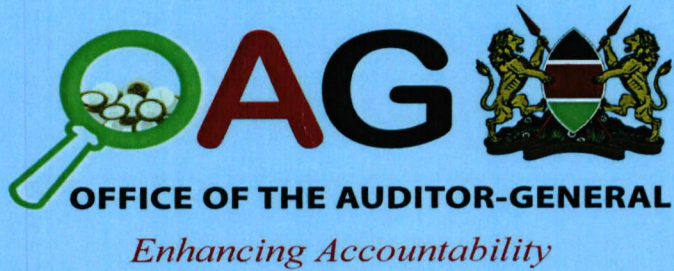


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**REPORT**

|                    |                   |
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| DATE               | 10-11-22          |
| TABLED BY          | Dep Majority Whip |
| COMMITTEE          |                   |
| CLERK AT THE TABLE | S. NJATA          |

**OF**

**THE AUDITOR-GENERAL**

**ON**

**WAJIR COUNTY DISASTER MANAGEMENT  
FUND**

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



OFFICE OF THE AUDITOR GENERAL  
NORTH EASTERN REGIONAL OFFICE  
20 MAY 2022  
**RECEIVED**  
P. O. BOX 88-70100 GARISSA



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**COUNTY GOVERNMENT OF WAJIR**  
**THE WAJIR COUNTY DISASTER MANAGEMENT FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

---

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

**WAJIR COUNTY DISASTER MANAGEMENT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**WAJIR COUNTY DISASTER MANAGEMENT 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**

The Wajir County Disaster Management Fund is established by and derives its authority and accountability from The Wajir County Disaster Management Act on 2014 (Revised 2019). The Fund is wholly owned by the County Government of Wajir and is domiciled in Kenya.

The fund's objective is to enable payment of in respect of the County when an urgent and unforeseen need for expenditure arises for which there is no legislative authority.

The Fund's principal mandate is to mobilise and provide funds for emergency responses, cause the evacuation of persons and the removal of livestock and personal property and make arrangements for their adequate care and protection and so on.

**b) Principal Activities**

The principal mandate of the Fund is to provide funds to mitigate on possible loss of life and property in an event of any disaster and the County has not made budgetary allocation to provide expenditure to manage the situation. Facilitate the evacuation of persons and the removal of livestock and personal property and make arrangements for their adequate care and protection as well as provide for the restoration of essential facilities, distribution of essential supplies and the maintenance and co-ordination of emergency medical, social and other essential services.

**c) Board of Trustees/Fund Administration Committee**

| Ref | Name                    | Position                        |
|-----|-------------------------|---------------------------------|
| 1   | H.E Mohamed A Mohamud   | County Governor                 |
| 2   | H.E Ahmed Ali Muktar    | County Deputy Governor          |
| 3   | Abdullahi Hassan Maalim | County Secretary                |
| 4   | Abdihakim Billow Noor   | CEC Finance & Economic Planning |
| 5   | Bishar Adan Eymoy       | CCO Special Programmes          |
| 6   | Abdikadir Allassow      | Director Disaster management    |
| 7   | Hassan Kalmoy Ibrahim   | NDMA County Coordinator         |

**d) Key Management**

| Ref | Name                  | Position                                |
|-----|-----------------------|---|
| 1   | Abdihakim Billow Noor | Fund Manager/Administrator              |
| 2   | Adan Kalmoy Khalif    | Fund Accountant                         |
| 3   | Bare Idris Amin       | County Chief Officer of Finance & Audit |

**WAJIR COUNTY DISASTER MANAGEMENT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**e) County Executive Headquarters**

County Government of Wajir  
P.O. Box 11-30500  
County Headquarters.  
Wajir  
KENYA

**f) County Executive Contacts**

E-mail: [info@wajir.go.ke](mailto:info@wajir.go.ke)  
Twitter @WajirCountyKE  
Website: [www.Wajir.go.ke](http://www.Wajir.go.ke)

