

REPUBLIC OF KENYA

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*Enhancing Accountability*

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**REPORT**

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**THE AUDITOR-GENERAL**

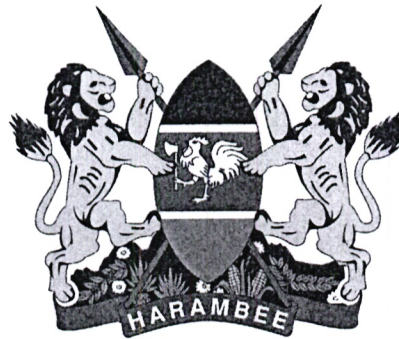
**ON**

**NAKURU COUNTY EMERGENCY FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2020**



June 30,2020



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**NAKURU COUNTY EMERGENCY FUND**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

**NAKURU COUNTY EMERGENCY FUND**  
**Report and Financial Statement**  
**For the Year Ended June 30, 2020**

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# NAKURU COUNTY EMERGENCY FUND

## Report and Financial Statement

For the Year Ended June 30, 2020

### 1. NAKURU COUNTY EMERGENCY FUND KEY INFORMATION AND MANAGEMENT

#### a) Background information

Nakuru County Emergency Fund derives its authority and accountability from Section 167 of The Public Finance Management Act (No. 18 of 2012). It was established by The Nakuru County Emergency Act 2016, on 24<sup>th</sup> March 2016. The Fund is wholly owned by the County Government of Nakuru and is domiciled in Kenya.

The fund's objective is to enable payments to be made by the county when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority or appropriation of funds.

The Fund's principal activity is to administer the County Government Emergency fund for the county government in accordance with a framework and criteria approved by the county assembly.

#### b) Principal Activities

The principal activity/mission/ mandate of the Fund is:

- a) The management of the fund and approval of expenditure
- b) Ensuring the maintenance of books of account for the fund
- c) Ensuring that any withdrawal of money from the fund meets the requirements of the Act and regulations
- d) In consultation with the county secretary, ensuring that the sub-county disaster response teams are adequately facilitated to perform their functions.

#### c) Fund Administration Committee

Ref	Name	Position
1	Dr. Peter Ketyenya	Chairman/ Fund Administrator
2	Joseph Muchinah Gitau	Fund Secretary
3	Peter Kamau Mwaura	Member
4	Samuel Kingori	Member
5	JudyLeah Waihenya	Member
6	Daniel Muthinga	Member
7	Job Kibet Tomno	Member
8	Paul Githinji	Member
9	Joel Kibet Maina	Member
10	Kennedy Momanyi	Member

**NAKURU COUNTY EMERGENCY FUND**  
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**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Dr. Peter Ketyenya	Fund Chairman/Administrator
2	Joseph Muchinah Gitau	Fund Secretary
3	Dominic Nyabuto Otieno	Fund Accountant

**NAKURU COUNTY EMERGENCY FUND**  
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**For the Year Ended June 30, 2020**

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**e) Registered Offices**

P.O. Box 2870-20100  
New town hall building  
Moi road  
Nakuru, Kenya

**f) Fund Contacts**

Telephone: (254) 0512216472  
E-mail: nakurucountygovernor@gmail.com  
Website: www.nakurucounty.co.ke

