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REPORT

OF

THE AUDITOR-GENERAL

ON

BUNGOMA COUNTY EMERGENCY FUND

**FOR THE YEAR ENDED
30 JUNE, 2019**



COUNTY GOVERNMENT OF BUNGOMA
BUNGOMA COUNTY EMERGENCY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

COUNTY GOVERNMENT OF BUNGOMA
BUNGOMA COUNTY EMERGENCY FUND
Reports and Financial Statements
For the period ended 30th June 2019

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1. FUND'S KEY INFORMATION AND MANAGEMENT

a) Background information

The Bungoma County Emergency Fund is established by the Bungoma Disaster Management Emergency Fund Regulations, 2014 of Kenya. The Fund is headed by a Chairman who is responsible for the general policy and strategic direction of the Fund. The day-to-day running of the Fund is by the Fund Administrator. The Fund is wholly owned by the County Government of Bungoma, is supervised by the Ministry of Finance and Economic Planning and is domiciled in Kenya.

b) Objectives of the Fund

- i. Establish an efficient structure for the management of the disaster and emergency by promoting awareness and cooperation amongst the agencies with a role of the disaster management and enhancing their capacities to maintain the provision of essential services during period of disaster and emergencies.
- ii. improve the effectiveness and efficiency of the disaster risk management system in the county, including measures for disaster preparedness, prevention, mitigation, response, reconstruction, recovery and relief;
- iii. facilitate resilience building, preparedness, early warning, contingency planning and timely response to disasters during its different stages in order to reduce and minimise the negative effects of disasters and addressing disaster impacts sustainably;
- iv. Provide counter measures for conducting risk assessment/analysis to inform decision making
- v. Prepare and implement a disaster risk management plan that contains measures to address complex emergencies and risks in consultation with the response agency in cooperation with other agencies in accordance with this Act.
- vi. Vest authority in persons and agencies to act during time of disaster and emergency in accordance with plans approved under this Act and to require the observance and implementation and the directive given and initiatives taken by person authorised under this Act.
- vii. Enhance the capacity of the county government, relevant agencies and communities to effectively manage the impact of disaster and emergencies that threaten human life, property and environment.
- viii. Implement the mechanism to reduce risks and hazards that may cause, contribute to exacerbate disaster or emergency situation in the County, especially for vulnerable persons or groups.
- ix. Facilitate procedures aimed at implementing activities in the aftermath of disaster and emergencies.
- x. to receive financial resources from development partners who support government on disaster risk management interventions;
- xi. provide for—
 - a common basket emergency fund in order to facilitate faster, transparent, predictable, and accountable release of Funds for disaster risk management

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- funds for capacity and technical expertise development to improve on disaster risk management systems and contingency planning; and
- the establishment, management and coordination of programmes, projects or activities to further the foregoing objects and purposes

c) County Disaster Management Emergency Fund Committee

Name	Position
Julius Bakasa Wasike	Chairperson
Noella Musundi	Member
County Commissioner	Member
Moses Musonye	Member
Allan Sitati Wasilwa	Member
Oscar Zakayo Makokha	Member
Bishop James Wasike Murunga	Member
Edward Wekesa Wanyonyi (Rev.)	Member
Ashok Khetia	Member
Asha Hersi	Member
Kenneth Chwaga Munene	Member
Saul Wasilwa	Member
Sema Sunguti	Member
Juma Masakha	Member
County Commander	Member
Amin Ali Sheikh (Dr.)	Member
Hesbon K. Wekola	Member
Caleb Watta (Dr.)	Member

d) Key Management

Names	Title designation	Key qualification	Responsibilities
Julius Bakasa	Chairperson	Diploma in Administration	Overall strategic, leadership & direction
Erustus Mwaka	Fund Administrator	Diploma in Accounting	Budget implementation & overall administration
Mafunga Mary	Accountant	CPA(K) Degree - Finance option Masters – ongoing	

**COUNTY GOVERNMENT OF BUNGOMA
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e) Registered Office

The Fund headquarters offices are Bungoma County, Kenya.
The address of its registered office is:
Bungoma County Government,
P.O. Box 437-50200
Bungoma

f) Contacts:

