

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

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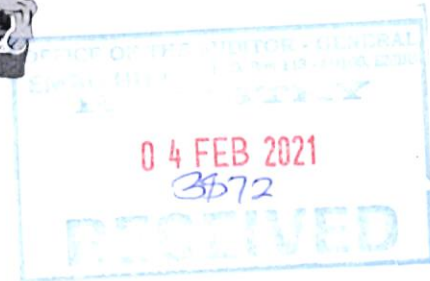
THE AUDITOR-GENERAL

ON

**KIRINYAGA COUNTY FACILITY
IMPROVEMENT FUND**

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





KIRINYAGA COUNTY FACILITY IMPROVEMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Kirinyaga County Facility Improvement Fund
Reports and Financial Statements
For the year ended June 30, 2020

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kirinyaga County Health Facility Improvement Fund is established by and derives its authority and accountability from Facility Improvement Fund Operation Guidelines CIRCULAR Ref. NO.: 10.MOH/ADM/1/90 dated June 27th, 2014 and CIRCULAR Ref. NO.: MOH/ADM/1/1 dated 15th November, 2019. The Fund is wholly owned by the County Government of Kirinyaga and is domiciled in Kenya.

The fund's objective is to enable the collecting units improve the health services by ploughing back the funds as per the outlined budget.

The Fund's principal activity is to cater for facilities payment of supplies, utilities and services rendered.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to ...

(Under this section you may include the fund's vision, mission and core objectives)

c) Board of Trustees/Fund Administration Committee

The Kirinyaga County Health Facility Improvement Fund has no Board of Trustees/Fund Administration Committee.

d) Key Management

Ref	Name	Position
1	GLADYS KIMINGI	CECM – HEALTH
2	Dr. STANLEY MURIITHI NYAGA	CHIEF OFFICER HEALTH
3	GEORGE N. KAROKI	DIRECTOR – HEALTH
4		
5		

Kirinyaga County Facility Improvement Fund
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e) Registered Offices

Kirinyaga County Facility Improvement Fund

P.o. Box 260

Kutus, Headquarter

f) Fund Contacts

Telephone: (254) 715 037 095

E-mail: cehealth@kirinyaga.go.ke

g) Fund Bankers

1. Co-operative Bank
P.O. Box 635
Kerugoya-10300

h) Independent Auditors

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

Kirinyaga County Facility Improvement Fund
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2. REPORT OF THE FUND ADMINISTRATOR

The financial year 2019/2020 Kirinyaga County Facility Improvement Fund was fully funded and 99.99% utilised.

Signed:  _____

Dr. Stanley Muriithi Nyaga.

Kirinyaga County Facility Improvement Fund
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3. MANAGEMENT DISCUSSION AND ANALYSIS

The Kirinyaga County Facility Improvement Fund has enabled the health facilities run its day to day activities accordingly. The fund received Ksh. 89,718,294.00 from county revenue fund.

The fund has been running under the guidelines provided in CIRCULAR Ref. NO.: 10.MOH/ADM/1/90 dated June 27th, 2014 and CIRCULAR Ref. NO.: MOH/ADM/1/1 dated 15th November, 2019. The county government of Kirinyaga is in the process of finalising the act for the fund.

4. 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 CIRCULAR Ref. NO.: 10.MOH/ADM/1/90 dated June 27th, 2014 and CIRCULAR Ref. NO.: MOH/ADM/1/1 dated 15th November, 2019 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 PFM Act, 2012 and CIRCULAR Ref. NO.: 10.MOH/ADM/1/90 dated June 27th, 2014 and CIRCULAR Ref. NO.: MOH/ADM/1/1 dated 15th November, 2019. 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

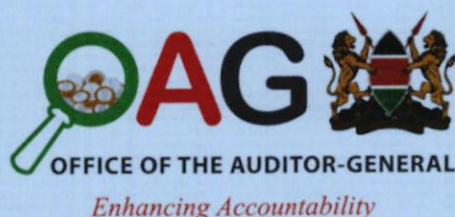
The Fund's financial statements were approved:



Administrator of the County Public Fund
Dr. Stanley Muriithi Nyaga.

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KIRINYAGA COUNTY FACILITY IMPROVEMENT FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kirinyaga County Facility Improvement Fund set out on pages 10 to 44, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kirinyaga County Facility Improvement 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 do not comply with County Government Act, 2012, Public Finance Management Act, 2012 and Ministry of Health circular No. 10. MOH/ADM/1/90 of 27 June, 2014.