**g) Wajir County Disaster Management Fund's Bankers**

1. First Community Bank

Wajir Branch  
P.O. Box 426-70200

Wajir, Kenya

**h) Independent Auditors**

Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
**NAIROBI, KENYA**

**i) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
**NAIROBI, KENYA**

**WAJIR COUNTY DISASTER MANAGEMENT FUND**  
**Reports and Financial Statements**  
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**2. THE BOARD OF TRUSTEES/MANAGEMENT**

| <b>Ref</b> | <b>Name</b>             | <b>Position</b>                 |
|------------|-------------------------|---------------------------------|
| 1          | H.E Mohamed A Mohamud   | County Governor                 |
| 2          | H.E Ahmed Ali Muktar    | County Deputy Governor          |
| 3          | Abdullahi Hassan Maalim | County Secretary                |
| 4          | Abdihakim Billow Noor   | CEC Finance & Economic Planning |
| 5          | Bishar Adan Eymoy       | CCO Special Programmes          |
| 6          | Abdikadir Allassow      | Director Disaster management    |
| 7          | Hassan Kalmoy Ibrahim   | NDMA County Coordinator         |

**WAJIR COUNTY DISASTER MANAGEMENT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**3. MANAGEMENT TEAM**

| Name  | Details of qualifications and experience   |
|---|--|
| <p>1. Abdihakim Billow</p> <p><b>Fund Administrator</b></p>     | <p>Abdi hakim was born in 1988. He started his career as an Administrator and later rose to ranks in different levels of management both in government and humanitarian sector. He has over 10 years of experience. Abdihakim hold a bachelor degree in Education (Arts). He also doubles up as the County Executive Committee Member for the department</p> |
| <p>2. Bare Idris Amin</p> <p><b>CCO Finance &amp; Audit</b></p> | <p>Bare holds master's degree in Public Policy and Administration and with over 22 years of experience. He has wealth of experience in public Finance and accounting in his entire life in public sector experience</p>  |
| <p>3. Adan Kalmoy Khalif</p> <p><b>Fund Accountant</b></p>      | <p>CPA Kalmoy was born in 1984 and has over 12 years of experience in Finance and accounting. He started her career as an accountant in different organisation and later joined the Fund as Fund Accountant. he holds bachelor degree in Commerce ( Finance), CPA and member of Institute of certified Public Accountant of Kenya (ICPAK).</p>               |

#### **4. THE FUND CHAIRPERSON'S REPORT**

It is my pleasure to present the Wajir County Disaster Management Fund's financial statements for the period ending 30th June 2020. The financial statements present the financial performance of the County Disaster Management Fund over the past year.

The Fund was formed pursuant to Wajir County Disaster Management Fund Act, 2014 (Revised 2019) to provide for resources to handle situation of urgent need for expenditure to alleviate human sufferings or loss of life and destruction of property.

The County Government of Wajir set aside KES 311,000,000 (three and eleven million) for allocation to Wajir County Disaster Management Fund during the financial year 2019/2020.

The Fund expenditure during the year ended 30th June 2020 was for KES 313,903,392 been amount spent on emergency responses as there was unspent balance of KES 3,156,378 from the previous financial year.

- (a) utilize any property considered necessary to prevent, combat or alleviate the effects of any emergency or disaster;
- (b) control, permit or prohibit travel to or from any area or on any road, street or highway;
- (c) cause the evacuation of persons and the removal of livestock and personal property and make arrangements for their adequate care and protection;
- (d) control or prevent the movement of people and the removal of livestock from any designated area that may have an infectious disease
- (e) cause the demolition or removal of any trees, structure or crops in order to prevent, combat or alleviate the effects of an emergency or a disaster;
- (f) authorize the procurement and distribution of essential resources and the provision of essential services;
- (g) regulate the distribution and availability of essential goods, services and resources;
- (h) provide for the restoration of essential facilities, distribution of essential supplies and the maintenance and co-ordination of emergency medical, social and other essential services.

The fund is administered by an Executive Committee known as the Wajir County Disaster Management Committee, which is established by the Act, and comprises of 7 members. The Board is equally assisted in its work by a management team established under this Act who are mainly technical persons.

#### **Performance**

In the financial year under review the fund received KES 311,000,000 from the county executive (County Treasury) which was meant to mitigate any unforeseen disaster that may occur within the fiscal year. During the financial year the total expenditure amounted to KES 313,903,392. Of

## **WAJIR COUNTY DISASTER MANAGEMENT FUND**

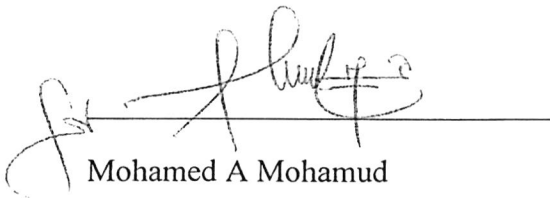
### **Reports and Financial Statements For the year ended June 30, 2020**

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which KES 3,156,378 was balance brought forward from the previous financial year and remaining balance KES 252,986.39 which is the balance carried forward for the subsequent financial year.

