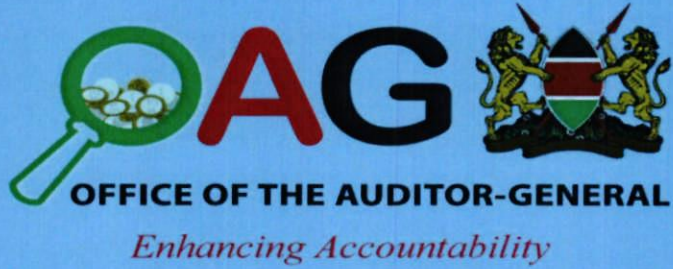
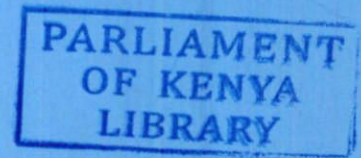


REPUBLIC OF KENYA



PAPERS LAID	
DATE	21/10/2019
TABLED BY	Sen. Farhiya Ali
COMMITTEE	
CLERK AT THE TABLE	Kawira M.



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KWALE COUNTY DISASTER  
MANAGEMENT FUND**

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



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 95202, MOMBASA  
28 OCT 2019  
RECEIVED  
COAST HUB

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**KWALE COUNTY DISASTER MANAGEMENT FUND**

**FINANCIAL STATEMENT**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30<sup>TH</sup>, 2019**

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

**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**

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**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Kwale County Disaster Management Fund is established by and derives its authority and accountability from Kwale County Disaster Management Fund Act) on 4<sup>th</sup> November 2016. The Fund is wholly owned by the County Government of Kwale and is domiciled in Kenya.

The fund's objective is to

- i. Prevention of danger or threat of any disaster
- ii. Mitigation or reduction of risk of any disaster or its severity or consequences
- iii. Capacity building
- iv. Evacuation, rescue and relief
- v. Rehabilitation and reconstruction
- vi.

The Fund's principal activity is anticipation, preparedness, prevention, coordination, mitigation and management of disaster situations and organisation of relief and recovery from disaster s and for connected.

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

Ref	Name	Position
1	Martin Mwaro	County Secretary
2	Chimvua Kombo	Principal Administrative Secretary
3	Alex Onduko	Chief Officer Finance
4	Chari Gakurya	Fund Manager
5	Mohammed Mwaenzi	Kenya Red cross Representative
6	Roman Sherah	National Drought Management Authority Representative
7	Eric Karanja	Kenya Wildlife Service Representative
8	Bakari Mwakuyu	Kenya Maritime Authority Representative
9	Mwanajuma Massah	Office of the County Commissioner Representative

**c) Key Management**

Ref	Name	Position
1	Chimvua Kombo	Principal Administrative Secretary
2	Chari Gakurya	Fund Manager
3	Ruwaida Hassan	Fund Accountant

**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**

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**d) Registered Offices**

P.O. Box 4 – 80403  
Kwale County Headquarters  
Off Kwale – Kinango Road  
Kwale

**e) Fund Contacts**

Telephone: (254)  
E-mail: [info@kwale.go.ke](mailto:info@kwale.go.ke)  
Website: [www.kwale.go.ke](http://www.kwale.go.ke)

**f) Fund Bankers**

National Bank  
Beach Road  
P.O Box 457  
Ukunda Branch  
Kwale, Kenya

**g) Independent Auditors**


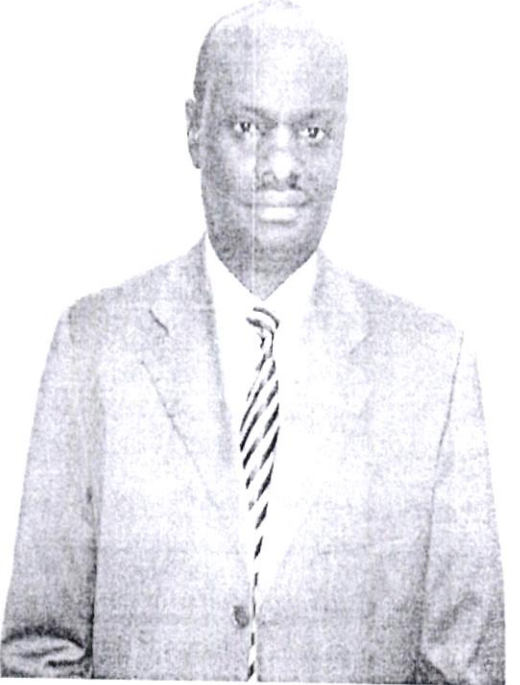
Office of Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**h) Principal Legal Adviser**