Basis for Adverse Opinion

1.0 Failure to Submit Financial Statements for 2014/2015

As previously reported, the Fund has been in operation since 2014. However, the Fund administrator has not submitted the financial statements for the year 2014/2015 for audit for the last five (5) years contrary to Section 47(1) of the Public Audit Act, 2015 which stipulates that all financial statements required under all legislations shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate. Failure to submit the respective financial statements results into all subsequent comparative balances having not been confirmed.

In the circumstances, the accuracy of the comparative balances in the financial statements for the year ended 30 June, 2020 could not be confirmed and the Fund is also in breach of the law.

2.0 Inaccuracies in the Financial Statements

2.1 The statement of financial performance reflects fund administration expenses comparative balance of Kshs.10,782,063 while Note 6 to the financial statements reflects a nil balance. However, the balance was incorrectly reflected under Note 7 to the financial statement under staff cost.

- 2.2** The statement of cash flows for the year ended 30 June, 2020 reflects receipts from other operating activities comparative nil balance while the 2018/2019 financial statements reflect a balance of Kshs.3,750 in respect to the same item resulting to an unreconciled and unexplained variance of Kshs.3,750.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

3.0 Cash and Cash Equivalent

The statement of financial position and Note 10 to the financial statements reflects cash and cash equivalents balance of Kshs.2,115,421 as at 30 June, 2020. A review of the bank reconciliation statements provided for audit review revealed unrepresented cheques totalling Kshs.30,292,880 which includes an amount of Kshs.35,313 in respect to stale cheques that had not been replaced or reversed in the cash book and therefore understating the cash and cash equivalent as at 30 June, 2020 by the same amount.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.2,115,421 as at 30 June, 2020 could not be confirmed.

4.0 General Expenses

4.1 Variance Between Financial Statement Balance and Ledger Balance

Note 8 to the financial statements reflects general expenses balance of Kshs.87,821,914 for the year ended 30 June, 2020 which includes an amount of Kshs.21,259,447 in respect to other expenses. However, the supporting schedule provided reflects an amount of Kshs.21,434,031 in respect to the same resulting to an unexplained variance of Kshs.174,584.

In the circumstances, the accuracy of other expenses balance of Kshs.21,259,447 for the year ended 30 June, 2020 could not be confirmed.

4.2 Unsupported Expenditure on Consumables

Note 8 to the financial statements reflects general expenses balance of Kshs.87,821,914 which includes an amount of Kshs.53,461,425 in respect to consumables. A review of documents provide for audit revealed the following unsatisfactory issues:

4.2.1 Supply of Oxygen, Gas and Other Fuels

Included in the consumables balance of Kshs.53,461,425 is Kshs.4,270,000 in respect to supply of oxygen and gas whose market survey reports to justify the prices quoted by the suppliers were not provided for audit review. This is contrary to Section 8(3)(z) of the Public Procurement and Disposal Regulations, 2006 which states that the functions of the procurement unit shall be to carry out periodic market survey to inform the placing of orders or adjudication by the relevant award committee.

In addition, included in the consumables balance of Kshs.53,461,425 is Kshs.1,933,918 in respect to supply of cooking gas and other fuels which was not supported by requisitions from the user department, contract agreements, tender opening and evaluation minutes contrary to Section 104(1) of the Public Finance Management (County Government) Regulations, 2015 which states that all receipts and payments vouchers of

public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

In the circumstances, the accuracy and value for money of the expenditure Kshs.6,203,918 in respect to supply of oxygen, and other fuels gas for the year ended 30 June, 2020 could not be confirmed.

4.2.2 Procurement of Food and Ration

The consumables balance of Kshs.53,461,425 included an amount of Kshs.2,906,408 in respect to supply of food and ration to the Department of Health. However, supporting documents including requisition from user departments, tender documents, minutes of tender opening and evaluations and list of pre-qualified suppliers were not provided for audit review contrary to Section 9(1)(e) of the Public Audit Act, 2015 which states that the Auditor-General, or an officer authorized for the purpose of this Act, shall have powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229 (4) of the Constitution.

In the circumstances, the accuracy and value for money of the food and ration balance of Kshs.2,906,408 for the year ended 30 June, 2020 could not be confirmed.