Telephone: (254) 055-30343
E-mail: bungomacountygovernment@gmail.com
Website: www.go.ke

g) Bankers

The following are the bankers for the current year:

1. National Bank of Kenya
P.O. Box
Bungoma, Kenya
2. Kenya Commercial Bank
P.O. BOX
Bungoma, Kenya

h) Auditors

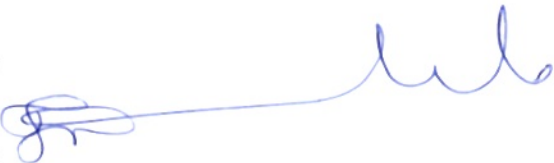
The Fund is audited by:
The Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

2. REPORT OF THE CHIEF OFFICER

The cumulative budget to date is Kshs.100,000,000 whose cumulative actual expenditure is Ksh.76,511,236. This is a utilization of 77% of the Fund's approved budget. Performance of the budget has been directly linked to occurrences of activities meant to utilize advances from the Emergency Fund.

The Fund supported the fulfilment of the specific sector objectives by undertaking the following projects. In Education, the Fund has undertaken various activities including, supply of essential material and food stuffs to those schools that encountered burning down of dormitories etc. This has restored learning activities in affected schools. The Fund also undertook construction and maintenance of roads so as to restore transportation activities. The Fund acquired land that has enabled creation of new dump sites thus improving the health of the affected societies.

Since the establishment of the Emergency Fund, it has been of great benefit to the society. This is evidenced by supply of items to schools, churches as a result of calamities and strategies. All activities of supply of materials, food stuffs that utilized the Emergency Fund were priced appropriately at the market prices.


Sign
Chief Officer
Finance & Economic Planning

3. REPORT OF THE COMMITTEE

The Committee Members submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the *Fund's* affairs.

Principal activities

The principal activity of the Fund is to cater for the unplanned disaster events in the county of Bungoma.

Results

The results of the Fund for the year ended June 30, 2019 are set out on page 1-3.

Committee Members

The members of the Committee who served during the year are shown on page v. In accordance with Bungoma County Disaster Management Emergency Fund Regulation, 2014, members retire by rotation and, being eligible offer themselves for re-election.

Auditors

The Auditor General is responsible for the statutory audit of the *Fund* in accordance with the Section 116 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Fund Committee

Secretary, Bungoma County Emergency Fund
Bungoma
Date:.....

4. STATEMENT OF FUND MANAGEMENT RESPONSIBILITIES

The *Fund Administrator* for *Bungoma County Emergency 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 period ended on 30th June, 2019. This responsibility includes: (i) maintaining adequate financial management arrangement 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 statement, 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 *Fund Administrator* for *Bungoma County Emergency Fund* accepts responsibility for the Fund's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Fund Administrator* for *Bungoma County Emergency Fund* is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial period ended 30th June, 2019, and of the Fund's financial position as at that date. The *Fund Administrator* for *Bungoma County Emergency Fund* further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund financial statements as well as the adequacy of the systems of internal financial control.

The *Fund Administrator* for *Bungoma County Emergency Fund* confirms that the Fund has complied fully with applicable Government Regulations and the terms of external financing covenants, and that the funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Fund financial statements

The Fund financial statements were approved by the *Fund Committee* for *Bungoma County Emergency Fund* on 4th August, 2020 and signed by them.



Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON BUNGOMA COUNTY EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Bungoma County Emergency Fund set out on pages 9 to 26, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the 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 Bungoma County Emergency Fund as at 30 June, 2019, 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 Emergency Fund Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Variance in General Expenses

The statement of financial performance reflects general expenses figure of Kshs.19,663,116. The amount excludes a payment of Kshs.1,644,000, vide cheque No.104 of 29 August, 2018 listed in the expenditure records. Further, the general expenses figure of Kshs.19,663,116 includes a payment to a local company of Kshs.7,206,456 while the relevant payment voucher No.102 of 26 September, 2018 reflects an amount of Kshs.7,858,180 resulting in a variance of Kshs.651,724 between the two records.

In the circumstances, the accuracy and completeness of the amount of the general expenses of Kshs.19,663,116 could not be confirmed.

