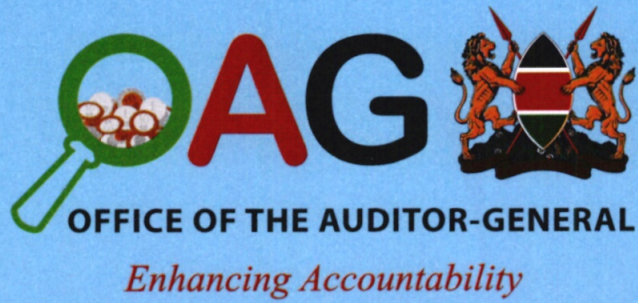
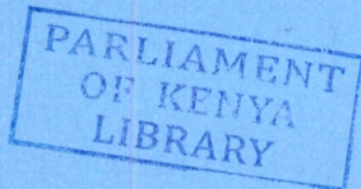


REPUBLIC OF KENYA



# REPORT



OF

**THE AUDITOR-GENERAL**

ON

**KISUMU COUNTY EMERGENCY  
FUND**

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

PAPERS LAID	
DATE	21/3/2024
TABLED BY	Dep. Mar. Whit.
COMMITTEE	CPIC
CLERK AT THE TABLE	Cherof

REPUBLIC OF KENYA



---

**COUNTY GOVERNMENT OF KISUMU**

**KISUMU COUNTY EMERGENCY FUND**

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

---

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

## Table of Content

1. Acronyms and Glossary of Terms	iii
2. Key Entity Information and Management	iv
3. The Fund Administration Committee	vii
4. Management Team	viii
5. Fund Administration Committee Chairperson's Report	ix
6. REPORT OF THE FUND ADMINISTRATOR	x
7. Statement of Performance Against the County Fund's Predetermined Objectives	xi
8. Corporate Governance Statement	xii
9. Management Discussion and Analysis	xiii
10. Environmental and Sustainability Reporting	xiv
11. Report of The Fund Administration Committee	xv
12. Statement of Management's Responsibilities	xvii
13. Report of The Independent Auditor	xviii
14. Statement of Financial Performance for The Year Ended 30th June 2023	1
15. Statement of Financial Position As At 30 June 2023	2
16. Statement of Changes in Net Assets for the year ended 30 <sup>th</sup> June 2023	3
17. Statement of Cash Flows For The Year Ended 30 June 2023	4
18. Statement Of Comparison of Budget And Actual Amounts For The Period	5
19. Notes to the Financial Statements	6
19. Progress On Follow Up of Prior Year Auditor's Recommendations	26
20. Annexes	27

**KISUMU EMERGENCY FUND**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

---

**1. Acronyms and Glossary of Terms**

<b>Acronym</b>	<b>Meaning</b>
OAG	Office of Auditor General
CECM	County Executive Committee Member
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
PFM	Public Finance Management
JKUAT	Jomo Kenyatta University of Agriculture and Technology
CUEA	Catholic University of East Africa
JOOUST	Jaramogi Oginga Odinga University of Science and Technology
SNA	System of National Accounts

**KISUMU EMERGENCY FUND**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

---

**2. Key Entity Information and Management**

**a) Background information**

The Kisumu County Emergency Fund Account was established on 11<sup>th</sup> December 2015 in accordance with section 110(1) of the Public Finance Management Act, 2012. It is headed by the Governor who is responsible for the general policy and strategic direction of the fund.

The fund's objective shall be to enable payments to be made in respect of county when an urgent and unforeseen need for expenditure for which is no specific legislative authority arises.

**Principal Activities**

The principal activity/mission/ mandate of the fund is to enable payments to be made in respect of county when an urgent and unforeseen need for expenditure for which is no specific legislative authority arises.

**Vision**

“Leader in fund management for both staff and the public”

**Mission**

“To provide for more effective organization of disaster risk reduction and mitigation of, preparedness for response to and recovery from emergencies and disaster; and for connected purposes.”