4.2.3 Procurement of Pharmaceutical and Non-Pharmaceutical Products

Included in the consumables balance of Kshs.53,461,425 is Kshs.1,160,750 in respect to supply of pharmaceutical and non-pharmaceutical products to the Health Department of Kirinyaga County. However, supporting documents including tender documents, minutes of tender opening, evaluation, award and notification to successful bidders were not provided for audit review contrary to Section 9(1)(e) of the Public Audit Act, 2015 which states that the Auditor-General, or an officer authorized for the purpose of this Act, shall have powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229 (4) of the Constitution.

In the circumstances, the accuracy and value for money of the pharmaceutical and non-pharmaceutical products balance of Kshs.1,160,750 for the year ended 30 June, 2020 could not be confirmed.

4.2.4 Procurement of Linen

Included in the consumables balance of Kshs.53,461,425 is Kshs.425,925 in relation to supply of and delivery cellular blankets, bedsheets, bedcovers and pillows. However, supporting documents including market survey report for the supply of blankets, bedsheets, bedcovers and pillows to justify the prices quoted by the supplier were not provided for audit review contrary to Section 8(3)(z) of the Public Procurement and Disposal Regulations, 2016 which states that 'the functions of the procurement unit shall be to carry out periodic market survey to inform the placing of orders or adjudication by the relevant award committee.'

In the circumstances, the accuracy and value for money of the Kshs.425,925 expenditure in respect to linen for the year under review could not be confirmed.

4.3 Irregular Expenditure on Other Expenses

Note 8 to the financial statements reflects general expenses balance of Kshs.87,821,914 for the year ended 30 June, 2020 which includes an amount of Kshs.21,259,447 in respect to other expenses. A review of records provided for audit review revealed the following issues:

4.3.1 Unsupported Domestic Travel Expenditure

Included in the amount of Kshs.21,259,447 is an amount of Kshs.535,500 in respect to domestic travel which was not supported by accountable documents including signed attendance registers, invitation letters to meetings, agenda of the meetings, daily itinerary of the activities, back to office reports, work tickets, evidence of transport to and from the said venues, needs assessment report and details of how the facilitators were identified.

In the circumstances, the accuracy and value for money of the domestic travel balance of Kshs.535,500 for the year under review could not be confirmed.

4.3.2 Procurement of Waiting Benches and Building Materials

Included in the other expenses balance of Kshs.21,259,447 is Kshs.2,918,062 in respect to maintenance of buildings and stations. However, a review of supporting documents provided for audit review revealed that the payments were not authorized by the accounting officer. In addition, the expenditure was not supported by procurement records including quotations from bidders, evaluation minutes, contrary to Section 104(1) of the Public Finance Management (County Government) Regulations, 2015 which states that all receipts and payments vouchers of public moneys shall be properly supported with a pre-numbered receipt and that payments vouchers shall be supported by the appropriate authority and documentation.

In addition, the market survey report was not provided for audit review contrary to Section 8(3)(z) of the Public Procurement and Disposal Regulations, 2006 which states that the functions of the procurement unit shall be to carry out periodic market survey to inform the placing of orders or adjudication by the relevant award committee and therefore the justification for the prices quoted could not be confirmed.

In the circumstances, the accuracy and value for money of the expenditure of Kshs.2,918,062 in respect to waiting benches and building materials during the year under review could not be confirmed.

4.3.3 Unsupported Expenditure on Routine Maintenance-Vehicles and Other Transport Equipment

Included in other expenses balance of Kshs.21,259,447 is Ksh.3,977,570 in respect to motor vehicles service and repairs, purchase of batteries and tyres whose procurement records including user requisitions, quotations, minutes of evaluation committee, appointment letters of ad hoc evaluation committee and inspection and acceptance committee minutes were not provided for audit review contrary to Section 9(1)(e) of the Public Audit Act, 2015, which states that the Auditor-General, or an officer authorized for the purpose of this Act, shall have powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229 (4) of the Constitution. Further, the driver's report of defects was not indicated in the respective motor vehicle work tickets to justify the said expenditure.

In the circumstances, the accuracy and value for money of the Kshs.3,977,570 in respect to routine maintenance of vehicles and other transport equipment in the year ended 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kirinyaga County Facility Improvement 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 adverse opinion.