The County Legal Officer  
Office of the Governor  
P.O. Box 4 - 80403  
Kwale.

**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**

**2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)**

Name	Details of qualifications and experience
	<p>Name: Martin Mwaro Mangi Baya Date of birth: 5th January, 1972 Academic and Professional qualification:</p> <ul style="list-style-type: none"> <li>•He holds a master's of Science in Human Resource Management from JKUAT.</li> <li>•Bachelor of Arts in Sociology from Kenyatta University.</li> <li>•Higher National Diploma in Human Resource Management from KIM.</li> </ul> <p>Work Experience. 2013 to-date County secretary. Served as a District Officer and District Commissioner for 15 years Served as an information researcher with A.C.K+</p> <p>Responsibility: County Secretary</p>
	<p><b>Name :</b> Alex Onduko <b>Date of birth:</b> 22nd December 1969 <b>Academic and Professional qualification:</b> Certified Public Accountant of Kenya. Education: He holds a Masters of Business Administration (finance); He holds a Kenya advance certificate of education and also a Kenya certificate of education. Senior Management course KSG Mombasa Strategic Leadership Development Programme KSG Nairobi</p> <p><b>Work Experience:</b> 2013 to-date Chief Officer Finance And Economic Planning 2011-2013: Town treasurer Town council of Kajiado. 2010-2011: Town treasurer Municipal council of Migori 2005-2010: Town treasurer Municipal council of Busia. 1990-2005: Accountant County council of Nakuru</p> <p><b>Responsibility:</b> Chief Officer Finance And Economic Planning.</p>

**Kwale County Disaster Management Fund  
Reports and Financial Statements  
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	<p><b>Name:</b> Chimvua Kombo  <b>Date of birth:</b> 15<sup>th</sup> March 1965  <b>Academic and Professional qualification:</b>          Bachelor Degree in Project Planning and Management  <b>Work experience:</b>          2018 to date-Principal Administrative Secretary Kwale County          1994 – 2015 – Project Implementation Officer Plan International          1989-1993-High School Teacher  <b>Responsibility:</b> Principal Administrative Secretary</p>
	<p><b>Name:</b> Chari Gakurya  <b>Date of birth:</b> 25<sup>th</sup> July, 1982  <b>Academic qualification:</b> MSc in Finance and Accounting.  <b>Professional qualification:</b> CPA (K)  <b>Work experience:</b>          2013 to date – Treasury Accountant Kwale County          2008 – 2012 Accountant -Yaya Car Sales          2007 – Accountant -Hill Park Hotel Tiwi  <b>Responsibility:</b> Fund manager</p>

**Other Board of Trustees/Fund Administration Committee**

- Kenya Red cross Representative
- National Drought Management Authority Representative
- Kenya Wildlife Service Representative
- Kenya Maritime Authority Representative
- Office of the County Commissioner Representative

**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**

**3. MANAGEMENT TEAM**

Name	Details of qualifications and experience
	<p><b>Name:</b> Chimvua Kombo  <b>Name:</b> Chimvua Kombo  <b>Date of birth:</b> 15th March 1965  <b>Academic and Professional qualification:</b>            Bachelor Degree in Project Planning and Management  <b>Work experience:</b>  <b>2018 to date-</b>Principal Administrative Secretary Kwale County  <b>1994 – 2015 –</b> Project Implementation Officer Plan International  <b>1989-1993-</b>High School Teacher  <b>Responsibility:</b> Principal Administrative Secretary</p>
	<p><b>Name:</b> Chari Gakurya  <b>Date of birth:</b> 25<sup>th</sup> July, 1982  <b>Academic qualification:</b> MSc in Finance and Accounting.  <b>Professional qualification:</b> CPA (K)  <b>Work experience:</b>            2013 to date – Treasury Accountant Kwale County            2008 – 2012 Accountant -Yaya Car Sales            2007 – Accountant -Hill Park Hotel Tiwi  <b>Responsibility:</b> Fund manager</p>