#### **Way forward**

In the financial year 2019/2020 the Management committee expects to receive an exponential growth in budgetary allocation due vulnerability of the Wajir county people and harsh climatic conditions such perennial drought in the county coupled with Covid-19 in the financial year.



---

Mohamed A Mohamud

CHAIRMAN

## 5. REPORT OF THE FUND ADMINISTRATOR

The Fund was formed pursuant to Wajir County Disaster Management Fund Act, 2014(Revised 2019) to provide for resources to handle situation of urgent need for expenditure to alleviate human suffering or loss of life and destruction of property, in instances where there is no budgetary allocation under ordinary county appropriation and the expenditure cannot be deferred.

The County Government of Wajir had set aside Kshs. 311,000,000 (three hundred and eleven Million) for allocation to Wajir County Emergency Fund during the financial year 2019/2020.

### a. Income

| Description                     | Budget kshs        | Actual kshs        |
|---------------------------------|--------------------|--------------------|
| County Executive Allocation     | 311,000,000        | 311,000,000        |
| Unspent Balance Brought Forward | 3,156,378          | 3,156,378          |
| <b>Total Income</b>             | <b>314,156,378</b> | <b>314,156,378</b> |

### b. Expenditure

| Particulars               | Budget Kshs.       | Actual Kshs.       |
|---------------------------|--------------------|--------------------|
| Use of Goods and Services | 313,903,392        | 313,903,392        |
| <b>Total Expenditure</b>  | <b>313,903,392</b> | <b>313,903,392</b> |

I take this opportunity to appreciate H.E. The Governor, Members of County Assembly and the Management Team for your commitment and immense support accorded to the fund.

Thank you,



---

Abdihakim Billow Noor

**Administrator of the Disaster Management Fund**

**WAJIR COUNTY DISASTER MANAGEMENT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020.**

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**6. CORPORATE GOVERNANCE STATEMENT**

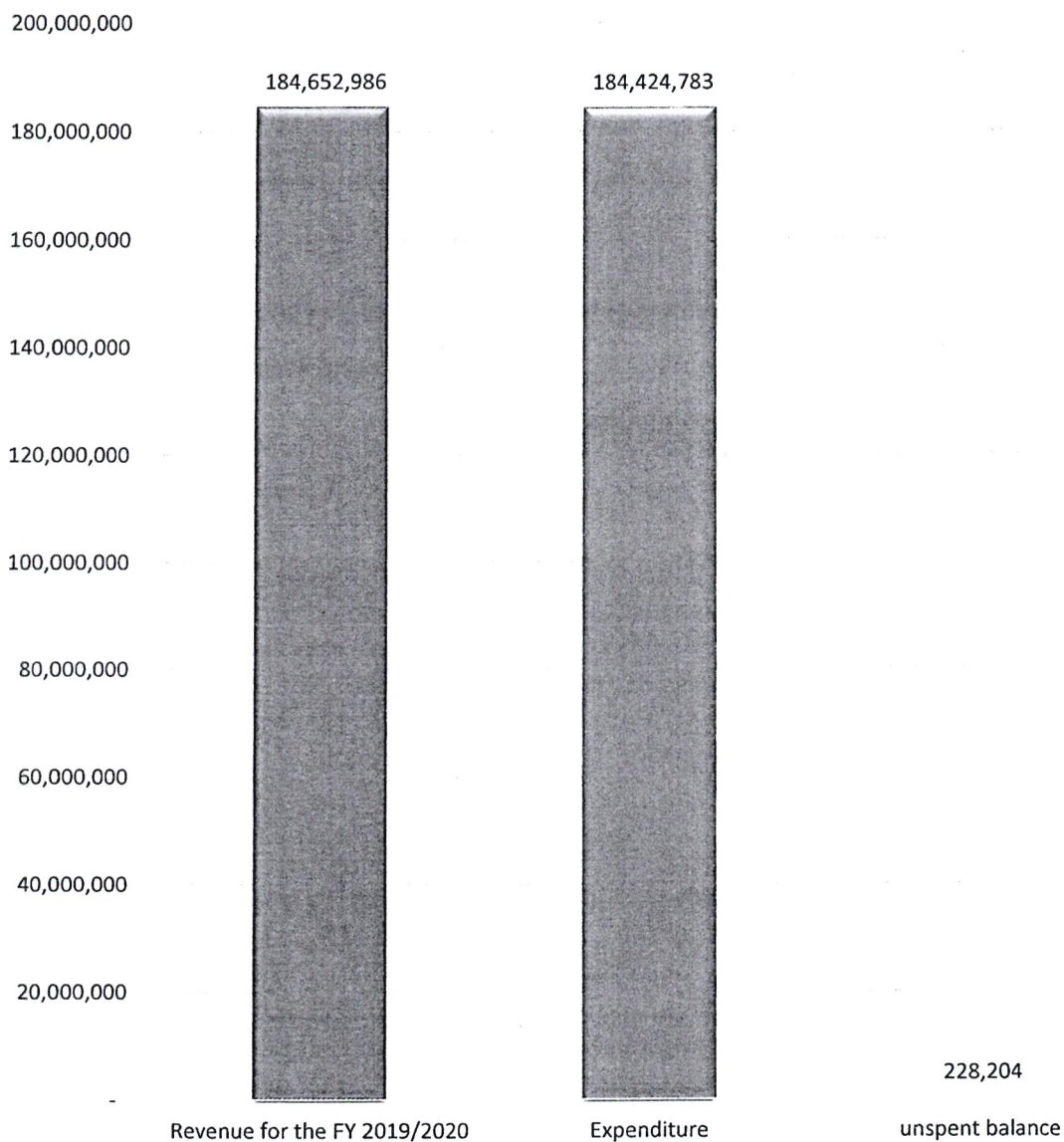
The Wajir County Disaster Management Fund is made up of 7(seven) Administration Committee members. Members meet to deliberate on the performance of the management team by evaluating and considering Disaster management awards to the students. Based on the Budget allocation, the committee members are not remunerated from the fund. In the coming years we will be able to report on the governance structure based on:

- a. Number of Fund Administration Committee meetings held and the attendance to those meetings by members,
- b. Succession plan,
- c. Existence of a service charter,
- d. Process of appointment and removal of Administration Committee members,
- e. Roles and functions of the Administration Committee members,
- f. Induction and training, Administration Committee members and member's performance,
- g. Conflict of interest,
- h. Board remuneration,
- i. Ethics and conduct as well as governance audit undertaken if any

**7. MANAGEMENT DISCUSSION AND ANALYSIS**

During the year Kshs 310,000,00 was received from the Country treasury to mitigate disaster management cases within the County. During the financial year the total expenditure amounted to KES 313,903,392 on good and service towards disaster management within the county. Of which KES 3,156,378 was balance brought forward from the previous financial year and remaining balance KES 252,986.39 which is the balance carried forward for the subsequent financial year. A balance of KES 252,986.39 which is the balance carried forward for the subsequent financial year. The diagram below is graphical representation of the Fund's summary performance for the financial year 2018-2019.

**Fund's financial performance in 2019-2020**



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

**Sustainability strategy and profile**

The Wajir County Development Agenda is informed by the need to increase and expand sustainable development opportunities and build people's capacities to enable them create wealth and transform their lives for growth and prosperity. The County Envisions being a competitive, industrialized and socio-economically self-sustaining and securing county. This will be attained by providing quality and efficient services through innovative and sustainable utilization of resources for a better quality of life of all citizens of Wajir County. This the county intends to attain and sustain it through creation of a county culture anchored on; Transparency; Inclusiveness and Equity; Empowerment; Quality and result oriented in provision of the county services

The County has projects implementation was greatly affected by the Covid-19 Pandemic in the second half of the year. Most of the County programs and projects were deferred and great focus given to fighting the pandemic.

**Environmental performance**

As outlined in the County 2018-2022 CIDP, Environment is one of the key thematic areas that the county has put a lot of focus in its developments agendas. Land is a natural resource which can be sustainably used to satisfy man's unlimited needs and wants as long as the concept of scarcity is recognized. Cognizant of the need for responsible land use for environmental sustainability, The County has developed a number of policies, programmes and structures guiding environmental matters within the County.

**Employee welfare**

Wajir County Recognises the value of its employees in the implementation and long term sustainability of its development strategy. As a result, it has always ensured a fair recruitment process where competences and qualification has been key in hiring of its employees to ensure value from its human resource. All recruitments observe the one third Gender rule and the inclusivity. All senior management staff from the level of county directors and above are placed under performance Contract while the junior staff are under performance Appraisal system.

