<b>1,389,696</b>	<b>13,759,430</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets		-	-
<b>Surplus/( deficit) for the period</b>		<b>(189,696)</b>	<b>1,241,620</b>

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**13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	2020/2021 KShs	2019/2020 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	17,880	35,235
<b>Non-current assets</b>			
Property, plant and equipment	5	1,034,045	1,206,385
<b>Total assets</b>		<b>1,051,924</b>	<b>1,241,620</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions		-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation		-	-
<b>Total liabilities</b>			
<b>Net assets</b>		<b>1,051,924</b>	<b>1,241,620</b>
Accumulated surplus		1,051,924	1,241,620
<b>Total net assets and liabilities</b>		<b>1,051,924</b>	<b>1,241,620</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 JUNE 2021 and signed by:

  
**Director Administration**

*Garissa County Investment Development Authority*  
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**13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021**

	Revaluation Reserve	Accumulated surplus	Total
	KShs	KShs	KShs
<b>Balance as at 1 July 2019</b>			
Surplus/(deficit) for the period	-	-	-
<b>Balance as at 30 June 2020</b>	-		
<b>Balance as at 1 July 2020</b>		1,241,620	1,241,620
Surplus/(deficit) for the period	-	(189,696)	(189,696)
<b>Balance as at 30 June 2021</b>		<b>1,051,924</b>	<b>1,051,924</b>

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**13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Not e	2020/2021	2019/2020
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	1	1,200,000	15,001,050
<b>Total Receipts</b>		<b>1,200,000</b>	<b>15,001,050</b>
<b>Payments</b>			
Staff cost	2	711,760	10,797,786
General Expenses	3	505,595	2,789,303
<b>Total Payments</b>		<b>1,217,355</b>	<b>13,587,089</b>
<b>Net cash flows from operating activities</b>		<b>(17,355)</b>	<b>1,413,961</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	1,378,726
<b>Net cash flows used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>35,235</b>
Cash and cash equivalents at 1 July 2020	4	35,235	-
<b>Cash and cash equivalents at 30 JUNE 2021</b>	<b>4</b>	<b>17,880</b>	<b>35,235</b>

*Garissa County Investment Development Authority*

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**13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2021**

	Original budget 2020-2021	Adjustment 2020-2021	Final budget 2020-2021	Actual on comparable basis 2020-2021	Performance difference 2020-2021	% utilisation 2020-2021
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Transfers from County Govt.	20,000,000	-	20,000,000	1,200,000	18,800,000	6%
<b>Total income</b>	<b>20,000,000</b>	<b>-</b>	<b>20,000,000</b>	<b>1,200,000</b>	<b>18,800,000</b>	<b>6%</b>
<b>Expenses</b>						
Office operations	20,000,000	-	20,000,000	1,389,697	18,610,303	7%
<b>Total expenditure</b>	<b>20,000,000</b>	<b>-</b>	<b>20,000,000</b>	<b>1,389,697</b>	<b>18,610,303</b>	<b>7%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(189,696)</b>		

**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**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> 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.

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

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41: Financial Instruments</b>	<b>Applicable: 1<sup>st</sup> January 2022:</b> 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 the fund future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> </ul>

**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 original budget for FY 2020/2021 was approved by the County Assembly on 30<sup>th</sup> June, 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Garissa county Investment Development Authority upon receiving the respective approvals in order to conclude the final budget.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13.5 of these financial statements.

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Standard	Effective date and impact:
	<p>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</p> <p>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.</p> <p>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</p>
	<p>IPSAS 40, Public Sector Combinations.  Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

**c) Early adoption of standards**

Garissa County Investment authority did not early – adopt any new or amended standards in year 2020.



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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between Garissa county Investment Development Authoritys risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Garissa County Investment Authority provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Garissa county Investment Development Authority;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Garissa county Investment Development Authority financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current</li> </ul>

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

	Furniture and fittings	Computers and office equipment	Total
	12.50%	12.50%	
	Kshs.	Kshs.	Kshs.
Cost	1,126,726	252,000	1,378,726
At 1st July 2020	985,885	220,500	1,206,385
Additions		-	-
At 30th June 2020	985,885	220,500	1,206,385
Depreciation and impairment			-
At 1st July 2020	140,841	31,500	172,341
Depreciation charge for the year	140,841	31,500	172,341
At 30th June 2021	281,682	63,000	344,682
Net book values			-
At 1st July 2020	985,885	220,500	1,206,385
At 30th June 2021	845,045	189,000	1,034,045

## **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. Garissa county Investment Development Authority 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 Garissa county investment authority 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***

Garissa county investment authority assesses at each reporting date whether there is objective evidence that a financial asset or Garissa county investment authority financial assets is impaired. A financial asset 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 Garissa county investment authority of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the Garissa county investment authority 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 Garissa county investment authority 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.