**Core Values**

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

**b) Board of Trustees/Fund Admiration Committee**

During the period under review the executive committee members were:

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1	CECEM Finance and Economic Planning	Mr. George Omondi Okongo
2	CECM Agriculture Livestock and Fisheries	Mr. Kennedy Ouma
3	CITY Manager	Mr. Abala M. Wanga

**c) Key Management**

The Kisumu County Emergency Fund day to day management is under the following key persons;

**KISUMU EMERGENCY FUND**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

---

Ref	Position	Name
1	Chairperson to the board	George Omondi Okongo
2	Fund Administrator	Paul Njenga Waweru
3	Fund Accountant	Rose Akinyi Odipo
4	Responsible department	Maurice Oricho
5	Procurement officer	Joseph Ogembo

**d) Fiduciary Oversight Arrangements**

Ref	Position	Name
1	Directorate Internal Audit	Mr. Geoffrey Dienya
2	County Assembly of Kisumu	Elisha Jack Oraro

**e) Registered Offices**

Prosperity House  
P.O. Box 2738-40100  
Kisumu, Kenya

**f) Fund Contacts**

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

**g) Fund Bankers**

Cooperative Bank  
P.O Box 1511-40100,  
Kisumu  
Branch

**h) Independent Auditors**

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

**KISUMU EMERGENCY FUND**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**






---

**i) Principal Legal Adviser**

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

**3. The Fund Administration Committee**

The management during the financial year consisted of:





	<p><b>George Okongo- Chairperson of the Fund</b></p> <p>Mr. George Omondi Okongo is appointed as the chairman by assumption of office of the county executive committee member for Finance and Economic Planning. He holds masters of Arts (Governance and Developments Studies) from University of Sussex, Glasgow.</p>
	<p><b>Paul Njenga Waweru –Fund Administrator</b></p> <p>Mr. Paul Waweru was appointed as the Fund Administrator and AIE holder on 1<sup>st</sup> July 2023. Mr. Njenga is a well-Seasoned Professional with an immense wealth of experience and skills spanning over 15 years, cutting across supply chain management, economic planning, public procurement, financial and Investment advisory, accountancy, revenue mobilization, business management advisory, audit and assurance, taxation and consultancy to various organizations. He holds a master Degree in Business Administration Finance option from JKUAT and is Currently pursuing his PHD in Business Administration Finance in JKUAT.</p>
	<p><b>Maurice Oricho-Dir Emergency and Special programme</b></p> <p>Mr. Oricho was appointed as a board member to the Kisumu County Emergency fund management committee on 15<sup>th</sup> January 2023. He holds Masters in Business Administration in Strategic Management from CUEA University.</p>
	<p><b>Joshua Lusi-Chief Officer Health</b></p> <p>Dr. Lusi was appointed as part of the management team on 1<sup>st</sup> May 2023. Dr. Luci holds His Doctorate Degree in Medical surgery From University of Nairobi.</p>
	



**KISUMU EMERGENCY FUND**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

**4. Management Team**

The management during the financial year consisted of:

	<p><b>Risper Anyango -TECHNICAL PERSON</b>          Mrs. Risper Anyango was appointed a technical officer to Emergency Response on July 2018.          She holds a Diploma in business management from JOOUST University.</p>
	<p><b>Rose Odipo–Fund Accountant</b>          Mrs. Rose Odipo was appointed as fund accountant on April 2020.She holds a degree from CUEA University-BCOM Finance option&amp; she is also Certified Public Accountant (CPA-K).</p>
	<p><b>Wycliffe Miyungi- Field officer</b>          Mr. Wycliffe Miyungi was appointed to the fund as field officer On April 2018.          He holds Degree in political Science of Business studies from Maseno University</p>
	<p><b>Joseph Ogembo-Procurement Officer</b>          Mr. Joseph Ogembo was appointed to the fund as Procurement officer on May 2023.He holds Bachelor Degree in Supply Chain management from University of Maseno.</p>

## **5. Fund Administration Committee Chairperson's Report**

It is my pleasure to present the Kisumu County Emergency fund financial statements for the period ended 30<sup>th</sup> June 2023. The financial statements present the financial performance of the fund over the past financial year.