Key Audit Matters

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

Other Matter

Budget Control and Performance

Unbalanced Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects approved revenue budget and expenditure of Kshs.89,718,294 and Kshs.87,821,914 respectively resulting to a variance of Kshs.1,896,380. 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 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, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis of Conclusion

1.0 Presentation of the Financial Statements

The financial statements prepared and presented for audit contained the following anomalies: -

- 1.1 The report of the board of trustee / corporate governance body for the fund, statement of performance against the fund's predetermined objectives, board/fund chairperson report, corporate governance statement, corporate social responsibility statement/ sustainability report, report of the trustee were omitted from the report.
- 1.2 The Fund's financial statements have not included a list of management team, each containing passport-size photo and name, a concise description of each member's date of birth, key academic and professional qualifications and work experience among other details contrary to the Public Sector Accounting Standards Board (PSASB) which stipulate that the same should be included in the financial statements.

- 1.3 The progress on follow-up of auditor's recommendations at page 44 of the financial statements is blank contrary to PSASB template issued in June, 2020 which stipulate that it should contain summary of issues raised by the external auditor and the Management comments that were availed to the auditors.
- 1.4 The notes reference in the statement of financial position are not in agreement with the actual notes to the financial statements.
- 1.5 The statement of comparison of budget and actual amounts should be for "the year ended" and not for "the period ended" as reflected in the Fund's financial statements. Similarly, the statement of changes in net assets should be "for the year ended" and not "as at" as reflected in the Fund's financial statements for the year under review.
- 1.6 The summary of significant accounting policies reflects xxx which has not been customized to reflect information relevant to the Fund.
- 1.7 Statement of financial performance reflects 'the notes set out on pages 28-40 form an integral part of the financial statements'. However, the notes to the financial statements are on pages 31-43.

Consequently, the annual report and the financial statements for the year ended 30 June, 2020 are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB).

2.0 Lack of an Approved Budget

As reported in the previous year, the Fund did not provide an approved budget for the year ended 30 June, 2020 for audit review contrary to Section 43(2) of the Public Finance Management (County Government) Regulations, 2015 which states that County Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund, or supplementary estimates.

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

3.0 Lack of County Health Management Board

As reported in the previous year, the Kirinyaga County has not developed any Act or Regulations to govern the operations of Facility Improvement Fund. Although the Fund Management explained that they relied on Ministry of Health Principal Secretary's Circular Ref. No. 10.MOH/ADM/1/90 dated 27 June, 2014, this was a transition guideline and the County has not instituted critical governance structures cited in page 7 and 8 of these guidelines on the management of Facility Improvement Fund. The circular states that each County Government shall establish a County Health Management Board whose functions shall be to approve work plans prepared by the hospitals, ensure equitable distribution of resources and review and approve annual financial and non- financial statements.

In the circumstances, the Fund was in breach of the governing Regulations.

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 complying, 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis of Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash 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 Funds' ability 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 abolish 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 policies and procedures may deteriorate.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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

01 February, 2022

Kirinyaga County Facility Improvement Fund
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6. FINANCIAL STATEMENTS

6.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

	Note	2019/2020	2018/2019
		Ksh	Ksh
Revenue from non-exchange transactions			
Public contributions and donations	1		
Transfers from the County Government	2	89,718,294.00	70,835,252.00
Fines, penalties and other levies	3		
		89,718,294.00	70,835,252.00
Revenue from exchange transactions			
Interest income	4		
Other income	5		3,750.00
Total revenue		87,821,914.38	70,839,002.00
Expenses			
Fund administration expenses	6		10,782,063.00
Staff costs	7		0.00
General expenses	8	87,821,914.38	60,039,835.05
Finance costs	9		
Total expenses		87,821,914.38	70,821,898.05
Other gains/losses			
Gain/loss on disposal of assets	11		
Surplus/(deficit) for the period		1,896,379.62	17,103.95

The notes set out on pages 28-40 form an integral part of these Financial Statements

**Kirinyaga County Facility Improvement Fund
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6.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		Ksh	Ksh
Assets			
Current assets			
Cash and cash equivalents	10	2,115,420.57	17,103.95
Current portion of long- term receivables from exchange transactions	12		
Prepayments	14		
Inventories	15		
		2,115,420.57	17,103.95
Non-current assets			
Property, plant and equipment	14		
Intangible assets	17		
Long term receivables from exchange transactions	11		
Total assets		2,115,420.57	17,103.95
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18		
Provisions			
Current portion of borrowings	20		
Employee benefit obligations	23		
Non-current liabilities			
Non-current employee benefit obligation	19		
Long term portion of borrowings	18		
Total liabilities			
Net assets		2,115,420.57	17,103.95
Revolving Fund			
Reserves			
Accumulated surplus		2,115,420.57	17,103.95
Total net assets and liabilities		2,115,420.57	17,103.95