2. Unsupported Expenditure

The statement of financial performance reflects general expenses of Kshs.19,663,116 and as disclosed under Note 2 to the financial statements. The following was noted;

- a) Payments totalling Kshs.16,009,109 under various items, for which payment vouchers were not availed for audit review.
- b) Payment vouchers totalling Kshs.2,072,800 which were explained to have been taken by the Ethics and Anti-Corruption Commission (EACC) and therefore, were not availed for audit review.

Consequently, the propriety of the expenditure of Kshs.19,663,116 could not be confirmed.

3. Property, Plant and Equipment

During the year under review, and as reported in Note 5 to the financial statements, the Fund spent a total of Kshs.58,305,764 on property, plant, and equipment. However, an examination of payment documents relating to this item revealed that the above amount includes Kshs.46,789,437 spent on the following four projects which had anomalies as detailed below:

3.1 Rehabilitation of Chwele Market Roads

The Fund transferred Kshs.12,759,440 to Mechanical Fund Account for the rehabilitation of Chwele Markets Roads. The work was done by the Ministry of Roads, Infrastructure and Public Works and the scope of work, according to the Bills of Quantities (BQ), included dozing, grading and gravelling of roads with total length of 15Km. However, physical verification revealed that only 9Km of roads were done and not the 15Km specified in the BQs. Further, the constructed roads were damaged and did not have culverts and drainage system.

3.2 Non-Emergency Expenditure on Rent

The Fund spent Kshs.4,320,000 on rent for 24 months from 1 December, 2016 to 30 November, 2018, in respect of an agreement to lease a go-down space situated on plot No. L.R. Bungoma Township/510. However, audit inspection revealed that the go-down was not in use during the entire lease period of 24 months, despite full rent having been paid. Further, the leasing of the go-down did not constitute an emergency or disaster as defined in the Public Finance Management (Bungoma County Disaster Management Emergency Fund) Regulations, 2017. Although Management explained that the go-down used to store emergency donations and purchases for distribution to vulnerable people, no stores records were availed to support the explanation.

3.3 Payments for Incomplete Projects

During the financial year under review, the Fund paid a total of Kshs.23,778,066 for three (3) projects detailed below, which were to be implemented during the year. However, field inspection of the projects revealed that they were incomplete yet the amounts paid were the full costs of the projects:

Project	Location	Amount (Kshs)
Construction sub-Structure works for Dormitory Block BGM/CNTY/CEF/QTN/21/2016-17	Lutacho Friend School	2,475,030
Renovation and Completion works for male ward BGM/CNTY/HLT/DT/287/208-2019	Kimilili Hospital	15,605,823
Renovation and Completion of 18 No. doors of pit latrines	Bungoma D.E.B Primary School	5,697,213
Total		23,778,066

3.4 Payments for Works Not Carried Out

Included in payments records was a payment of Kshs.5,931,931 to a local company in respect of construction of box culverts in Kambi, Nandika and Misikhu Wards. However, scrutiny of the contract documents and site visits revealed that the said works were actually carried out by a different company at a contract sum of Kshs.13,603,820. Further, the payment voucher for the Kshs.5,931,931 was not availed for audit verification.

Consequently, the accuracy and completeness of the asset additions expenditure of Kshs.46,789,437.as at 30 June, 2019 and the value for money could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bungoma County Emergency Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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. I have determined that there are no key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Long Outstanding Imprests

The statement of financial position as at 30 June, 2019 reflects accounts receivable balance of Kshs.1,453,800 which includes two outstanding imprests totalling Kshs.1,450,000 held by one officer. One of the imprests for Kshs.950,000 was issued on 14 April, 2019 while the other one for Kshs.500,000 was issued on 25 June, 2019. However, as at the time of audit in August, 2020, the two imprests had not been surrendered or accounted for, contrary to the provisions of Regulation 93 (5) of the Public Finance Management (County Governments) Regulations 2015. Further, Management did not explain measures taken to recover the amounts as required by Regulation 93(6) of the same regulations.

In addition, the second imprest of Kshs.500,000 was issued to the officer, despite her not having surrendered or accounted for the first one of Kshs.950,000, contrary to Section 93(8) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that no second imprest should be issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.