### **Sustainability**

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its Residence and its management committee and financing capabilities to enable payments to be made in respect of county when an urgent and unforeseen need for expenditure for which is no specific legislative authority arises.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long-term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

We are positive the fund will help Stabilise an urgent and unforeseen need for expenditure for which is no specific legislative authority arises.

### **Review of performance**

#### **Income**

The fund received funding amounting to Kshs. 75,607,060 /=from the County Government, Donations and credit interest from the Entity Banker.

#### **Expenditures**

There expenditures incurred during the year amounted to Kshs. 90,721,280/=

#### **Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the county government, Kisumu County Emergency Fund Committee, stakeholders, management and staff for their continued support which made us achieves these results.

I look forward for your continued support in the year 2023/2024.

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


**George Omondi Okongo**  
**Chairperson to the Fund**



**KISUMU EMERGENCY FUND**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

---

**6. REPORT OF THE FUND ADMINISTRATOR**

It is my pleasure to present the Kisumu County Emergency financial statements for the year ended 30<sup>th</sup> June 2023. The financial statements present the financial performance of the fund over the past year.

The fund was established on 4<sup>th</sup> December 2015 and started its operation on 1<sup>st</sup> July 2021 with an initial amount of KShs 150,000,000. During the Financial year 2022/2023 the, Kisumu County Assembly approved Budget of ksh 100,000,000 out of which Kenya shillings 75,607,060 was transferred to the fund Account at the Cooperative Bank Kisumu branch.

**Financial Performance**

**a) Revenue**

In the year ended 30<sup>th</sup> June 2023, the fund had projected revenues of KShs 100,000,000/=.

**b) Loans**

During the financial year ended 30<sup>th</sup> June 2023 there were no loan acquired by the fund to enable payments to be made in respect of county when an urgent and unforeseen need for expenditure for which is no specific legislative authority arises.

**Prior year adjustments**

During the Financial year ended there were no prior year adjustments. **Conclusion**

FY 2022/2023 was a good year in general. Good progress was made and the momentum has been created to enable Kisumu County Emergency fund continue on a trajectory into prosperity.

I take this opportunity to thank the management committee for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Kisumu County Emergency fund achieve its mission.

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

**Paul Njenga Waweru**  
**Fund Administrator**



## 7. Statement of Performance Against the County Fund’s Predetermined Objectives

### Introduction

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

The key objectives of the Kisumu Emergency Fund Kisumu 2021-2024 plan are to:

- (a) To establish an efficient structure for the management of disasters and emergencies.
- (b) To enhance the capacity of the county government to effectively manage the impact of disaster and emergencies and to take all necessary action to prevent or minimize threats to life, health and the environment from natural disaster and other emergencies.
- (c) To ensure that the county government effectively co-ordinate with other relevant agencies to mitigate the impact the of disaster.
- (d) To vest authority in person to act during times of disaster in accordance with this Act, and to require the observance and implementation of directives given and initiatives taken by persons authorized under this Act.
- (e) To implement mechanisms to reduce risks and hazards that may cause, contribute to or exacerbate disaster situation in the county.

### Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Kisumu Emergency Fund	To implement mechanisms to reduce risks and hazards that may cause, contribute to or exacerbate disaster situation in the county	Reduced movement of residence living their homes	Increased number of desilted Rivers and Canals	<b>22% of persons living in the low land areas supported</b>

## **8. Corporate Governance Statement**

### **THE FUND**

The Kisumu Emergency fund was established pursuant to the Section 110(1) of the Public Finance Management (PFM) Act 18 of 2012. Its mandate is to enable payments to be made in respect of county when an urgent and unforeseen need for expenditure for which is no specific legislative authority arises.

The fund is committed in ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework, the fund is a formal governance structure with the management committee. The operations of the fund are governed by the Regulations, 2015 of the Kisumu County Government published on 15<sup>th</sup> December, 2015. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

### **THE MANAGEMENT COMMITTEE**

The fund regulations provide that the management committee shall be made up of ten (10) members. The committee is responsible for the long-term strategic direction of the fund and recruitment of the Fund Administrator and senior management.