**g) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

Central Bank of Kenya  
A/C NO.1000171607- Revenue Fund Account

2. National Bank of Kenya  
A/C NO.01001124684400- Current Account

**h) Independent Auditors**



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

**i) Principal Legal Adviser**

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

**NAKURU COUNTY EMERGENCY FUND**  
**Report and Financial Statement**  
**For the Year Ended June 30, 2020**

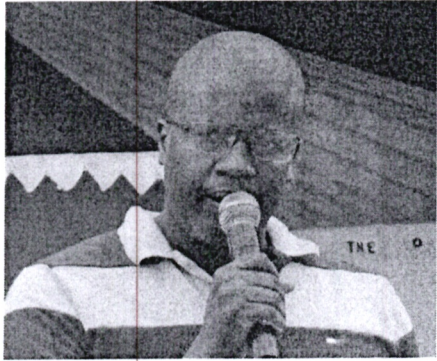


**2. FUND COMMITTEE**

Ref	Name	Position
1	 <p><b>DR. PETER KETYENYA</b>  <i>Date of birth 4/4/1978</i></p>	<p>Previously he worked with Kenya Forest Service as Deputy Director and Head of Finance.</p> <p>He also worked for Kenya Rural Roads Authority as General Manager, Finance. Currently CEO SPC Ltd, a financial consulting company.</p> <p>He is also a part time lecturer at Catholic University and holds a PhD in Finance, MBA and Bcom with 15 years' work experience.</p> <p>Chairman/ Fund Administrator</p>
2	 <p><b>Joseph Muchinah Gitau</b>  <i>Date of Birth 5/10/1979</i></p>	<p>He is a graduate of Bcom in Finance (First class honors) and has a Masters in Finance</p> <ul style="list-style-type: none"> <li>· He is a Certified Public Accountant (Kenya) CPA(K) and a member of the Institute of Certified Public Accountants (ICPAK).</li> <li>· He is a Certified Public Secretary CPS(K) and a member of the Institute of Certified Public Secretaries of Kenya (ICPSK).</li> <li>· He worked with Delamere Group as the Group Financial Controller and has 13 years' experience in financial management.</li> </ul> <p>He currently the Chief Officer in charge of Finance.</p> <p>Fund Secretary</p>




**NAKURU COUNTY EMERGENCY FUND**

**Report and Financial Statement**

**For the Year Ended June 30, 2020**

3	 <p><b>Peter Kamau Mwaura</b> <i>Date of Birth 14/06/1970</i></p>	<p>Peter Kamau Mwaura was in private practice. He is currently the Chief officer ICT and e-Governance and Acting chief officer Youth and Sports.</p> <p>Member</p>
4	 <p><b>Samuel Kingori</b> <i>Date of Birth 12/10/1968</i></p>	<p>Mr. Samuel Kingori was previously employed by the Ministry of Health.</p> <p>He is currently the Chief Officer Health</p> <p>Member</p>
5	 <p><b>JudyLeah Waihenya</b> <i>Date of Birth 01/04/1977</i></p>	<p>JudyLeah Waihenya previously worked with Aberdare Hill Golf Resort Naivasha. She is currently the Chief Officer Lands</p> <p>Member</p>



**NAKURU COUNTY EMERGENCY FUND**  
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<p>6</p>	 <p><b>Daniel Muthinga</b>  <i>Date of Birth 04/08/1971</i></p>	<p>Daniel Muthinga was in private practices.          He is currently the Chief Officer Roads, Transport and Public works</p> <p>Member</p>
<p>7</p>	 <p><b>Engineer Johnson Kamau</b>  <i>Date of Birth 14/07/1965</i></p>	<p>Engineer Kamau was previously employed by the Ministry of Water. He also worked as the Director of water, He is Currently the acting Chief Officer Environment and Water Resources</p> <p>Member</p>
<p>8</p>	 <p><b>Ann Njenga</b>  <i>Date of Birth 12/12/1968</i></p>	<p>Previously, Madam Ann Njenga worked as the CECM Finance and CECM Public service board and the Chief Officer Public Service Training and Devolution. Currently she is the Chief Officer Disaster Management and Humanitarian Assistance</p> <p>Member</p>

**NĀKURU COUNTY EMERGENCY FUND**



**Report and Financial Statement**

**For the Year Ended June 30, 2020**

9	 <p><b>Joel Kibett Maina</b> <i>Date of Birth 12/12/1963</i></p>	<p>Previously worked as an Agricultural officer for the County government of Baringo and as a District Agricultural officer in Baringo North District. Currently he is the Chief Officer Agriculture</p> <p>Member</p>
10	 <p><b>Kennedy Momanyi</b> <i>Date of Birth 16/11/1984</i></p>	<p>Mr. Kennedy Momanyi has a vast experience having works with Beacon of Hope and as a senior accountant at Kisii University. He also worked as the Principal Economist at The County Government of Kisii. Currently he is the Chief Officer Economic and Planning.</p> <p>Member</p>