Therefore, 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

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

Weaknesses in the Internal Control Environment

During the audit of the Fund, the following weaknesses were noted:

- There were no minutes of the Disaster Management Emergency Committee meetings that approved the expenditure of Kshs.77,968,880.
- Two payments amounting to Kshs.1,859,560 were initiated and authorized by the Department of Education, but paid from Emergency Fund Vote.
- There were no acknowledgement letters for the items taken to Teremi High school.

- There were no appointment letters for both the committee members and fund administrators.
- Non-serving committee members were included in the annual reports and financial statement for the year ended 30 June, 2019.

Weaknesses noted may lead to irregularities in the operation of the Fund which may go undetected.

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

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

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

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

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 January, 2022

COUNTY GOVERNMENT OF BUNGOMA
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6. FINANCIAL STATEMENTS

6.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019

			Restated
	Note	2018/2019	2017/2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	1	100,000,000	50,000,000
Total revenue		100,000,000	50,000,000
Expenses			
General expenses	2	19,663,116	61,555,667
Total expenses		19,663,116	61,555,667
Surplus/Deficit for the period		80,336,884	(11,555,667)

The notes set out on pages 20 to 26 form an integral part of these Financial Statements

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

			Restated
	Note	2018/2019	2017/2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	3	22,313,766	278,802
Accounts receivable	4	1,453,800	-
Total current assets		23,767,566	278,802
Non-current assets			
Property plant and equipment	5	91,116,404	34,268,284
Total non-current assets		91,116,404	34,268,284
Total assets		114,883,970	34,547,086
Net assets			
Accumulated surplus	6	114,883,970	34,547,086
Total net assets		114,883,970	34,547,086

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's revised financial statements were approved on **4th August, 2020** and signed by:



Administrator of the Fund
Name: **Geoffrey Wafula**



Fund Accountant
Name: **Mary Mafunga**
ICPAK Member Number:

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

	Accumulated surplus	Total
	Kshs	Kshs
Balance as at 1 July 2017	47,032,753	47,032,753
Deficit for the period	(11,555,667)	(11,555,667)
Prior year adjustment	(930,000)	(930,000)
Balance as at 30 June 2018	34,547,086	34,547,086
Balance as at 1 July 2018	34,547,086	34,547,086
Surplus for the period	80,336,884	80,336,884
Balance as at 30 June 2019	114,883,970	114,883,970

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6.4. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2019

	Note	2018/2019	Restated 2017/2018
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	1	100,000,000	50,000,000
Total Receipts		100,000,000	50,000,000
Payments			
General expenses	2	(19,663,116)	(61,555,667)
Total Payments		(19,663,116)	(61,555,667)
Adjustment for:			
Increase in accounts receivable	4	(1,453,800)	-
Depreciation		1,457,644	809,443
Total Adjustments		3,844	809,443
Net cash flows from operating activities		80,340,728	(10,746,224)
Cash flows from investing activities			
Purchase of property, plant, equipment	5	(58,305,764)	(11,072,695)
Net cash flows used in investing activities		(58,305,764)	(11,072,695)
Net increase/(decrease) in cash and cash equivalents		22,034,964	(21,818,919)
Cash and cash equivalents at 1 JULY	3	278,802	22,097,721
Cash and cash equivalents at 30 JUNE	3	22,313,766	278,802

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6.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from County Government	100,000,000	-	100,000,000	100,000,000	-	100%
Total Revenue	100,000,000	-	100,000,000	100,000,000	-	100%
Expenses						
General expenses	30,000,000	-	30,000,000	18,205,472	11,794,528	61%
Property, plant and equipment	70,000,000	-	70,000,000	58,305,764	11,694,236	83%
Total expenses	100,000,000		100,000,000	76,511,236	23,488,764	77%
Surplus for the period	-	-	-	23,488,764	(23,488,764)	

Notes

- The underutilization in general expenses of 61% was as a result of there were no requested by ministries of activities to be funded
- The underutilization in property, plant and equipment of 83% was as a result of there were no requested by ministries of activities to be funded
- The difference of Kshs.1,457,644 between actual general expenses of Kshs.18,205,472 and Kshs.19,663,116 represents depreciation charge on property, plant and equipment, which is not budgeted.