The committee is provided with full, appropriate and timely information that enables it 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 but the committee is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support.

### **COMMITTEE MEETINGS**

The committee does not meet regularly due to unpredictability of the disaster there are no funds to monitor the implementation of the fund's strategic plan and achievement of the targets.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

### **Internal Control**

The committee is 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.

### **Auditor**

The fund is audited by the Auditor-General and special audit from treasury.

## **9. Management Discussion and Analysis**

The fund has continued to enable payments to be made in respect of county when an urgent and unforeseen need for expenditure for which is no specific legislative authority arises.

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 management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

### **BUSINESS PERFORMANCE**

#### **Revenue**

The fund earned revenues amounting to KShs. 75,607,060/= from the County Government and credit interests.

#### **Cash flows**

The cash and cash equivalents was Kshs. 110,436 /= as at 30<sup>th</sup> June 2023. The balance shown is at the Commercial bank (Cooperative Bank Kisumu branch)

### **OPERATIONAL PERFORMANCE**

The fund's core operating activity to has been purchasing of food items desilting of rivers within the county at large.

#### **Conclusion**

We appreciate the unrelenting support from the fund committee, management, staff, the County Government, National government and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2022/2023.

## **10. Environmental and Sustainability Reporting**

The Fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on our pillars: putting the Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in our pillar

### **1. Environmental performance**

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

### **2. Community Engagements-**

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community

## **11. Report of The Fund Administration Committee**

The committee submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2023 which show the state of the Fund affairs.

### **Principal activities**

The principal activity of the Fund is to enable payments to be made in respect of county when an urgent and unforeseen need for expenditure for which is no specific legislative authority arises.

### **The management team**

During the financial year ended 30<sup>th</sup> June 2023, there were changes which were made in the management. The management team was previously composed of fund administrator Mr. Wilson Abiero, Director emergency Mr. Leonard Kwama, Chief Officer Health Dr. Gregory Ganda and now replaced by Fund Administrator Mr. Paul Njenga Waweru, Director Emergency Mr. Maurice Oricho and lastly Chief Officer Health Dr. Lusi.

### **Review of funds performance**

The funds received during the financial year 2022-2023 were insufficient to clear both the current bills and pending bills. Our pending bills as at 30<sup>th</sup> June 2023 was totalling to Kshs. 47,165,616.78 as indicated in the notes to the financial statements.

### **Future outlook of the fund**

We appreciate support from County Assembly for ensuring approval of budget. Due to increased emerging scenarios under emergency we request the County Assembly of Kisumu to scale up emergency budget and also involve donors and well-wishers for proper future management.

### **Results**

The results of the Fund for the year ended June 30<sup>th</sup> 2023 are set out on pages 1 to 5.

### **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.



**KISUMU EMERGENCY FUND**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

---

**Conclusion**

There were no sufficient funds to clear the outstanding pending bills, otherwise the management averagely met it financial objectives

By Order of the Committee

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<sup>th</sup> September, 2023 and signed by:

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



**Mr. George Omondi Okongo**  
**Chair of the Fund Administration Committee**

*Handwritten red mark or signature.*

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

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

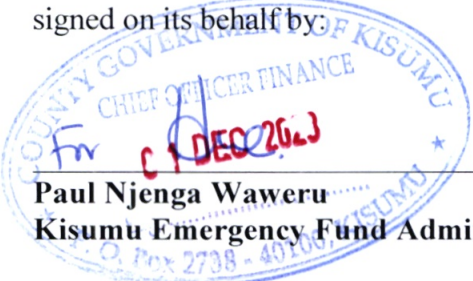
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30<sup>th</sup>, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund’s financial statements gives a true and fair view of the state of Fund’s transactions during the financial year ended 30<sup>th</sup> June, 2023, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

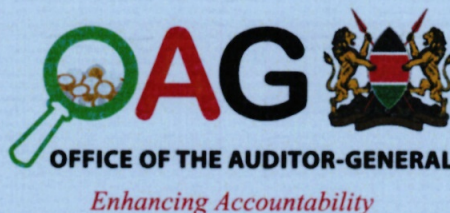
### **Approval of the financial statements**