**NAKURU COUNTY EMERGENCY FUND**  
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**3. MANAGEMENT TEAM**

Name	Details of qualifications and experience
<p>1. </p> <p><b>DR. PETER KETYENYA</b>  <i>Date of birth 4/4/1978</i></p>	<p>Previously he worked with Kenya Forest Service as Deputy Director and Head of Finance.</p> <p>He also worked for Kenya Rural Roads Authority as General Manager, Finance. Currently CEO SPC Ltd, a financial consulting company.</p> <p>He is also a part time lecturer at Catholic University and holds a PhD in Finance, MBA and Bcom with 15 years' work experience.</p> <p>Fund Chairman/Administrator</p>
<p>2. </p> <p><b>JOSEPH MUCHINAH GITAU</b>  <i>Date of Birth 5/10/1979</i></p>	<p>He is a graduate of Bcom in Finance (First class honors) and has a Masters in Finance</p> <ul style="list-style-type: none"> <li>· He is a Certified Public Accountant (Kenya) CPA(K) and a member of the Institute of Certified Public Accountants (ICPAK).</li> <li>· He is a Certified Public Secretary CPS(K) and a member of the Institute of Certified Public Secretaries of Kenya (ICPSK).</li> <li>· He worked with Delamere Group as the Group Financial Controller and has 13 years' experience in financial management.</li> </ul> <p>He currently the Chief Officer in charge of Finance.</p> <p>Fund Secretary</p>

**NAKURU COUNTY EMERGENCY FUND**

**Report and Financial Statement**

**For the Year Ended June 30, 2020**



3.

**DOMINIC NYABUTO OTIENO**

*Date of Birth 2/4/1966*

Dominic Nyabuto previously worked as County Accountant –(Nakuru) Republic of Kenya National Treasury and Planning. He has 28 years' experience in public sector finance and Accounting Department National Treasury. He is a holder Bcom Accounting option, CPA(K), PFMSM-Pretoria University of South Africa, SLDP and SMC Kenya School of Government Kenya and MBA Finance from Kenyatta University.

Fund Accountant

**NAKURU COUNTY EMERGENCY FUND**  
**Report and Financial Statement**  
**For the Year Ended June 30, 2020**

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**4. FUND CHAIRPERSON'S REPORT**

It is my pleasure to present Annual report for The Emergency Fund and financial statements for the County Government of Nakuru under the office of the Governor and Deputy Governor for the period ended 30<sup>th</sup> June, 2020.

- Changes in the Fund during the year

There were no changes in the Key Management team of the fund

- Review of the Fund's performance

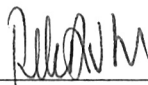
During this period, Kshs 361,000,000 was transferred to the account held at National Bank, Nakuru.

The opening balance for the year 2019/2020 was 31,603.00. Kshs 244,460,724.00 paid to merchants for good supplied to the needy cases.

- Future outlook of the Fund

The Fund will strive to ensure that it is managed prudently and ensuring the Nakuru County community at large obtain assistance from the County Government as and when needed.

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



**Dr. Peter Ketyenya**  
Fund Chairperson

**NAKURU COUNTY EMERGENCY FUND**  
**Report and Financial Statement**  
**For the Year Ended June 30, 2020**

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**5. REPORT OF THE FUND ADMINISTRATOR**

**6. Changes in the Fund during the year**

There were no changes made in the management team.

**7. Review of the Fund's performance**

During this period, Kshs 361,000,000 was transferred to the account held at National Bank, Nakuru.

The opening balance for the year 2019/2020 was 31,603.00. Kshs 244,460,724.00 paid to merchants for good supplied to the needy cases.

There were a number of disasters that occurred during this financial year that required the Nakuru County Emergency intervention.

**8. Future outlook of the Fund**

The Fund will strive to ensure that it is managed prudently and ensuring the Nakuru County community at large obtain assistance from the County Government as and when needed.

The fund closed the year with Kshs 116,404,277.00.