6.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. The standard has no impact on the Fund.

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the

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Standard	Effective date and impact:
	<p>asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. The standard has no impact on the Fund
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</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"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

c) Early adoption of standards

The Fund did not early – adopt any new or amended standards in year 2019.

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 2018/2019 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations on the FY 2018/2019 budget following the governing body's approval.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Property, plant and equipment

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 Fund 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. Depreciation is calculated using straight line method to write off the cost of property, plant and equipment in equal instalments over their useful lives. Depreciation is calculated from the date of purchase of an asset using the following annual rates:

Capital work in progress	Nil
Roads, bridges and other civil works	2.5%
Motor vehicles	25%
Furniture, fittings and office equipment	12.5%
Computers and accessories	33.5%
Land	Nil

The roads, bridges and other civil works will be handed over to the County Government of Bungoma once complete.

6. Changes in accounting policies and estimates

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

7. 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.

8. Related parties

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

9. 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

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convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Commercial 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.

10. Comparative figures

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

11. Events after the reporting period

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

12. Ultimate and Holding Entity

The Fund is a County Public Fund established by Bungoma County Disaster Management Emergency Fund Regulations, 2017 under the Ministry of Finance and Economic Planning. Its ultimate parent is the County Government of Bungoma.

13. Currency

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

14. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made:

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.

a) Capital risk management

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

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	2018/2019	2017/2018
	Kshs	Kshs
Accumulated surplus	115,813,970	35,477,086
Prior years adjustment	-930,000	-930,000
Total funds	114,883,970	34,547,086

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6.7. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFER FROM COUNTY GOVERNMENT

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from County Govt. – operations	100,000,000	50,000,000
Total	100,000,000	50,000,000

2. GENERAL EXPENSES

Description	FY2018/2019	FY2017/2018
	Kshs	Kshs
Domestic travel and subsistence	-	8,671,600
Training expenses	-	9,811,200
Specialised materials and services	10,050,183	38,283,376
Routine maintenance - motor vehicles	-	115,353
Hospitality	4,885,480	600,000
Other expenses	3,269,808	3,264,695
Depreciation	1,457,644	809,443
Total	19,663,115	61,555,667

3. CASH AND CASH EQUIVALENTS

Description	FY2018/2019	FY2017/2018
	Kshs	Kshs
Current account	22,313,766	278,802
Total cash and cash equivalents	22,313,766	278,802

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

		FY2018/2019	FY2017/2018
Financial institution	Account number	Kshs	Kshs
Current account			
Kenya Commercial bank	117967462	22,313,766	278,802
Total		22,313,766	278,802

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4. ACCOUNTS RECEIVABLE

Description	FY2018/2019	FY2017/2018
	Kshs	Kshs
Outstanding imprests	1,453,800	-
Total cash and cash equivalents	1,453,800	-

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Roads and bridges	Other civil works	Total
Cost	Kshs	Kshs		KShs
At 1 st July 2017	2,000,000	-	22,005,032	24,005,032
Additions	700,000	8,048,695	2,324,000	11,072,695
At 30 th June 2018	2,700,000	8,048,695	24,329,032	35,077,727
At 1 st July 2018	2,700,000	8,048,695	24,329,032	35,077,727
Additions	-	45,276,221	13,029,543	58,305,764
At 30 th June 2019	2,700,000	53,324,916	37,358,575	93,383,491
Depreciation and impairment				
At 1 st July 2017	-	-	-	-
Depreciation		201,217	608,226	809,443
At 30 th June 2018	-	201,217	608,226	809,443
At 1 st July 2018	-	201,217	608,226	809,443
Depreciation	-	1,131,906	325,739	1,457,644
At 30 th June 2019	-	1,333,123	933,964	2,267,087
Net book values				
At 30 th June 2018	2,700,000	7,847,478	23,720,806	34,268,284
At 30 th June 2019	2,700,000	51,991,793	36,424,611	91,116,404