**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**



**Name:** Ruwaida Hassan Mwajambia  
**Date of birth:** 19<sup>th</sup> June, 1989  
**Academic qualification:** Degree in Finance and banking.  
**Professional qualification:** CPA (K)  
**Work experience:**  
2015 to date – Accountant Kwale County  
2010 – 2014 Accountant – Techbiz Limited  
**Responsibility:** Fund Accountant

*Note: The Fund Administrator will feature under both the 'Board' and 'Management'.*

**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**

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**4. BOARD/FUND CHAIRPERSON'S REPORT**

The Kwale County Disaster Management Fund was established in 4<sup>th</sup> November 2016 with the aim of responding to unforeseen events which threatens damage to human life welfare or the environment in line with the provisions of PFM Act Sec 12(3). The Fund has 9 boards of trustees and is guided by transparency integrity and accountability

**KEY HIGHLIGHTS**

- The fund had an expense of only Kshs 390,066.00 FY 18/19. Kshs 387,416.00 was expenditure incurred on fire incidence victims at Mzizima Sub Location Kiwambale village in Pongwe ward, Mshiu and Utsamba villages in Pongwe ward, Vinyunduni village in Macknon road ward.
- Kshs 2,650.00 related to bank charges FY 18/19.
- The budgeted amount for FY 18/19 was Kshs 10,000,000.00, Actual expenditure was Kshs 390,066.00.

  
Signed

Martin Mwaro

**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**

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**5. REPORT OF THE FUND ADMINISTRATOR**

The Kwale County Disaster Management Fund was established in 4<sup>th</sup> November 2016 with the aim of responding to unforeseen events which threatens damage to human life welfare or the environment in line with the provisions of PFM Act Sec 12(3). The Fund has 9 boards of trustees and is guided by transparency integrity and accountability. The 9 boards of trustees are:

- County Secretary
- Principal Administrative Secretary
- Chief Officer Finance
- Fund Manager
- Kenya Red cross Representative
- National Drought Management Authority Representative
- Kenya Wildlife Service Representative
- Kenya Maritime Authority Representative
- Office of the County Commissioner Representative

The fund had an expense of only Kshs 390,066.00 FY 18/19. Kshs 387,416.00 was expenditure incurred on fire incidence victims at Mzizima Sub Location Kiwambale village in Pongwe ward, Mshiu and Utsamba villages in Pongwe ward, Vinyunduni village in Macknon road ward. The items bought for the affected persons are kitchen sets, Jerricans for storing water, water basins, mattresses maize flour, beans, rice and cooking oil.

Kshs 2,650.00 related to bank charges FY 18/19.

The budgeted amount for FY 18/19 was Kshs 10,000,000.00, Actual expenditure was Kshs 390,066.00.

The surplus for FY 18/19 was Kshs 9,609,984.



Signed:

Chari Gakurya

## **6. CORPORATE GOVERNANCE STATEMENT**

The fund strives to ensure that there is accountability, transparency and integrity. The fund recognises that it has responsibilities to its stakeholder.

The board has ultimate authority over and oversight of, and regards corporate Governance as critical element in achieving the fund objectives.

The appointment of the committee members Kenya Red crosses Representative, National Drought Management Authority Representative, Kenya Wildlife Service Representative, Kenya Maritime Authority Representative and Office of the County Commissioner Representative shall be done by the executive members.

A person been entrusted with any money or materials or otherwise being in custody of money or goods meant for providing relief in threatening disaster or disaster, misappropriates or disposes of such money or materials or any part or wilfully compels any other person to do so, is liable on conviction to a fine not exceeding one Million shillings or imprisonment of not more than three years or both.