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

**Dr. Peter Ketyenya**  
Fund Administrator

**NAKURU COUNTY EMERGENCY FUND**  
**Report and Financial Statement**  
**For the Year Ended June 30, 2020**

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**9. CORPORATE GOVERNANCE STATEMENT**

Section 166 of the PFM Act 2012 requires that an Accounting Officer for a Nakuru County Emergency Fund prepares a report for each quarter of the financial year in respect of the Nakuru County Emergency Fund. The County Executive Committee (CEC) member for finance being the head of the County Treasury is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the period ended on 30<sup>th</sup> June, 2020. This responsibility includes:

- Roles and Functions of the Board

The fund is managed by Board of trustees and a Management board whose role is:

- (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 County Government;
- (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 County Government;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

- Committee Members

Being a new fund, currently no Remuneration is paid out to the Members and the Management team

- Committee meetings held and those in-attendance

There were a number of committee meetings held to approve expenses as situations occurred

A total of Kshs 244,460,724.00 was approved for expenses and purchases that were incurred

## **10. MANAGEMENT DISCUSSION AND ANALYSIS**

- **Financial Performance and Operations**

Financial operations in broader sense refers to the degree to which financial objectives being or has been accomplished. It is used to measure firm's overall financial health over a given period of time.

Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the financial soundness of the fund. As it is, the fund is performing well financially and its operations within the scoop of the fund.

- **Compliance with statutory requirements**

The fund Committee and Management team have generally complied with statutory requirements

- **Major Risks facing the fund**

- **Risk Management Techniques:** One key to controlling financial management risks is the development and use of effective internal controls. Which involve general management controls and accounting controls.
- **Misuse of funds:** The board is responsible for ensuring that the fund expenditure/expenses stays focused on its mission. An excellent way to monitor progress is through its use of funds.
- **General Management control:** General management controls consist of the board's and senior management's responsibilities for establishing the proper oversight of financial operations. The board should require clear and informative financial reports and statements on a regular basis.

***NAKURU COUNTY EMERGENCY FUND***  
**Report and Financial Statement**  
**For the Year Ended June 30, 2020**

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

Corporate social responsibility is a Corporate initiative to assess and take responsibility to the society for our impact on social welfare. The term generally applies to the efforts that go beyond what may be required by regulators or environmental protection groups.

As a Corporate Social Responsibility of the County Government of Nakuru, the following activities we undertaken:

- Supply of foodstuff and households to Nakuru County constituents for Covid expenses elevation.
- Emergency repairs and construction of the new Market for the resettlement of traders.

**NAKURU COUNTY EMERGENCY FUND**

**Report and Financial Statement  
For the Year Ended June 30, 2020**

**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 established by the Nakuru County Emergency Act 2016 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, 2020. This responsibility includes:

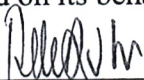
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the Fund;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The 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 Public Finance Management Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, 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.

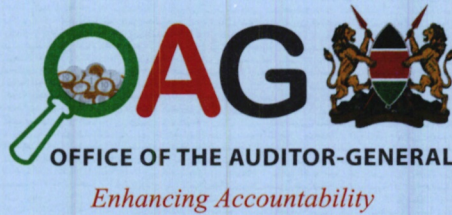
**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 2/12/ 2020 and signed on its behalf by:



**Dr. Peter Ketyenya**  
Fund Administrator

# REPUBLIC OF KENYA



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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke

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

## REPORT OF THE AUDITOR-GENERAL ON NAKURU COUNTY EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Nakuru County Emergency Fund set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 the Nakuru County Emergency Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Nakuru County (Emergency Fund) Regulations, 2016 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1. Cash and Cash Equivalents

The statement of financial position and Note 11 to the financial statements reflects cash and cash equivalents balance of Kshs.116,404,278. However, examination of the bank reconciliation statement revealed payments in bank statement not recorded in cashbook totalling Kshs.4,338,600 and receipts in cashbook not recorded in the bank statement totalling Kshs.20,000,000 which were not supported or explained.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.116,404,278 as at 30 June, 2020 could not be confirmed.

##### 2. Irregular Payment of Allowances to Members of the County Assembly

The statement of financial performance and Note 8 to the financial statements reflects general expenses balance of Kshs.244,460,724. Included in this balance is a payment of Kshs.6,048,700 that was made to a local bank via payment voucher number 23 being payment of allowances to Member of the County Assembly attending training on Covid-

19 Pandemic. No explanation was provided as to why the expenses of the County Assembly of Nakuru were paid from the Nakuru County Executive Emergency Fund. Further, the payment schedules were not signed by the beneficiaries.