The Fund’s financial statements were approved by the committee on 30<sup>th</sup> September, 2023 and signed on its behalf by:

  
**Paul Njenga Waweru**  
**Kisumu Emergency Fund Administrator**

# 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 KISUMU COUNTY EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2023**

---

### **PREAMBLE**

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly 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**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Kisumu County Emergency Fund set out on pages 1 to 26, which comprise of the statement of financial position as

at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kisumu County Emergency Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Kisumu County Emergency Fund Act, 2018 and the Public Finance Management Act, 2012.

### **Basis for Adverse Opinion**

#### **1. Failure to Accrue Amounts Payable**

The statement of financial performance and as disclosed in Note 3 to the financial statements discloses use of goods and services amount of Kshs.90,721,280 which includes an amount of Kshs.38,991,887 under emergency relief food. included in these payments were Kshs.25,730,575 paid during the year which relate to commitments and invoices made in prior years. However, no such commitments had been accrued in the audited financial statements for the previous year. No reason was presented for the failure by the Fund to accrue the outstanding creditors. In addition, no prior year adjustments or disclosure note was presented in the financial statements.

In the circumstances, the financial statements as presented do not present a true and fair view of the Fund's operations for the year.

#### **2. Unsupported and Unauthorized Expenditure on Use of Goods and Services**

The statement of financial performance reflects an amount of Kshs.90,721,280 in respect of use of goods and services and as disclosed in Note 3 to the financial statements, the amount includes Kshs.38,991,887 under emergency relief foods and Kshs.48,085,143 incurred on acquisition of other infrastructure and civil works. However, the following anomalies were noted;

- i. Management did not present a list of approved emergency responses and the procurement plan to support these expenditures. This was contrary to Regulation 19(1) of the Kisumu County Emergency Fund Regulations, 2020, which states that upon the Executive Committee Member approving emergency response, the Fund Administrator in consultation with the Chief Officer-In-Charge of the department that has the technical persons with the capability of handling the emergency shall publish a list of approved responses, together with the procurement plans for each response. Further, Management did not demonstrate how relief food procured was received and eventually distributed to the beneficiaries.

- ii. An expenditure of Kshs.10,845,447 on emergency relief food was incurred in the first month of the year, while the remainder, an amount of Kshs.27,196,440 was incurred on 30 June, 2023 which was the last day of the year and it was not supported by any approved emergency activities.
- iii. An amount of Kshs.48,085,143 was incurred on renovations of infrastructure and civil works However, no reason was presented to indicate that the expenditure was of an emergency nature and therefore not a valid expenditure for the Fund.

In the circumstances, the accuracy, completeness, propriety and value for money of use of goods and services expenses of Kshs.90,721,280 could not be confirmed.

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Lack of Approved Budget**

Review of records revealed that the Fund did not have an approved budget for the year under review, contrary to Regulation 50(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires that expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by the responsible Accounting Officer, based on allocation and allotments from approved budgets.

In the circumstances the expenditure was deemed irregular.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**FCPA Nancy Gathungu, SBS**  
**AUDITOR-GENERAL**

**Nairobi**

**09 February, 2024**



**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

**14. Statement of Financial Performance for The Year Ended 30th June 2023**

	Note	FY 2022-2023	FY 2021-2022
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Donations	1	3,330,200	300,000
Transfers from the County Government	2	72,276,860	128,013,000
<b>Revenue from exchange transactions</b>			
Interest income		-	-
Other income (Conditional Grant from National Treasury)			-
<b>Total revenue</b>		<b>75,607,060</b>	<b>128,313,000</b>
<b>Expenses</b>			
Use of Goods	3	90,721,280	113,088,344
Depreciation			-
<b>Total expenses</b>		<b>90,721,280</b>	<b>113,088,344</b>
<b>Surplus /(deficit)for the period</b>		<b>(15,114,220)</b>	<b>15,224,656</b>

*For Done*  
 Administrator of the Fund  
 Name: **Paul Njenga Waweru**  
 P.O. Box 2738 - 40100, KISUMU

*Rose Odipo*  
 Fund Accountant  
 Name: Rose Odipo  
 ICPAK Member Number: 12986

The notes set out on pages 6 to 25 form an integral part of these Financial Statement.