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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 Garissa county investment authority 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 Garissa county investment authority 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 Garissa county investment authority 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 Garissa county investment authority 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 Garissa county investment authority 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 Garissa county investment authority 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**

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

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

**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 Garissa county investment authority regards a related party as a person or the Garissa county investment authority 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 Garissa county investment authority is a County Public Fund established by an Act of assembly 2018 on 1<sup>ST</sup> December 2018 under the Ministry of trade. Its ultimate parent is the County Government of Garissa.

**20. Currency**

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The preparation of the Garissa county Investment Development Authority 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 judgement, 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 Garissa county investment authority 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 Garissa county Investment Development Authority. 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 Garissa county investment authority
- 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 5.

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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**a) Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the funds'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 Garissa county investment authority maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2021</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2020</b>	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

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**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 Garissa county investment authority has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

**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 Garissa county investment authority short, medium and long-term funding and liquidity management requirements. The Garissa county investment authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2020</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an on-going 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 Garissa county investment 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 Garissa county investment exposure to market risks or the manner in which it manages and measures the risk.

**i. Foreign currency risk**

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

The carrying amount of the Garissa county investment authority foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		<b>Other currencies</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2020</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
<b>Liabilities</b>	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign currency sensitivity analysis**

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

	<b>Change in currency rate</b>	<b>Effect on surplus/ deficit</b>	<b>Effect on equity</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>2021</b>			
Euro	-	-	-
USD	-	-	-
<b>2020</b>			
Euro	-	-	-
USD	-	-	-

**ii. Interest rate risk**

Interest rate risk is the risk that the Garissa county investment authority financial condition may be adversely affected as a result of changes in interest rate levels. Garissa county Investment Development Authority 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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Capital risk management**

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

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
<b>Total funds</b>	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13.7. STATEMENTS**

**NOTES TO THE FINANCIAL**

**1. Transfers from County Government**

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	1,200,000	15,001,050
<b>Total</b>	<b>1,200,000</b>	<b>15,001,050</b>

**2. Staff costs**

Description	2020/2021	2019/2020
	KShs	KShs
Salaries and wages	711,760	10,797,786
<b>Total</b>	<b>711,760</b>	<b>10,797,786</b>

**3. General Expenses**

Description	2020/2021	2019/2020
	KShs	KShs
Bank Charges	2400	7,313
Hospitality	130,000	168,000
DSA	300,000	264,600
Stationeries	-	301,150
Utilities	-	66,050
Repair and Maintenance	-	742,890
Computer accessories	-	44,000
Car Hire	-	450,000
Sitting Allowance	-	480,000
Fuel, Oil and Lubricants	-	265,300
Airtime Allowance	40,000	
transfers	33,195	
<b>Total</b>	<b>505,595</b>	<b>2,789,303</b>

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**4. Cash and cash equivalents**

Description	2020/2021	2019/2020
	KShs	KShs
Garissa County Investment Authority Account	17,880	35,235
<b>Total cash and cash equivalents</b>	<b>17,880</b>	<b>35,235</b>

**5. Property, plant and equipment**

	Furniture and fittings	Computers and office equipment	Total
	12.50%	12.50%	
	Kshs.	Kshs.	Kshs.
Cost	1,126,726	252,000	1,378,726
At 1st July 2020	985,885	220,500	1,206,385
Additions		-	-
At 30th June 2020	985,885	220,500	1,206,385
Depreciation and impairment			-
At 1st July 2020	140,841	31,500	172,341
Depreciation charge for the year	140,841	31,500	172,341
At 30th June 2021	281,682	63,000	344,682
Net book values			-
At 1st July 2020	985,885	220,500	1,206,385
At 30th June 2021	845,045	189,000	1,034,045



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**6. Related party balances**

**a) Nature of related party relationships**

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

- a) The County Government of Garissa
- b) The Parent County Government Ministry of Finance and Economic Planning
- c) Key management
- d) Board of Trustees.

**Transfers from County Government**

Description	2020/2021	2019/2020
	KShs	KShs
Transfer from County Government	1,200,000	15,001,050
<b>Total cash and cash equivalents</b>	<b>1,200,000</b>	<b>15,001,050</b>

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**14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S  
RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor for the financial year 2019/2020, 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.

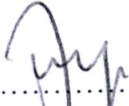
<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1	Bank Reconciliation	The management will try its best to present the monthly bank reconciliations to the auditor general on monthly basis	Not Resolved	1 January 2022
2	Audit Committee not Appointed	The management will try to discuss with the board on how form an audit committee	Not Resolved	1 January 2022
3.	Internal Audit Not Appointed	The management will have a meeting with the board on how to form an internal auditor	Not Resolved	1 January 2022
4.	Lack of investments strategy plan	The management provided its investment strategy plan	Resolved	13 <sup>th</sup> January 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5.	Appointment of board members	The management will have a talk with the governor on how to resolve the raised issue	Not resolved	1 January 2022

**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 by .....  ..... Date: 29<sup>th</sup> September 2021

**Mohamed Amin Muhumed**

**Director Administration- Garissa County Investment Development Authority(GIDA)**