In the circumstances, the authenticity of the payments totaling to Kshs.6,048,700 could not be ascertained.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Budget and Budgetary Controls**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects approved revenue budget and expenditure of Kshs.361,000,000 and Kshs.244,627,326 respectively resulting to a variance of Kshs.116,372,674. No reason was provided for the unbalanced budget contrary to Section 31(c) of the Public Finance Management (County Government) Regulations, 2015 which states that budget revenue and expenditure appropriations shall be balanced.

In the circumstances, the Fund Management is in breach of the law.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing 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**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Lack of Risk Management and Fraud Policy**

During the year under review, it was established that the Fund did not have a risk management policy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management Regulations 2015 (County Governments) which requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and internal controls that builds robust business operations.

In the circumstances, the Fund Management did not comply with the law.

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

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

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain 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 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 overall 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 Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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**

**08 February, 2022**

**NAKURU COUNTY EMERGENCY FUND**  
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**14. FINANCIAL STATEMENTS**

**14.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**

	Note	FY2019/2020	PERIOD 2017-2019
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	361,000,000	32,000,000
Fines, penalties and other levies	3	-	-
		-	-
<b>Revenue from exchange transactions</b>			
Interest income	4	-	-
Other income	5	-	-
		-	-
<b>Total revenue</b>		<b>361,000,000</b>	<b>32,000,000</b>
<b>Expenses</b>			
Fund administration expenses	6	-	-
General expenses(Emergency Supplies)	8	244,460,724.00	31,947,011.00
Finance costs	9	166,602.00	21,386.00
<b>Total expenses</b>		<b>244,627,326.00</b>	<b>31,968,397.00</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10		
<b>Surplus/( deficit) for the period</b>		<b>116,372,674.00</b>	<b>31,603.00</b>

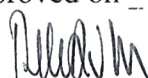
The notes set out on pages 19 to 30 form an integral part of these Financial Statements

**NAKURU COUNTY EMERGENCY FUND**  
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**14.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	FY2019/2020	PERIOD 2017-2019
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	116,404,278.00	31,603.00
Current portion of long term receivables from exchange transactions		-	-
Prepayments	12	-	-
Inventories	13	-	-
		-	-
<b>Non-current assets</b>			
Property, plant and equipment	14	-	-
Intangible assets	15	-	-
Long term receivables from exchange transactions	11	-	-
		-	-
<b>Total assets</b>		<b>116,404,278.00</b>	<b>31,603.00</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	16	-	-
Provisions	17	-	-
Current portion of borrowings	18	-	-
Employee benefit obligations	19	-	-
		-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	19	-	-
Long term portion of borrowings	18	-	-
		-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>
Revolving Fund		-	-
Reserves		-	-
Accumulated surplus		116,404,278.00	31,603.00
<b>Total net assets and liabilities</b>		<b>116,404,278.00</b>	<b>31,603.00</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Nakuru County Emergency Fund financial statements were approved on 21/21 2020 and signed by:



Fund Administrator  
Name: Peter Ketyenya  
CECM-Finance & Economic Planning



Fund Accountant  
Name: Dominic N. Otieno  
ICPAK Member Number: 12595

**NAKURU COUNTY EMERGENCY FUND**  
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**14.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019				
Surplus/(deficit) for the period	-	-	31,603.00	31,603.00
Funds received	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 1 July 2019</b>	-	-	<b>31,603.00</b>	<b>31,603.00</b>
<b>Balance as at 1 July 2019</b>	-	-	<b>31,603.00</b>	<b>31,603.00</b>
Surplus/(deficit) for the period		-	116,372,674.00	116,372,674.00
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	-	-	<b>116,404,277.00</b>	<b>116,404,277.00</b>

**NAKURU COUNTY EMERGENCY FUND**  
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**14.4. STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	Note	FY2019/2020	PERIOD 2017-2019
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1	-	
Transfers from the County Government	2	361,000,000	32,000,000
Interest received	3	-	-
Receipts from other operating activities	4	-	-
<b>Total Receipts</b>		<b>361,000,000</b>	<b>32,000,000</b>
<b>Payments</b>			
Fund administration expenses		-	-
Staff costs/ General expenses	8	244,460,724.00	31,947,011.00
Finance cost		166,602.00	21,386.00
<b>Total Payments</b>		<b>244,627,326.00</b>	<b>31,968,397.00</b>
<b>Net cash flows from operating activities</b>		<b>116,372,674.00</b>	<b>31,603.00</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(-)	(-)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		(-)	(-)
<b>Net cash flows used in investing activities</b>		<b>(-)</b>	<b>(-)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		(-)	(-)
<b>Net cash flows used in financing activities</b>		<b>(-)</b>	<b>(-)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>116,372,674.00</b>	<b>31,603.00</b>
Cash and cash equivalents at 1 July 2019	11	<b>31,603.00</b>	-
<b>Cash and cash equivalents at 30 JUNE 2020</b>	11	<b>116,404,277.00</b>	<b>31,603.00</b>