This is aimed at inculcating a results culture and also helps to identify skills Gap for capacity building and future development the County staff as they inform approvals for Promotion and training for carrier growth. For a better and health work force, the county has also placed

all staff under a medical cover which on terms as provided by the Salaries and Remuneration Commission's guideline of Employee Medical benefits.

**Market place practices**

The County embraces diversity and offers services to all county residents without discrimination. All county fees and charges are levied after wide consultation with the citizens through public participation.

**Community Engagements**

The County has been engaging its citizens in all its development programmes through public participation in all the county plans, Budget and legislations. This participation ensures that the views of the citizen are included from planning to implementation stages. Participation is done by the county through its established participation structures such as, the County Budget and Economic Forum, The County Citizen education and Civic Education Unit etc.

By Order of the Board



MOHAMED A MOHAMUD

**Chair of the Fund Administration Committee**

**WAJIR COUNTY DISASTER MANAGEMENT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

**9. REPORT OF THE TRUSTEES**

The Wajir County Disaster Management Fund Administration Committee submit their report together with the audited financial statements for the year ended June 30, 2020, which show the state of the Fund affairs.

**9.1 Principal activities**

The Fund's principal activity is to receive Disaster management funds as appropriated in the County's Approved budget estimates and disburse the funds as stipulated in the Act to provide for resources to handle situation of urgent need for expenditure to alleviate human suffering or loss of life and destruction of property.

**9.2 Performance**

The performance of the Fund for the year ended June 30, 2020, are set out from page 10

**9.3 Administration Committee**

The members of the Administration Committee who served during the year are shown on page 05 There were no changes in the administration Committee during the financial year.

**9.4 Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

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MOHAMED A MOHAMUD

**Chairman,**

**Wajir County Disaster Management Fund**

## **10. 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 County Disaster management Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 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 County Disaster management Fund Act 2014. 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

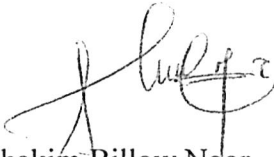
**WAJIR COUNTY DISASTER MANAGEMENT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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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 20<sup>th</sup> September 2020 and signed on its behalf by:

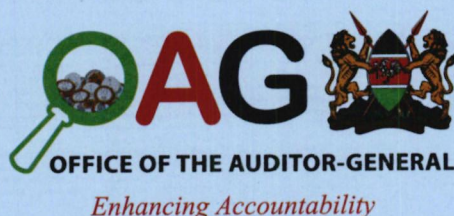


Abdihakim Billow Noor

**Administrator of the County Public Fund**

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON WAJIR COUNTY DISASTER MANAGEMENT FUND FOR THE YEAR ENDED 30 JUNE, 2020**

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### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Wajir County Disaster Management Fund set out on pages 9 to 30, which comprise of the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for Disclaimer of Opinion**

#### **1. Non-Submission of Prior Year Financial Statements for Audit**

As previously reported, Wajir County Disaster Management Fund started financial operations in December, 2013. However, Management did not submit for audit, financial statements for the financial years ended 30 June, 2014, 2015, 2016, 2017 and 2018.

In the circumstances, the accuracy and completeness of opening balances in the financial statements could not be confirmed.

#### **2. Inconsistencies in Presentation of Financial Statements**

As reported previously, the financial statements submitted for audit revealed the following anomalies:

- i). Passport size photographs for the Management team were not reflected in the financial statements as required by the reporting template issued by the Public Sector Accounting Standards Board.
- ii). Key profession, academic qualifications and passport size photographs for the Board of Management members were not shown as required by the reporting template.

- iii). The pages containing table of contents, statement of financial position, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts have not been indicated.

In the circumstances, the financial statements represented for audit were inconsistent with the format prescribed by the Public Sector Accounting Standards Board.

### **3. Unsupported Expenditure**

The statement of financial performance reflects an expenditure on disaster management projects of Kshs.313,903,392. However, the corresponding Note 2 to the financial statements does not disclose any expenditure in respect of disaster management projects. Management provided payment vouchers and other relevant documents in support of an expenditure totalling Kshs.162,011,273, leaving an amount of Kshs.151,892,119 as unsupported.

Further, Management purchased food items worth Kshs.130,777,600. However, the names and particulars of beneficiaries who benefited from the food items were not provided for audit verification. It was further noted that there was an allocation of Kshs.309,370,000 in the annual County Executive of Wajir's budget for emergency relief. Management did not provide justification of procuring relief food from both the County Executive budget and the Disaster Management allocations.