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th September 2020 and signed by

Administrator of the Fund

Name: Dr Stanley Musithi

Fund Accountant:

Name: PERMILIAS M. GITANI
ICPAK Member Number: 7874

6.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Ksh	Ksh	Ksh
Balance as at 1 July 2018			201,937.00	201,937.00
Surplus/(deficit) for the period			17,103.95	17,103.95
Funds received during the year				
Revaluation gain				
Balance as at 30 June 2019			219,040.95	219,040.95
Balance as at 1 July 2019			219,040.95	219,040.95
Surplus/(deficit) for the period			1,896,379.62	1,896,379.62
Funds received during the year				
Revaluation gain				
Balance as at 30 June 2020			2,115,420.57	2,115,420.57

(Provide details on the nature and purpose of reserves)

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

	Note	2019/2020	2018/2019
		Ksh	Ksh
Cash flows from operating activities			
Receipts			
Public contributions and donations			
Transfers from the County Government	2	89,718,294.00	70,835,252.00
Interest received			
Receipts from other operating activities	5		
Total Receipts		89,718,294.00	70,835,252.00
Payments			
Fund administration expenses	6		10,782,063.00
General expenses	8	87,821,914.38	60,039,835.05
Finance cost	9		
Total Payments		87,821,914.38	70,821,898.05
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21		
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22		
Net cash flows from operating activities		1,896,379.62	17,103.95
Cash flows from investing activities			
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			
Net cash flows used in investing activities		0.00	0.00
Cash flows from financing activities			
Proceeds from revolving fund receipts			
Additional borrowings			
Repayment of borrowings			
Net cash flows used in financing activities		(0.00)	(0.00)
Net increase/(decrease) in cash and cash equivalents		1,896,379.62	17,103.95
Cash and cash equivalents at 1 JULY		219,040.85	201,936.90
Cash and cash equivalents at 30 JUNE	10	2,115,420.57	219,040.85

6.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2020	2020	2020	2020	2020	2020
	Ksh	Ksh	Ksh	Ksh	Ksh	
Revenue						
Public contributions and donations	0.00	(0.00)	0.00	0.00	(0.00)	
Transfers from County Govt.	89,718,294.00		89,718,294.00	89,718,294.00	0.00	
Interest income	0.00	-	0.00	0.00	(0.00)	
Other income	0.00	-	0.00	0.00	0.00	
Total income	89,718,294.00	(0.00)	89,718,294.00	89,718,294.00	0.00	100%
Expenses						
Fund administration expenses	0.00	-	0.00	0.00	(0.00)	
General expenses	87,821,914.38	(0.00)	87,821,914.38	87,821,914.38	(0.00)	
Finance cost		(0.00)		0.00	0.00	
Total expenditure	87,821,914.38	(0.00)	87,821,914.38	87,821,914.38	0.00	97.8%
Surplus for the period	1,896,379.62	1,896,379.62	1,896,379.62	1,896,379.62	0.00	

Budget notes

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

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2. *Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)*
3. *Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.*

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 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019</p> <p>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.</p> <p><i>(State the impact of the standard to the entity if relevant)</i></p>

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

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

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Standard	Effective date and impact:
	<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. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<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. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and

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Standard	Effective date and impact:
	<p>Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

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 2019/2020 was approved by the County Assembly on April 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis 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 5.5 of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

9. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

11. Changes in accounting policies and estimates

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

12. Employee benefits – Retirement benefit plans

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

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

13. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. Related parties

The 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.