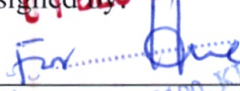
**Note: Donations from development partners was erroneously deposited to the fund account and was later reversed.**

**KISUMU EMERGENCY FUND**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

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

	Note	FY 2022-2023	FY 2021-2022
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and Cash equivalent	4	110,436	15,224,656
<b>Non-current liabilities</b>			
Property, Plant and Equipment			-
<b>Total assets</b>		<b>110,436</b>	<b>15,224,656</b>
<b>Liabilities</b>			
<b>Current liabilities (Creditors)</b>			
<b>Non-Current liabilities</b>			
<b>Total liabilities</b>			-
<b>Net assets</b>		<b>110,436</b>	
Balance B/F		15,224,656	-
Revolving Fund			-
Reserves			-
Accumulated Surplus/(deficit)		<b>(15,114,220)</b>	15,224,656
<b>Total net assets and liabilities</b>		<b>110,436</b>	<b>15,224,656</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<sup>th</sup> June, 2023 and signed by:

  
 Administrator of the Fund  
 Name: **Paul Njenga Waweru**

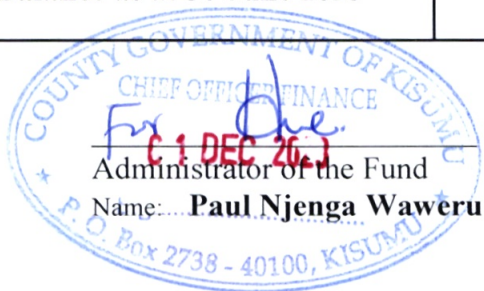
  
 Fund Accountant

Name: Rose Odipo  
 ICPAK Member Number: 12986

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

**16. Statement of Changes in Assets for the year ended 30<sup>th</sup> June 2023**

	Revaluation Reserve	Accumulated deficit	Total
	Fund		
		KShs	KShs
<b>Balance as at 1 July 2021</b>		-	-
Surplus/(deficit) for the period		-	-
Funds received during the year		-	-
Prior year adjustments		-	-
<b>Balance as at 30 June 2022</b>		15,224,656	15,224,656
<b>Balance as at 1 July 2022</b>		15,224,656	15,224,656
Funds received during the year		-	-
Surplus/(deficit) for the period		(15,114,220)	(15,114,220)
Prior year adjustments		-	-
<b>Balance as at 30 June 2023</b>		110,436	110,436


  
 Administrator of the Fund  
 Name: **Paul Njenga Waweru**

  
 Fund Accountant  
 Name: Rose Odipo  
 ICPAK Member Number: 1298

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

**17. Statement of Cash Flows For The Year Ended 30 June 2023**

	Note	FY 2022-2023	FY 2021-2022
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts from operating income</b>			
Public contributions and donations	1	3,330,200	300,00
Transfers from the County Government	2	72,276,860	128,013,000
<b>Total Receipts</b>		<b>75,607,060</b>	<b>128,313,000</b>
<b>Payments</b>			
Use of Goods and Services	3	90,721,280	113,088,344
<b>Total payments</b>		<b>90,721,280</b>	<b>113,088,344</b>
<b>Net cash flows from operating activities</b>		<b>(15,114,220)</b>	<b>15,224,656</b>
<b>Cash flows from investing activities</b>			
<b>Net cash flows used in investing activities</b>			-
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts			-
Additional borrowings			-
Repayments of borrowings			-
<b>Net cash flows used in financing activities</b>			-
<b>Net (decrease) in cash and cash equivalents</b>		<b>(15,114,220)</b>	<b>15,224,656</b>
Cash and cash equivalents 1st July		15,224,656	-
<b>Cash and Cash Equivalent at the end of the year</b>		<b>110,436</b>	<b>15,224,656</b>
<b>Cash and cash equivalents at 30 JUNE 2022/2021</b>	4	<b>110,436</b>	<b>15,224,656</b>

Administrator of the Fund.