In the circumstances, the accuracy and validity of the of the expenditure on disaster management projects of Kshs.313,903,392 could not be confirmed.

### **4. Unapproved Budget**

The statement of comparison of budget and actual amounts reflects total income budget of Kshs.311,000,000 and total expenditure budget of Kshs.311,000,000. However, and as reported previously, the estimates of income and expenditure were not submitted to the County Executive Member for Finance contrary to the provisions of Section 149(2) of the Public Finance Management Act, 2012 which requires that estimates of an entity, be submitted to the County Executive Committee member for finance for approval.

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

### **5. Late Submission of Financial Statements**

As reported previously, Wajir County Disaster Management Fund financial statements were submitted to the Auditor-General on 16 December, 2021, eighteen (18) months after the close of the financial year, contrary to the provisions of Section 116(7) of the Public Finance Management Act, 2012, which requires financial statements to be submitted to the Auditor-General within three (3) months after the end of each financial year.

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

### **6. Failure to Enact Fund Regulations**

Management did not provide the enabling regulations approved by the County Assembly to guide the operations of the Fund contrary to the provisions of Section 112(1) of the Public Finance Management Act, 2012.

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

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

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to 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 cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance

with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Wajir 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.

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**29 September, 2022**

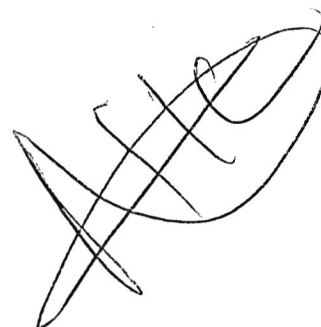
**WAJIR COUNTY DISASTER MANAGEMENT FUND**  
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**For the year ended June 30, 2020**

**12. FINANCIAL STATEMENTS**

**12.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup>**

|   | Note | FY2019/2020           | FY2018/2019           |
|---|------|-----------------------|-----------------------|
|   |      | Kshs                  | Kshs                  |
| <b>Revenue from non-exchange transactions</b> |      |                       |                       |
| Transfers from the County Government          | 1    | 311,000,000.00        | 150,000,000.00        |
| <b>Revenue from exchange transactions</b>     |      |                       |                       |
| <b>Total revenue</b>                          |      | <b>311,000,000.00</b> | <b>150,000,000.00</b> |
| <b>Expenses</b>                               |      |                       |                       |
| Disaster Management projects                  | 2    | 313,903,391.61        | 147,480,400.00        |
| General expenses                              | 3    |                       |                       |
| <b>Total expenses</b>                         |      | <b>313,903,391.61</b> | <b>147,480,400.00</b> |
| <b>Other gains/losses</b>                     |      |                       |                       |
| <b>Surplus/( deficit) for the period</b>      |      | <b>(2,903,391.61)</b> | <b>2,519,600.00</b>   |

The notes set out on page 28 – 29 form an integral part of these Financial Statements

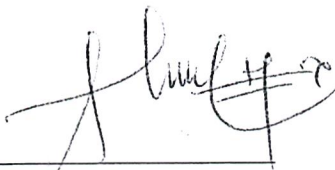



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12.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

|   | Note | FY2019/2020       | FY2018/2019         |
|---|------|-------------------|---------------------|
|   |      | KShs              | KShs                |
| <b>Assets</b>                           |      |                   |                     |
| <b>Current assets</b>                   |      |                   |                     |
| Cash and cash equivalents               | 4    | 252,986.39        | 3,156,378.00        |
|   |      |                   |                     |
| <b>Non-current assets</b>               |      |                   |                     |
| <b>Total assets</b>                     |      | <b>252,986.39</b> | <b>3,156,378.00</b> |
| <b>Liabilities</b>                      |      |                   |                     |
| <b>Current liabilities</b>              |      |                   |                     |
| <b>Non-current liabilities</b>          |      |                   |                     |
| <b>Total liabilities</b>                |      |                   |                     |
|   |      |                   |                     |
| <b>Net assets</b>                       |      |                   |                     |
| Accumulated surplus                     |      | 252,986.39        | 3,156,378.00        |
| <b>Total net assets and liabilities</b> |      | <b>252,986.39</b> | <b>3,156,378.00</b> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 13<sup>th</sup> July 2020 and signed by:



Abdihakim Billow Noor  
Fund Administrator



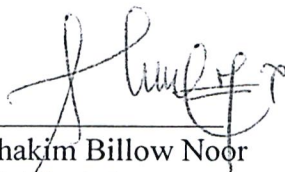
CPA Adan Kalmoy  
Fund Accountant  
ICPAK No. 20038

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**12.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

|                                  | Revolving Fund | Revaluation Reserve | Accumulated surplus | Total                 |
|----------------------------------|----------------|---------------------|---------------------|-----------------------|
|                                  |                | KShs                | KShs                | KShs                  |
| <b>Balance as at 1 July 2018</b> |                |                     | 636,778.00          | <b>636,778.00</b>     |
| Surplus/(deficit) for the period |                |                     | 2,519,600.00        | <b>2,519,600.00</b>   |
| Funds received during the year   |                |                     | -                   | -                     |
| <b>Balance as at 1 July 2019</b> |                |                     | <b>3,156,378.00</b> | <b>3,156,378.00</b>   |
| <b>Balance as at 1 July 2019</b> |                |                     | 3,156,378.00        | <b>3,156,378.00</b>   |
| Surplus/(deficit) for the period |                |                     | (2,903,391.61)      | <b>(2,903,391.61)</b> |
| Funds received during the year   |                |                     | -                   | -                     |
| <b>Balance as at 1 July 2020</b> |                |                     | <b>252,986.39</b>   | <b>252,986.39</b>     |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 13<sup>th</sup> July 2020 and signed by:



Abdihakim Billow Noor  
**Fund Administrator**




CPA Adan Kalmoy  
**Fund Accountant**  
ICPAK No. 20038

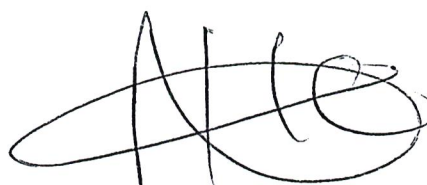
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**12.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

|   | Note | FY2019/2020           | FY2018/2019           |
|---|------|-----------------------|-----------------------|
|   |      | KShs                  | KShs                  |
| <b>Cash flows from operating activities</b>                 |      |                       |                       |
| <b>Receipts</b>   |      |                       |                       |
| Transfers from the County Government                        |      | 311,000,000.00        | 150,000,000.00        |
| <b>Total Receipts</b>                                       |      | <b>311,000,000.00</b> | <b>150,000,000.00</b> |
| <b>Payments</b>   |      |                       |                       |
| Disaster management Expenditures                            |      | 313,903,391.61        | 147,480,400.00        |
| Administration cost   |      | -                     | -                     |
| <b>Total Payments</b>                                       |      | <b>313,903,391.61</b> | <b>147,480,400.00</b> |
| <b>Net cash flows from operating activities</b>             |      | <b>(2,903,391.61)</b> | <b>2,519,600.00</b>   |
| <b>Adjusted for:</b>  |      |                       |                       |
| <b>Cash flows from investing activities</b>                 |      |                       |                       |
| <b>Net cash flows used in investing activities</b>          |      | -                     | -                     |
| <b>Cash flows from financing activities</b>                 |      |                       |                       |
| <b>Net cash flows used in financing activities</b>          |      | -                     | -                     |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>(2,903,391.61)</b> | <b>2,519,600</b>      |
| Cash and cash equivalents at 1 JULY                         |      | 3,156,378.00          | 636,778               |
| <b>Cash and cash equivalents at 30 JUNE</b>                 |      | <b>252,986.39</b>     | <b>3,156,378</b>      |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20<sup>th</sup> September 2020 and signed by:

  
**Fund Administrator**  
Abdihakim Billow Noor


  
**Fund Accountant**  
Adan Kalmoy Khalif  
ICPAK Member Number: 20038


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**12.5 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 | % utilisation |
|-------------------------------|--------------------|-------------|--------------------|----------------------------|------------------------|---------------|
|                               | 2020               | 2020        | 2020               | 2020                       | 2020                   | 2020          |
| Revenue                       | Kshs               | Kshs        | Kshs               | Kshs                       | Kshs                   |               |
| Transfers from County Govt.   | 311,000,000        | -           | 311,000,000        | 311,000,000                | -                      | 100%          |
| <b>Total income</b>           | <b>311,000,000</b> | <b>-</b>    | <b>311,000,000</b> | <b>311,000,000</b>         | <b>-</b>               | <b>100%</b>   |
| <b>Expenses</b>               |                    |             |                    |                            |                        |               |
| General expenses              | -                  | -           | -                  | -                          | -                      | -             |
| Disaster Management projects  | 311,000,000        | -           | 311,000,000        | 313,903,392                | - 2,903,392            | 101%          |
| <b>Total expenditure</b>      | <b>311,000,000</b> | <b>-</b>    | <b>311,000,000</b> | <b>313,903,392</b>         | <b>- 2,903,392</b>     | <b>101%</b>   |
| <b>Surplus for the period</b> |                    | <b>-</b>    | <b>-</b>           | <b>2,903,392</b>           | <b>-</b>               | <b>-1%</b>    |

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 13<sup>th</sup> July 2020 Signed by:

  
 Abdihakim Billow Noor  
 Fund Administrator

  
 CPA Adan Kalmoy  
 Fund Accountant  
 ICPAK No. 20038

## **12.6 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 2021**

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

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

| Standard                                      | Effective date and impact:  |
|---|---|
| <p><b>IPSAS 41: Financial Instruments</b></p> | <p><b>Applicable: 1<sup>st</sup> January 2022:</b></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"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk</li> </ul> |

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| Standard                         | Effective date and impact:  |
|----------------------------------|---|
|                                  | management strategy.  |
| <b>IPSAS 42: Social Benefits</b> | <b>Applicable: 1<sup>st</sup> January 2022</b><br>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:<br>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and<br>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. |

**c) Early adoption of standards**

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

**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.

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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 30<sup>th</sup> June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget

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

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

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 of these financial statements.

**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

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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.

*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

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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 a entity of financial assets is impaired. A financial asset or a 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 a 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.

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*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.

**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.

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**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.

*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**

11. The Wajir County Disaster Management Fund doesn't create and maintains reserves in terms of specific requirements.

**12. 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.

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**13. 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.

**14. 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.

**15. 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.

**16. 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.

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**17. 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.

**18. Comparative figures**

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

**19. Events after the reporting period**

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

**20. Ultimate and Holding Entity**

The entity is a County Public Fund established by Wajir County Disaster Management Fund Act 2014 under the Department of Finance & Economic Planning. Its ultimate parent is the County Government of Wajir

**21. Currency**

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

**22. 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.

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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.

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**23. 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 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 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.

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**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.

**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.

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**ii. Interest rate risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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

**d) Capital risk management**

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

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**12.4 NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfers from County Government**

| Description                              | 2019/2020          | 2018/2019          |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Transfers from County Govt. – operations | 311,000,000        | 150,000,000        |
| <b>Total</b>                             | <b>311,000,000</b> | <b>150,000,000</b> |

**2. Fund administration expenses**

| Description         | 2019/2020 | 2018/2019 |
|---------------------|-----------|-----------|
|                     | Kshs      | KShs      |
| Administration fees |           |           |
| <b>Total</b>        |           |           |

**3. General expenses**

| Description  | 2019/2020 | 2018/2019 |
|--------------|-----------|-----------|
|              | Kshs      | Kshs      |
| Bank Charges |           |           |
| <b>Total</b> |           |           |

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**4. Cash and cash equivalents**

| Description                            | 2019/2020         | 2018/2019        |
|--|-------------------|------------------|
|  | Kshs              | Kshs             |
| Current account                        | 252,986.39        | 3,156,378        |
| <b>Total cash and cash equivalents</b> | <b>252,986.39</b> | <b>3,156,378</b> |

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

| Financial institution            | Account number | FY2019/2020       | FY2018/2019      |
|----------------------------------|----------------|-------------------|------------------|
|                                  |                | Kshs              | Kshs             |
| a) <b>Fixed deposits account</b> |                |                   |                  |
| First Community Bank             | 80004119       | 252,986.39        | 3,156,378        |
| <b>Grand total</b>               |                | <b>252,986.39</b> | <b>3,156,378</b> |

**5.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 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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**13 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<br><i>(Name and designation)</i> | Status:<br><i>(Resolved / Not Resolved)</i> | Timeframe:<br><i>(Put a date when you expect the issue to be resolved)</i> |
|--|-----------------------------------|---------------------|--|---|--|
|  |                                   |                     |  |   |  |
|  |                                   |                     |  |   |  |
|  |                                   |                     |  |   |  |
|  |                                   |                     |  |   |  |
|  |                                   |                     |  |   |  |