14.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE FINANCIAL YEAR ENDED  
30<sup>th</sup> JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	-	(-)	-	-	(-)	
Transfers from County Govt.	50,000,000	311,000,000	361,000,000	361,000,000	(-)	1
Interest income	-	-	-	-	(-)	
Other income	-	-	-	-	(-)	
<b>Total income</b>	<b>50,000,000</b>	<b>311,000,000</b>	<b>361,000,000</b>	<b>361,000,000</b>	<b>(-)</b>	<b>1</b>
<b>Expenses</b>						
Fund administration expenses	-	-	-	-	(-)	
General expenses	49,900,000	194,560,724	244,460,724	244,460,724.00	(-)	1
Finance cost	100,000	66,602	166,602	166,602.00	(-)	1
<b>Total expenditure</b>	<b>-</b>	<b>194,627,326</b>	<b>244,627,326</b>	<b>244,627,326.00</b>	<b>-</b>	<b>1</b>
<b>Surplus for the period</b>	<b>-</b>	<b>116,372,674</b>	<b>116,372,674</b>	<b>116,372,674.00</b>	<b>(-)</b>	<b>1</b>

**Budget notes**

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14

A total expense of Kshs 244,460,724.00 was incurred under this period with a receipt of kshs 361,000,000 during the same period.

Thus, Kshs 116,404,277.00 was the closing balance at the close of year.

**NAKURU COUNTY EMERGENCY FUND**  
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**14.6. 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 financial year ending 30 June 2020**

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

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

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

**c) Early adoption of standards**

The Nakuru County Emergency Fund did adopt any 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 Nakuru County Emergency Fund 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 the 2019/2020 Financial year was approved by the County Assembly on 15<sup>th</sup> August 2019. There were no other subsequent revisions or additional appropriations that were made to the approved budget in regards to the Emergency Fund in accordance with specific approvals from the appropriate authorities.

The Nakuru County Emergency 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.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 12.1 of these financial statements.

**NAKURU COUNTY EMERGENCY FUND**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Nakuru County Emergency 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. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**6. Intangible assets**

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

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

**7. Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

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

***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Nakuru County Emergency Fund 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 Nakuru County Emergency Fund assesses at each reporting date whether there is objective evidence that a financial asset or a Nakuru County Emergency Fund of financial assets is impaired. A financial asset or a Nakuru County Emergency Fund 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 Nakuru County Emergency Fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Nakuru County Emergency Fund 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.

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

**8. Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Nakuru County Emergency Fund.

**9. Provisions**

Provisions are recognized when the Nakuru County Emergency Fund Nakuru County Emergency Fund 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 Nakuru County Emergency Fund 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 Nakuru County Emergency Fund 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.

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

***Contingent assets***

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

**10. Nature and purpose of reserves**

The Nakuru County Emergency Fund creates and maintains reserves in terms of specific requirements.

**11. Changes in accounting policies and estimates**

The Nakuru County Emergency 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.

**12. Employee benefits – Retirement benefit plans**

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

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

**13. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**NAKURU COUNTY EMERGENCY FUND**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**14. Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**15. Related parties**

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

**16. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**17. Comparative figures**

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

**18. Events after the reporting period**

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

**19. Ultimate and Holding Nakuru County Emergency Fund**

The Nakuru County Emergency Fund is a County Public Fund established by The Public Finance Management Act *No. 18 of 2012*) under the Ministry of Finance and Economic Planning. Its ultimate parent is the County Government of Nakuru.

**20. Currency**

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

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

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

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

State all judgements, estimates and assumptions made: e.g

**Estimates and assumptions** – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Nakuru County Emergency Fund 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 Nakuru County Emergency Fund. 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 Nakuru County Emergency Fund
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**Provisions**

There were no provisions raised during the year.