Name: **Paul Njenga Waweru**

Fund Accountant

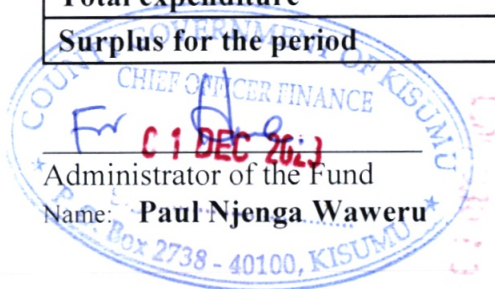
Name: Rose Odipo


ICPAK Member Number: 12986

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

**18. Statement Of Comparison of Budget And Actual Amounts For The Period**

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilization
	2023	2023	2023	2023	2023
Revenue	KShs	KShs	KShs	KShs	
Surplus b/d	15,224,656.08		15,224,656	15,224,656	100
Public contributions and donations	0	0	0	0	0
Transfers from County Govt. and bal b/d	50,000,000	50,000,000	100,000,000	75,607,060	76
Other income (Conditional Donation –well-wishers)	0	0	0	0	0
Interest income	0	0	0	0	
<b>Total income</b>	<b>65,224,656</b>	<b>50,000,000</b>	<b>115,224,656</b>	<b>90,831,716</b>	<b>79</b>
<b>Expenses</b>					
Fund administration expenses	-	-	-	0	
Use of Goods and Services	90,721,280	0	90,721,280	90,721,280	100
Depreciation& Amortization	0		0	0	
Finance cost	-	(-)	-	-	
<b>Total expenditure</b>	<b>90,721,280</b>	<b>0</b>	<b>90,721,280</b>	<b>90,721,280</b>	<b>100</b>
<b>Surplus for the period</b>			<b>24,503,376</b>	<b>110,436</b>	


  
 Administrator of the Fund  
 Name: **Paul Njenga Waweru**

  
 Fund Accountant  
 Name: Rose Odipo  
 ICPAK Member Number: 12986

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

**19. Notes to the Financial Statements**

**1. General Information**

Kisumu County Emergency Fund is established by and derives its authority and accountability from Section 164 (2) (f) of the Public Finance Management Act, 2012. The entity is wholly owned by the Kisumu County Government and is domiciled in Kenya. The entity's principal activity is to enable payments to be made in respect of county when an urgent and unforeseen need for expenditure for which is no specific legislative authority arises.

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

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

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

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

**(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2023**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Emergency. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

**(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2023:</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 an Entity's future cash flows.

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

Standard	Effective date and impact:
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</li> </ul>

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

Standard	Effective date and impact:
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023</p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This</p>



**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

Standard	Effective date and impact:
	<p>information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2023.

**4. Significant Accounting policies**

**a) Revenue recognition**

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

**Transfers from other government entities**

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

**ii. Revenue from exchange transactions**

***Interest income***

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

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

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

**b) Budget information.**

The original budget for FY 2022/2023 was approved by the County Assembly on 16<sup>th</sup> June 2022 of KShs 100,000,000. Subsequent revisions were made to the approved budget due to the financial constraints of the county executive.

Consequently, the final budget after revision of FY 2022/2023 came to a total 75,607,060 of transfer from county executive.

**c) Property, plant and equipment**

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

**d) Intangible assets**

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

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

**e) 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.

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

***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.

***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)

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

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

*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.

**f) 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.

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

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

**g) 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.

***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.

**h) Nature and purpose of reserves**

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

**i) 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.

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

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

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

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.

**k) 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.

**l) 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.

**m) 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.

**n) 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.

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

**o) Comparative figures**

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

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

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

**p) Events after the reporting period**

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

**q) Ultimate and Holding Entity**

The entity is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the County Government of Kisumu.