A person who makes or circulate a false alarm or warning as to a disaster or its severity or magnitude, leading to panic ,commits an offence and is liable on conviction, to fine not exceeding one hundred thousand shilling or imprisonment of not more than one year or to both.



Signed:

Chari Gakurya

**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**

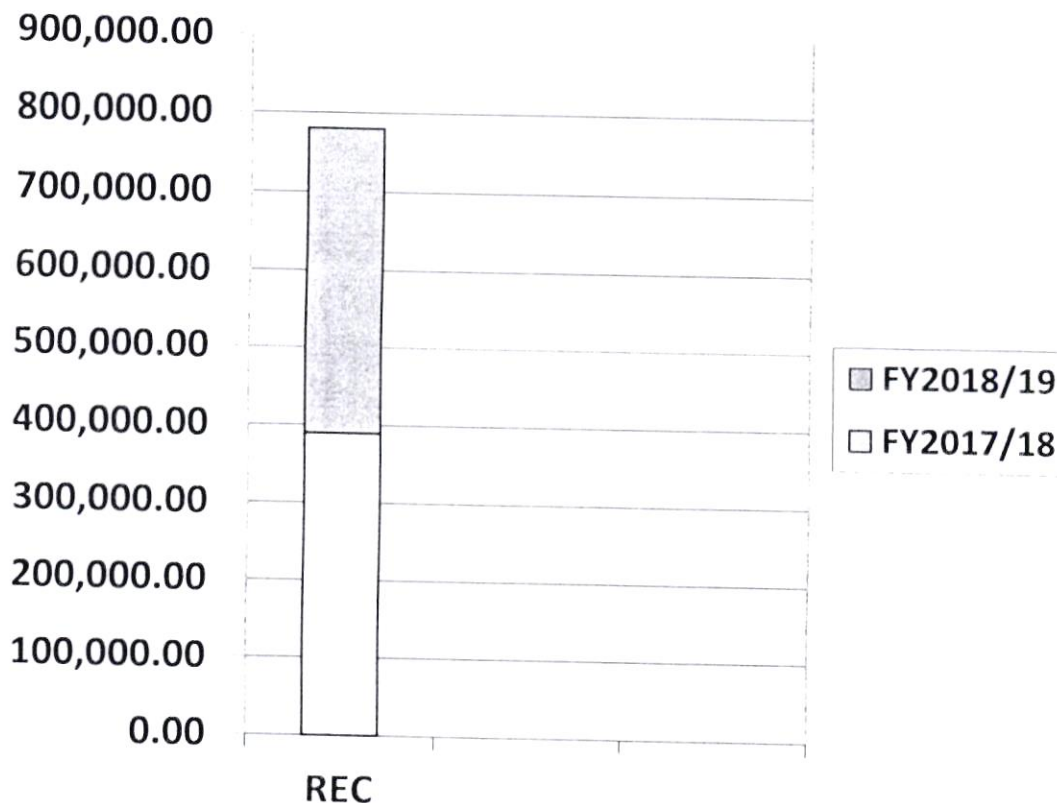
**7. MANAGEMENT DISCUSSION AND ANALYSIS**

**a) Payments**

The expenditure for the year amounted to KShs 390,066.

	2018-2019	2017-2018
Expenditure	390,066	389,949

**Expenditure Analysis graph**



**KEY**

FY- Financial year

REC -Recurrent expenditure

**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**

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b) Revenue decreased from Ksh 12,008,749 to Kshs 10,000,050.

**c) Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Accrual-basis IPSAS financial reporting under the accrual basis of Accounting, as prescribed by the PSASB. The receivables and payables are disclosed in the Statement of Assets and Liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB and PFM Act 2012.



Signed:

Chari Gakurya



**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**

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**8. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended June 30<sup>th</sup>, 2019 which show the state of the Fund affairs.

**Principal activities**

The principal activities of the Fund are: anticipation, preparedness, prevention, coordination, mitigation and management of disaster situations and organisation of relief and recovery from disaster s and for connected.

**Results**

The results of the Fund for the year ended June 30<sup>th</sup>, 2019 are set out on page 15.

**Trustees**

The members of the Board of Trustees who served during the year are shown on Pages 3-4.