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

**22. Financial risk management**

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

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

**a) Credit risk**

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

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

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2020</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	116,404,277.00	-	-	-
<b>Total</b>	<b>116,404,277.00</b>	-	-	-
	-	-	-	-
<b>At 30 June 2017</b>	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

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

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

The Nakuru County Emergency Fund has significant concentration of credit risk on amounts due.

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 Nakuru County Emergency Fund 's short, medium and long-term funding and liquidity management requirements. The Nakuru County Emergency Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2020</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2019</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

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

**d) Capital risk management**

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

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

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**14.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Donation from development partners	-	
Contributions from the public	-	
<b>Total</b>	-	

**2. Transfers from County Government**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Transfers from County Govt. – operations---Governors Kitty	25,000,000	32,000,000
Transfers from County Govt. – operations---Governors Kitty	25,000,000	
Transfers from County Govt. – operations---Desert Locust	11,000,000	
Transfers from County Govt. – operations---Humanitarian Rations	30,000,000	
Transfers from County Govt. – operations---Humanitarian Assistance	205,000,000	
Transfers from County Govt. – operations---Most Affected Wards	45,000,000	
Transfers from County Govt. – operations---Governors Kitty	20,000,000	
Payments by County on behalf of the Nakuru County Emergency Fund	-	-
<b>Total</b>	<b>361,000,000</b>	<b>32,000,000</b>

**3. Fines, penalties and other levies**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Late payment penalties	-	
Fines	-	
<b>Total</b>	-	

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**4. Interest income**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Interest income from loans(mortgage or car loans	-	
<b>Total interest income</b>	-	

**5. Other income**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Insurance recoveries	-	
Income from sale of tender documents	-	
Miscellaneous income-Partial Refunds	-	
<b>Total other income</b>	-	

**6. Fund administration expenses**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Staff costs (Note 7)	-	
Loan processing costs	-	
Professional services costs	-	
<b>Total</b>	-	

**7. Staff costs**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Salaries and wages	-	
Staff gratuity	-	
Staff training expenses	-	
Social security contribution	-	
Other staff costs	-	
<b>Total</b>	-	

• **NAKURU COUNTY EMERGENCY FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. General expenses**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Consumables(Emergency Supplies)	244,460,724.00	31,947,010.00
Electricity and water expenses	-	
Fuel and oil costs	-	
Insurance costs	-	
Postage	-	
Printing and stationery	-	
Rental costs	-	
Security costs	-	
Telecommunication	-	
Hospitality	-	
Depreciation and amortization costs	-	
Other expenses	-	
<b>Total</b>	<b>244,460,724.00</b>	<b>31,947,010.00</b>

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

**9. Finance costs**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Bank Ledger Fee Charges	166,602	21,386.00
Interest on loans from banks	-	-
<b>Total</b>	<b>166,602</b>	<b>21,386.00</b>

**10. Gain on disposal of assets**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Property, plant and equipment	-	
Intangible assets	-	
<b>Total</b>	<b>-</b>	

**11. Cash and cash equivalents**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	116,404,277.00	31,603.00
Others	-	-
<b>Total cash and cash equivalents</b>	<b>116,404,277.00</b>	<b>31,603.00</b>

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

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

Financial institution	Account number	FY2019/2020	PERIOD
		KShs	2017-2019
			KShs
<b>a) Fixed deposits account</b>			
		-	
		-	
<b>Sub- total</b>		-	
<b>b) On - call deposits</b>			
		-	
		-	
<b>Sub- total</b>		-	
<b>c) Current account</b>			
National Bank Of Kenya	01001124684400	116,404,277.00	31,603.00
Bank B		-	-
<b>Sub- total</b>		116,404,277.00	31,603.00
<b>d) Others(specify)</b>			
		-	-
		-	-
		-	-
		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>116,404,277.00</b>	<b>31,603.00</b>

**12. Receivables from exchange transactions**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	-	
Current loan repayments due	-	
Other exchange debtors	-	
Less: impairment allowance	(-)	
<b>Total Current receivables</b>		
<b>Non Current receivables</b>		
Long term loan repayments due	-	
<b>Total Non-current receivables</b>	-	
<b>Total receivables from exchange transactions</b>	-	