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6. ACCUMULATED SURPLUS

Description	FY2018/2019	FY2017/2018
	Kshs	Kshs
2015/2016 FY	23,935,197	23,935,197
2016/2017 FY	23,097,556	23,097,556
2017/2018 FY	-11,555,667	-11,555,667
2018/2019 FY	80,336,884	0
Prior year adjustment	-930,000	-930,000
Total	114,883,970	34,547,086

Prior Years Adjustment

Description	FY2018/2019	FY2017/2018
	Kshs	Kshs
Cash and cash equivalents as at 30 June 2016	1,000,165	1,000,165
<i>Less:</i> Surplus for the 2016/2017 FY	-1,930,165	-1,930,165
Total	-930,000	-930,000

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7. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the Auditor-General, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
REPORT ON THE FINANCIAL STATEMENTS					
Other Matter					
1	<p>Budgetary Control and Performance</p> <p>During the year under review, the Fund incurred total expenditure of Kshs.71,818,919 compared to total budget of Kshs.100,000,000, resulting into under-absorption of Kshs.28,181,081 or 28%:</p>	<p>The absorption is determined by a number of factors, mainly;</p> <p>a) The Fund does not finance activities that can be foreseen. It only finances activities that are unforeseen, hence unplanned. Therefore, the absorption level will depend on the requests that have been forwarded to the Fund</p> <p>The financing of activities is also dependent on the</p>	George Wafula – Fund Administrator	Resolved	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Exchequer Releases. The Fund was not finance in full in the year 2017/2018			
2	<p>Under Funding of the Emergency Fund</p> <p>According to the Fund's Regulations of 2017, Section 4. (1), the initial capital of the Fund shall consist of at least two percent of total county budget for every financial year upon coming into effect of these regulations. (2) The Fund shall be financed through the annual appropriations by the County Assembly, private sector, donor support and global climate change and disaster risks financing facilities. In addition, the County Assembly may appropriate additional monies to the fund. Therefore, the fund ought to have received approximately Kshs.209,399,815 being 2% of the County Executive's budget for the year under review. However, only Kshs.50,000,000 was transferred to the Fund account, resulting into a budget deficit of Kshs.159,399,815</p>	<p>Sec. 113 of the County Government's PFM Regulations, 2015 provides that the CECM for Finance may not spend more than 2% of the county government's of the most recent audited financial statements. The most recent audited financial statements in the year 2017/2018 were the statements of the year 2015/2016 for which the reported revenue was KShs. 7,999,091,818.</p> <p>Hence, the allocation due to the Emergency Fund should not have exceeded KShs. 159,981,836.</p> <p>The Management was within the law when it</p>	George Wafula – Fund Administrator	Not resolved	30 June 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		provided an allocation of 100 million which is not more than 2% to the Emergency Fund.			
3	<p>Over Expenditure in the Administration of the Fund</p> <p>According to the Fund's Regulations of 2017, Section 42. (1) The administration costs for running the Fund shall not be more than five per centum (5%) of the total budgetary provision for the Fund. Further, Despite the provisions under paragraph (1), the costs of running the Secretariat of the Fund and the County Disaster and Emergency Committee expenditure shall not be more than three per centum (3%). However, it was noted that contrary to the Regulations cited above, the Fund spent a total of Kshs.9,230,888 against allowable expenditure limit of Kshs.4,000,000 resulting to an excess expenditure of Kshs.5,230.888</p>	The ceiling was marginally exceeded because of the underprovision for the Emergency Fund as highlighted in issue Number 2 above. However, the Management is currently streamlining the administrative costs to ensure that they do not exceed 3% of the Emergency Fund's Budget.	George Wafula – Fund Administrator	Not resolved	30 June 2021
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE					
Basis for Conclusion					
	Section 18 of the Bungoma County Disaster Management Emergency Fund Regulations, 2017 provides for establishing a County Disaster Management and Emergency Steering	No comment	George Wafula – Fund Administrator	Not resolved	30 June 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Committees to perform the following functions: (a) Provide policy direction on disaster and emergency response interventions; (b) Provide leadership and oversight on disaster and emergency response interventions (c) Receive, consider and make decisions based on reports from the inter-Governmental Technical Committee; and (d) Mobilize resources for disaster response interventions during alarm and emergency stages.				