16. Cash and cash equivalents

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

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by xxx Act (*state the legislation establishing the Fund*) under the Ministry of xxx. Its ultimate parent is the County Government of XXX.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. 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: 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 Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

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

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

	Total amount Ksh	Fully performing Ksh	Past due Ksh	Impaired Ksh
At 30 June 2019				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Receivables from non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2018				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Receivables from non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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

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

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

b) Liquidity risk management

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

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
	Ksh	Ksh	Ksh	Ksh
At 30 June 2019				
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2018				
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

		Other currencies	Total
	Ksh	Ksh	Ksh
At 30 June 2019			
Financial assets	0.00	0.00	0.00
Investments	0.00	0.00	0.00
Cash	0.00	0.00	0.00
Debtors/ receivables			
Liabilities			
Trade and other payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Net foreign currency asset/(liability)	0.00	0.00	0.00

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Ksh	Ksh	Ksh
2020			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
2019			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Ksh xxx (2020: Ksh xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Ksh xxx (2019 – Ksh xxx)

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 entity capital structure comprises of the following funds:

	2019/2020	2018/2019
	Ksh	Ksh
Revaluation reserve	0.00	0.00
Revolving fund	0.00	0.00
Accumulated surplus	0.00	0.00
Total funds	0.00	0.00
Total borrowings	0.00	0.00
Less: cash and bank balances	(0.00)	(0.00)
Net debt/(excess cash and cash equivalents)	0.00	0.00
Gearing	0.00%	0.00%

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6.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020	2018/2019
	Ksh	Ksh
Donation from development partners	0.00	0.00
Contributions from the public	0.00	0.00
Total	0.00	0.00

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2019/2020	2018/2019
	Ksh	Ksh
Transfers from County Govt. – operations	89,718,294.00	70,835,252.00
Payments by County on behalf of the entity	0.00	0.00
Total	89,718,294.00	70,835,252.00

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	Ksh	Ksh
Late payment penalties	0.00	0.00
Fines	0.00	0.00
Total	0.00	0.00

(Provide brief explanation for this revenue)

4. Interest income

Description	2019/2020	2018/2019
	Ksh	Ksh
Interest income from Mortgage loans	0.00	0.00
Interest income from car loans	0.00	0.00
Interest income from investments	0.00	0.00
Interest income on bank deposits	0.00	0.00
Total interest income	0.00	0.00

(Provide brief explanation for this revenue)

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5. Other income

Description	2019/2020	2018/2019
	Ksh	Ksh
Insurance recoveries	0.00	0.00
Income from sale of tender documents	0.00	0.00
Other income	0.00	3,750.00
Miscellaneous income	0.00	0.00
Total other income	0.00	3,750.00

6. Fund administration expenses

Description	2019/2020	2018/2019
	Ksh	Ksh
Staff costs	0.00	0.00
Loan processing costs	0.00	0.00
Professional services costs	0.00	0.00
Administration fees	0.00	0.00
Total	0.00	0.00

7. Staff costs

Description	2019/2020	2018/2019
	Ksh	Ksh
Salaries and wages	0.00	10,782,063.00
Staff gratuity	0.00	0.00
Staff training expenses	0.00	0.00
Social security contribution	0.00	0.00
Other staff costs	0.00	0.00
Total	0.00	10,782,063.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	Ksh	Ksh
Consumables	53,461,425.00	29,860,580.00
Electricity and water expenses	2,066,559.00	2,074,835.00
Fuel and oil costs	4,301,065.00	6,224,528.00
Insurance costs	0.00	0.00
Postage	169,154.00	71,500.00
Printing and stationery	4,826,601.00	1,550,259.00
Rental costs	0.00	0.00
Security costs	0.00	0.00
Telecommunication	1,256,560.00	1,279,440.00
Bank Charges	28,463.38	-
Hospitality	452,640.00	224,155.00
Depreciation and amortization costs	0.00	0.00
Other expenses	21,259,447.00	18,754,538.05
Total	87,821,914.38	60,039,835.05

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2019/2020	2018/2019
	Ksh	Ksh
Interest on Bank overdrafts	0.00	0.00
Interest on loans from banks	0.00	0.00
Total	0.00	0.00

10. Cash and cash equivalents

Description	2019/2020	2018/2019
	Ksh	Ksh
Property, plant and equipment	0.00	0.00
Cash in bank	2,115,420.57	219,040.85
Total	2,115,420.57	219,040.85

11. Gain/ (loss) on disposal of assets

Description	2019/2020	2018/2019
	Ksh	Ksh
Car loan account	0.00	0.00
County mortgage account	0.00	0.00
Fixed deposits account	0.00	0.00
On – call deposits	0.00	0.00
Current account	0.00	0.00
Others	0.00	0.00
Total cash and cash equivalents	0.00	0.00