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

**13. Prepayments**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Prepaid rent	-	
Prepaid insurance	-	
Prepaid electricity costs	(-)	
<b>Total</b>	-	

**14. Inventories**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Consumable stores	-	
Spare parts and meters	-	
Catering	-	
<b>Total inventories at the lower of cost and net realizable value</b>	-	

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

**15. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
<b>At 1<sup>st</sup> July 2019</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	(-)	(-)	-	-	(-)
Transfers/adjustments	-	(-)	-	(-)	(-)
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2019</b>					
Additions	-	-	-	-	-
Disposals	(-)	-	-	-	(-)
Transfer/adjustments	(-)	-	-	(-)	(-)
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	-
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2019	(-)	(-)	(-)	-	(-)
Depreciation	(-)	(-)	(-)	(-)	(-)
Impairment	(-)	-	-	-	(-)
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2019</b>					
Depreciation	(-)	(-)	(-)	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	(-)	(-)	-	-
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	-
<b>Net book values</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	-

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

**16. Intangible assets-software**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
<b>Cost</b>		
At beginning of the year	-	
Additions	-	
At end of the year	-	
<b>Amortization and impairment</b>		
At beginning of the year	-	
Amortization	-	
At end of the year	-	
Impairment loss	-	
At end of the year	-	
NBV	-	

**17. Trade and other payables from exchange transactions**

Description	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
Trade payables	-	
Refundable deposits	-	
Accrued expenses	-	
Other payables	-	
<b>Total trade and other payables</b>	-	

**18. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)
Change due to discount and time value for money	(-)	(-)	(-)	(-)
Transfers from non-current provisions	-	-	-	-
<b>Total provisions</b>	-	-	-	-

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

**19. Borrowings**

Description	2019-2020	PERIOD 2017-2019
		KShs
<b>Balance at beginning of the period</b>	-	
External borrowings during the year	-	
Domestic borrowings during the year	-	
Repayments of external borrowings during the period	(-)	
Repayments of domestic borrowings during the period	(-)	
<b>Balance at end of the period</b>	-	

The table below shows the classification of borrowings into external and domestic borrowings:

Description	2019-2020	PERIOD 2017-2019
		KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'organisation'	-	
Sterling Pound denominated loan from 'yyy organisation'	-	
Euro denominated loan from organisation'	-	
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	-	
Kenya Shilling loan from Barclays Bank	-	
Kenya Shilling loan from Consolidated Bank	-	
Borrowings from other government institutions	-	
<b>Total balance at end of the year</b>	-	

The table below shows the classification of borrowings long-term and current borrowings:

Description	2019-2020	PERIOD 2017-2019
		KShs
Short term borrowings(current portion)	-	
Long term borrowings	-	
<b>Total</b>	-	

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

**20. Employee benefit obligations:**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
<b>Total employee benefits obligation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**21. Cash generated from operations**

	FY2019/2020	PERIOD 2017-2019
	KShs	KShs
<b>Surplus for the year before tax</b>		
<b>Adjusted for:</b>		
Depreciation	-	
Gains/ losses on disposal of assets	(-)	
Interest income	(-)	
Finance cost	-	
<b>Working Capital adjustments</b>		
Increase in inventory	(-)	
Increase in receivables	(-)	
Increase in payables	-	
<b>Net cash flow from operating activities</b>	<b>-</b>	

**22. Related party balances**

**a) Nature of related party relationships**

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc

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**23. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	<b>FY2019/2020</b>	<b>PERIOD</b>
	<b>KShs</b>	<b>2017-2019</b>
		<b>KShs</b>
Court case against the Fund	-	
Bank guarantees	-	
<b>Total</b>	-	

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

**b) Related party transactions**

		PERIOD 2017-2019
		KShs
Transfers from related parties'	-	
Transfers to related parties	-	

**c) Key management remuneration**

		PERIOD 2017-2019
		KShs
Board of Trustees		
Key Management Compensation		
<b>Total</b>		

**d) Due from related parties**

		PERIOD 2017-2019
		KShs
Due from parent Ministry		
Due from County Government		
<b>Total</b>		

**e) Due to related parties**

		PERIOD 2017-2019
		KShs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel	-	
<b>Total</b>		

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**15. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

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