**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



Chimvua Kombo

Member of the Board

Date: 28/10/2019



**Kwale County Disaster Management Fund  
Reports and Financial Statements  
For the year ended June 30<sup>TH</sup>, 2019**

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**9. 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 *Kwale County Disaster Management Fund Act 2016* prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30<sup>th</sup>, 2019. 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 *Kwale County Disaster Management Fund Act 2016*. 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<sup>th</sup>, 2019, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

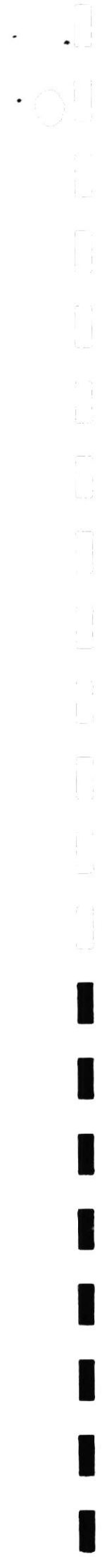
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention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

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 09/09 2019 and signed on its behalf by:



\_\_\_\_\_  
Administrator of the County Public Fund



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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Lack of Audit Committee**

Kwale County Disaster Management Fund did not have an Audit Committee as at the time of audit in October, 2019. This is contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that "each county government entity shall establish an audit committee". The functions of the audit committee as stated in Regulation 168 of Public Finance Management Regulations (County Governments), 2015 is to support the accounting officers with regard to their responsibilities for issues of risk, internal control and governance and associated assurance. Although the Management has provided evidence of advertisements for recruitment of Audit Committee Members, it was noted that the members are for the County Executive and not for the Fund.

Therefore, the Fund is in breach of the Law and the effectiveness of its internal controls and risk management is not assured.

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

### **Responsibilities of Management and the Board of Trustees**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free

from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity 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 judgement and maintain professional skepticism throughout the audit. I also:

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

- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**01 October, 2021**


**Kwale County Disaster Management Fund**  
**Reports and Financial Statements**  
**For the year ended June 30<sup>TH</sup>, 2019**


**11. FINANCIAL STATEMENTS**

**11.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
 30<sup>th</sup>JUNE 2019**

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	10,000,050	12,008,749
Fines, penalties and other levies	3	-	-
		10,000,050	12,008,749
<b>Revenue from exchange transactions</b>			
Interest income	4	-	-
Other income	5	-	-
		-	-
<b>Total revenue</b>		<b>10,000,050</b>	<b>12,008,749</b>
<b>Expenses</b>			
Fund administration expenses	6	-	-
General expenses	7	387,416	385,000
Finance costs	8	2,650	4,949
<b>Total expenses</b>		<b>390,066</b>	<b>389,949</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	9		
<b>Surplus/( deficit) for the period</b>		<b>9,609,984</b>	<b>11,618,800</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 28/10/2019 and signed by:

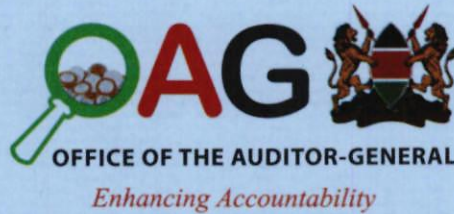
  
 Administrator of the Fund  
 Name: Chari Gakurya

  
 Fund Accountant  
 Name: Ruwaida hassan



# 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 KWALE COUNTY DISASTER MANAGEMENT FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Kwale County Disaster Management Fund set out on pages 15 to 46, which comprise of the statement of financial position as at 30 June, 2019, 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, the financial statements present fairly, in all material respects, the financial position of the Kwale County Disaster Management Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kwale County Disaster Management Fund Act, 2016 and the Public Finance Management Act, 2012.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kwale County Disaster Management 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 opinion.

#### **Emphasis of Matter**

These financial statements are transitional statements from cash basis accounting framework to International Public Sector Accounting Standards (Accruals Basis). Therefore, the audit is cognizant of International Public Sector Accounting Standard No. 33 (First time adoption of accrual basis) which grants the entity certain exemptions

for fair presentation of the financial statements and its ability to assert compliance with accrual basis International Public Sector Accounting Standards for a period of at least three (3) years before full compliance.