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2019/2020	2018/2019
Financial institution	Account number	Ksh	Ksh
a) Fixed deposits account			
N/A		0.00	0.00
N/A		0.00	0.00
b) On - call deposits			
N/A		0.00	0.00
N/A		0.00	0.00
c) Current account			
COOPERATIVE BANK	01141567073501	2,115,420.57	219,040.85
Sub- total		2,115,420.57	219,040.85
d) Others(specify)-N/A		0.00	0.00
Cash in transit		0.00	0.00
Cash in hand		0.00	0.00
M Pesa		0.00	0.00
Sub- total		0.00	0.00
Grand total		2,115,420.57	219,040.85

12. Receivables from exchange transactions

Description	2019/2020	2018/2019
	Ksh	Ksh
Current Receivables		
Interest receivable	0.00	0.00
Current loan repayments due	0.00	0.00
Other exchange debtors	0.00	0.00
Less: impairment allowance	(0.00)	(0.00)
Total Current receivables		
Non-Current receivables		
Long term loan repayments due	0.00	0.00
Total Non- current receivables	0.00	0.00
Total receivables from exchange transactions	0.00	0.00

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Additional disclosure on interest receivable

Description	2019/2020	2018/2019
	Ksh	Ksh
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	0.00	0.00
Accrued interest receivable from of long-term loans of previous years	0.00	0.00
Interest receivable from current portion of long-term loans issued in the current year	0.00	0.00
Current loan repayments due		
Current portion of long-term loans from previous years	0.00	0.00
Accrued principal from long-terms loans from previous periods	0.00	0.00
Current portion of long-term loans issued in the current year	0.00	0.00

13. Revenue from Non-Exchange transaction

Description	2019/2020	2018/2019
	Ksh	Ksh
Transfer to County Executive	0.00	0.00
Transfer to Fund	0.00	0.00
Total receivables from non-exchange transactions	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

Description	2019/2020	2018/2019
	Ksh	Ksh
Prepaid rent	0.00	0.00
Prepaid insurance	0.00	0.00
Prepaid electricity costs	0.00	0.00
Other prepayments(specify)	0.00	0.00
Total	0.00	0.00

15. Inventories

Description	2019/2020	2018/2019
	Ksh	Ksh
Consumable stores	0.00	0.00
Spare parts and meters	0.00	0.00
Catering	0.00	0.00
Other inventories(specify)	0.00	0.00
Total inventories at the lower of cost and net realizable value	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

Cost	Land and Buildings		Motor vehicles		Furniture and fittings		Computers and office equipment		Total	
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
At 1 st July 2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00	0.00	0.00	-	-	0.00	0.00
Disposals	(0.00)	(0.00)	(0.00)	(0.00)	-	-	-	-	(0.00)	(0.00)
Transfers/adjustments	0.00	0.00	(0.00)	(0.00)	0.00	0.00	(0.00)	(0.00)	(0.00)	(0.00)
At 30 th June 2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
At 1 st July 2019										
Additions	0.00	0.00	0.00	0.00	0.00	0.00	-	-	0.00	0.00
Disposals	(0.00)	(0.00)	-	-	-	-	-	-	(0.00)	(0.00)
Transfer/adjustments	(0.00)	(0.00)	0.00	0.00	0.00	0.00	(0.00)	(0.00)	(0.00)	(0.00)
At 30 th June 2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and impairment										
At 1 st July 2018	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Depreciation	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Impairment	(0.00)	(0.00)	-	-	-	-	-	-	(0.00)	(0.00)
At 30 th June 2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
At 1 st July 2019										
Depreciation	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Disposals	0.00	0.00	-	-	-	-	-	-	0.00	0.00
Impairment	(0.00)	(0.00)	(0.00)	(0.00)	-	-	-	-	(0.00)	(0.00)
Transfer/adjustment	0.00	0.00	(0.00)	(0.00)	(0.00)	(0.00)	0.00	0.00	0.00	0.00
At 30 th June 2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net book values										
At 30 th June 2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
At 30 th June 2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

Description	2019/2020	2018/2019
	Ksh	Ksh
Cost		
At beginning of the year	0.00	0.00
Additions	0.00	0.00
At end of the year	0.00	0.00
Amortization and impairment		
At beginning of the year	0.00	0.00
Amortization	0.00	0.00
At end of the year	0.00	0.00
Impairment loss	0.00	0.00
At end of the year	0.00	0.00
NBV	0.00	0.00

18. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	Ksh	Ksh
Trade payables	0.00	0.00
Refundable deposits	0.00	0.00
Accrued expenses	0.00	0.00
Other payables	0.00	0.00
Total trade and other payables	0.00	0.00

19. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Ksh	Ksh	Ksh	Ksh
Balance at the beginning of the year(1.07.2018)	0.00	0.00	0.00	0.00
Additional Provisions	0.00	0.00	0.00	0.00
Provision utilised	(0.00)	(0.00)	(0.00)	(0.00)
Change due to discount and time value for money	(0.00)	(0.00)	(0.00)	(0.00)
Transfers from non -current provisions	0.00	0.00	0.00	0.00
Balance at the end of the year (30.06.2019)	0.00	0.00	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

Description	2019/2020	2018/2019
	Ksh	Ksh
Balance at beginning of the period	0.00	0.00
External borrowings during the year	0.00	0.00
Domestic borrowings during the year	0.00	0.00
Repayments of external borrowings during the period	(0.00)	(0.00)
Repayments of domestics borrowings during the period	(0.00)	(0.00)
Balance at end of the period	0.00	0.00

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

	2019/2020	2018/2019
	Ksh	Ksh
External Borrowings		
Dollar denominated loan from 'xxx organization'	0.00	0.00
Sterling Pound denominated loan from 'organization'	0.00	0.00
Euro denominated loan from zzz organization'	0.00	0.00
Domestic Borrowings		
Kenya Shilling loan from KCB	0.00	0.00
Kenya Shilling loan from Barclays Bank	0.00	0.00
Kenya Shilling loan from Consolidated Bank	0.00	0.00
Borrowings from other government institutions	0.00	0.00
Total balance at end of the year	0.00	0.00

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

Description	2019/2020	2018/2019
	Ksh	Ksh
Short term borrowings(current portion)	0.00	0.00
Long term borrowings	0.00	0.00
Total	0.00	0.00

(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	Ksh	Ksh
Account receivable as at 1 st July 2019 (A)	0.00	0.00
Account receivable issued during the year (B)	0.00	0.00
Account receivable settled during the Year (C)	0.00	0.00
Net changes in account receivables D= A+B-C	0.00	0.00

22. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 - 2020	2018 - 2019
	Ksh	Ksh
Accounts Payable as at 1 st July 2019 (A)	0.00	0.00
Accounts Payable held during the year (B)	0.00	0.00
Accounts Payable paid during the Year (C)	0.00	0.00
Net changes in account receivables D= A+B-C	0.00	0.00

23. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	Ksh	Ksh	Ksh	Ksh
Current benefit obligation	0.00	0.00	0.00	0.00
Non-current benefit obligation	0.00	0.00	0.00	0.00
Total employee benefits obligation	0.00	0.00	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Cash generated from operations

	2019/2020	2018/2019
	Ksh	Ksh
Surplus/ (deficit) for the year before tax	1,896,379.62	17,103.95
Adjusted for:		
Depreciation	0.00	0.00
Amortisation	0.00	0.00
Gains/ losses on disposal of assets	(0.00)	(0.00)
Interest income	(0.00)	(0.00)
Finance cost	0.00	0.00
Working Capital adjustments		
Increase in inventory	(0.00)	(0.00)
Increase in receivables	(0.00)	(0.00)
Increase in payables	0.00	0.00
Net cash flow from operating activities	1,896,379.62	17,103.95

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

25. 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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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2019/2020	2018/2019
	Ksh	Ksh
Transfers from related parties'	0.00	0.00
Transfers to related parties	0.00	0.00

c) Key management remuneration

	2019/2020	2018/2019
	Ksh	Ksh
Board of Trustees	0.00	0.00
Key Management Compensation	0.00	0.00
Total	0.00	0.00

d) Due from related parties

	2019/2020	2018/2019
	Ksh	Ksh
Due from parent Ministry	0.00	0.00
Due from County Government	0.00	0.00
Total	0.00	0.00

e) Due to related parties

	2019/2020	2018/2019
	Ksh	Ksh
Due to parent Ministry	0.00	0.00
Due to County Government	0.00	0.00
Due to Key management personnel	0.00	0.00
Total	0.00	0.00

26. Contingent assets and contingent liabilities

Contingent liabilities	2019/2020	2018/2019
	Ksh	Ksh
Court case xxx against the Fund	0.00	0.00
Bank guarantees	0.00	0.00
Total	0.00	0.00

(Give details)

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7. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S 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)

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.