**r) Currency**

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

**s) 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
- Changes in the market in relation to the asset



**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

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

**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 18.

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.

**t) 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.

5. 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 company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

**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 company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from customers.

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

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

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

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

**i. Foreign currency risk**

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

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

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

**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 entity capital structure comprises of the following funds:

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Public Contributions and donations**

<b>Descriptions</b>	<b>FY 2022-2023</b>	<b>FY 2021-2022</b>
Donations from development partners	3,330,200	300,000
Contributions from the public		-
<b>Total</b>	<b>3,330,200</b>	<b>300,000</b>

**Note: Donations from development partners was erroneously deposited to the fund account and was later reversed.**

**2. Transfers from County Government**

<b>Description</b>	<b>FY 2022-2023</b>	<b>FY 2021-2022</b>
	<b>KShs</b>	<b>KShs</b>
Transfer from County Govt.-operations	72,276,860	128,013,000
Payments by County on behalf of the entity		-
<b>Total</b>	<b>72,276,860</b>	<b>128,013,000</b>

**Note: the fund received funding in two phases that is in the month of March which was ksh. 25,000,000 and ksh. 47,276,860 in the month of June 2023.**

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

**3. Use of Goods and Services**

<b>Description</b>	<b>FY 2022-2023</b>	<b>FY 2021-2022</b>
	<b>KShs</b>	<b>KShs</b>
Donations/Reversed Receipts	3,629,600	-
Emergency Relief foods	38,991,887	35,928,596
Acquisition-Other Infrastructure & Civil works	48,085,143	77,091,318
Bank charges	14,650	68,430
<b>Total</b>	<b>90,721,280</b>	<b>113,088,344</b>

**Note: Emergency fund pending bills disclosed here entails FY 2018-2019- Kshs. 43,250,816.78 and FY 2020-2021 Kshs. 3,914,800. The total pending bills amounts to Kshs. 47,165,616.**

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

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

**4. Cash and cash equivalents (Current Account Cooperative Bank)**

Description	FY 2022-2023	FY 2021-2022
	KShs	KShs
Balance Brought Down	110,436	15,224,656
Others-Savings account	-	-
<b>Total</b>	<b>110,436</b>	<b>15,224,656</b>

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

Financial institution	Account number	FY 2022-2023	FY 2021-2022
		KShs	KShs
<b>Sub- total</b>			
<b>c) Current Account</b>			
Cooperative Bank	01141613464700	110,436	15,224,656
<b>Sub- total</b>		<b>110,436</b>	<b>15,224,656</b>
<b>d) Others(specify)</b>			
Cash in transit			-
Cash in hand			-
<b>Sub- total</b>			-
<b>Grand total</b>		<b>110,436</b>	<b>15,224,656</b>

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

**Other Disclosures Continued**

**7. Financial risk management**

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

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

**a) Credit risk**

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

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

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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

The entity has significant concentration of credit risk on amounts due from Kisumu county Emergency Fund.

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.

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

**b) Liquidity risk management**

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

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

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

*The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.*



**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

**Foreign currency sensitivity analysis**

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

**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

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

**d) Capital risk management**

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

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

**19. Progress On Follow Up of Prior Year Auditor’s Recommendations**

Prior year audit, this being the second audit to the Kisumu County Emergency Fund, there is little for the follow up on the prior year auditors Recommendation and they are as follows;

<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>
KISUMU/OAG/2021-2022/KSM/EMRG/VOL004	Failure to remit Statutory Taxes.	Payment of taxes have been remitted.	Resolved	
KISUMU/OAG/2021-2022/KSM/EMRG/VOL004	Unsupported Cash and Cash Equivalents Balances.	The management revised the FS which corrected cash and cash equivalent balance.	Resolved	
KISUMU/OAG/2021-2022/KSM/EMRG/VOL004	Late Submission of Financial Statements.	The management Regret the late Submission of the Financial Statement and will ensure compliance.	Resolved	

**KISUMU EMERGENCY FUND**  
**Annual Reports and Financial Statements**  
**For the Period ended June 30, 2023**

---

**20. Annexes**