### **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**

### **Budgetary Controls and Performance**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects a budget of Kshs.10,000,000. However, approval of the budget estimates in line with Regulation 39(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that, "prior to incurring any expenditure, accounting officers shall seek the approval of the County Treasury, and if approval is granted by the County Executive Committee Member, it shall be communicated to the accounting officers through a notification which shall be copied to the Auditor-General and the Controller of Budget", was not provided for audit review. Although the Management attributed this state of affairs to the nature of the Fund, the basis for allocation of the funds and the intended use have not been disclosed in these financial statements.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Inadequacy of the Enabling Legislation**

The Kwale County Disaster Management Fund Act, 2016 does not provide for winding up procedures of the Fund, contrary to Regulation 198 of Public Finance Management (County Governments) Regulations, 2015 which requires inclusion of such procedures in the Funds' enabling legislation.


Consequently, the Kwale County Disaster Management Fund Act, 2016 is inconsistent with the law.


**Kwale County Disaster Management Fund  
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**11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	FY2018/2019 KShs	FY2017/2018 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	21,228,784	11,618,800
Current portion of long term receivables from exchange transactions	11	-	-
Prepayments	12	-	-
Inventories	13	-	-
		<b>21,228,784</b>	<b>11,618,800</b>
<b>Non-current assets</b>			
Property, plant and equipment	14	-	-
Intangible assets	15	-	-
Long term receivables from exchange transactions	11	-	-
<b>Total assets</b>		<b>21,228,784</b>	<b>11,618,800</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	16	-	-
Provisions	17	-	-
Current portion of borrowings	18	-	-
Employee benefit obligations	19	-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	19	-	-
Long term portion of borrowings	18	-	-
<b>Total liabilities</b>		-	-
<b>Net assets</b>			
Revolving Fund		-	-
Reserves		-	-
Accumulated surplus		21,228,784	11,618,800
<b>Total net assets and liabilities</b>		<b>21,228,784</b>	<b>11,618,800</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 28/10 2019 and signed by

  
Administrator of the Fund  
Name: Chari Gakurya

  
Fund Accountant  
Name: Ruwaida Hassan



**Kwale County Disaster Management Fund  
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**11.3. STATEMENT OF CHANGES IN NET ASSETS FOR YEAR ENDED 30 JUNE 2019**

	Accumulated surplus	Total
	KShs	KShs
Balance as at 1 July 2017		
Surplus/(deficit) for the period	11,618,800	11,618,800
Funds received during the year	-	-
Revaluation gain	-	-
<b>Balance as at 30 June 2018</b>	<b>11,618,800</b>	<b>11,618,800</b>
Balance as at 1 July 2018	11,618,800	11,618,800
Surplus/(deficit) for the period	9,609,984	9,609,984
Funds received during the year		
Revaluation gain	-	-
<b>Balance as at 30 June 2019</b>	<b>21,228,784</b>	<b>21,228,784</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 28/10 2019 and signed by:



Administrator of the Fund  
Name: Chari Gakurya



Fund Accountant  
Name: Ruwaida hassan

12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

**Kwale County Disaster Management Fund  
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**11.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government	2	10,000,050	12,008,749
Interest received		-	-
Receipts from other operating activities		-	-
<b>Total Receipts</b>		<b>10,000,050</b>	<b>12,008,749</b>
<b>Payments</b>			
Fund administration expenses		-	-
General expenses	7	387,416	385,000
Finance cost	8	2,650	4,949
<b>Total Payments</b>		<b>390,066</b>	<b>389,949</b>
<b>Net cash flows from operating activities</b>		<b>9,609,984</b>	<b>11,618,800</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9,609,984</b>	<b>11,618,800</b>
Cash and cash equivalents at 1 JULY		11,618,800	-
<b>Cash and cash equivalents at 30 JUNE</b>	10	<b>21,228,784</b>	<b>11,618,800</b>



**Kwale County Disaster Management Fund  
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(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

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 28/10/ 2019 and signed by:



Administrator of the Fund  
Name: Chari Gakurya



Fund Accountant  
Name: Ruwaida hassan



Kwale County Disaster Management Fund  
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11.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		% utilisation	
	2019	KShs	2019	KShs	2019	KShs	2019	KShs	2019	KShs	2019	2019
Revenue												
Public contributions and donations												
Transfers from County Govt.	10,000,050		-		10,000,050		10,000,050					
Interest income												
Other income												
<b>Total income</b>	<b>10,000,000</b>		<b>-</b>		<b>10,000,000</b>		<b>10,000,050</b>			<b>(50)</b>		
<b>Expenses</b>												
Fund administration expenses												
General expenses	10,000,000				10,000,000		390,066			9,609,934		
Finance cost												
<b>Total expenditure</b>	<b>10,000,000</b>		<b>-</b>		<b>10,000,000</b>		<b>390,066</b>			<b>9,609,934</b>		
<b>Surplus for the period</b>							<b>9,609,984</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 28/10/2019 and signed by:

Administrator of the Fund-Chari Gakurya

Fund Accountant-Ruwaida Hassan



**11.6. 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<sup>TH</sup> June 2018**

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

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30<sup>TH</sup> June 2018**

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

**c) Early adoption of standards**

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



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

**3. Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**4. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on 30<sup>th</sup> June 2018. 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 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 12.1 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 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 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**

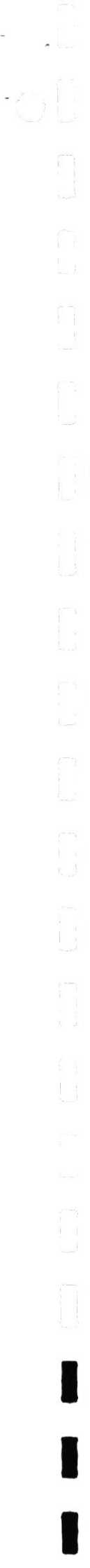
Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount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

**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 postemployment 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 national bank 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**

There is no comparative figure for the fund since this is the first year of operation.

**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 Kwale County Disaster Management Fund Act 2016 under the Ministry of Finance and Economic Planning. Its ultimate parent is the County Government of Kwale.

**20. Currency**

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



**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 18.

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



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

**22. Financial risk management**

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

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

**a) Credit risk**

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

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

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

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
<b>Total</b>				
<b>At 30 June 2018</b>				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
<b>Total</b>				



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

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

The 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.

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2019</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-



**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 on-going 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:

		<b>Other currencies</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2019</b>			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-



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

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.

**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.

	<b>Change in currency rate</b>	<b>Effect on surplus/ deficit</b>	<b>Effect on equity</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>2019</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2018</b>			
Euro	10%	-	-
USD	10%	-	-

**ii. Interest rate risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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

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

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 KShs (2017: KShs ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs (2017 – KShs)

**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:

	<b>2019</b>		<b>2018</b>
	<b>KShs</b>		<b>KShs</b>
Revaluation reserve	-		-
Revolving fund	-		-
Accumulated surplus	-		-
<b>Total funds</b>	-		-
Total borrowings	-		-
Less: cash and bank balances	-		-
Net debt/(excess cash and cash equivalents)	-		-
<b>Gearing</b>	-		-

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**11.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	-	-

**2. Transfers from County Government**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Transfers from County Govt. – operations	10,000,050	12,008,749
Payments by County on behalf of the entity	-	-
<b>Total</b>	<b>10,000,050</b>	<b>12,008,749</b>

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

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Late payment penalties	-	-
Fines	-	-
<b>Total</b>	-	-

**4. Interest income**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Interest income from loans(mortgage or car loans)	-	-
<b>Total interest income</b>	-	-

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

**5. Other income**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
<b>Total other income</b>	-	-

**6. Fund administration expenses**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Staff costs (Note 6.B)	-	-
Loan processing costs	-	-
Professional services costs	-	-
<b>Total</b>	-	-

**6. B Staff costs**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	-	-



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

**7. General expenses**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	387,416	385,000
<b>Total</b>	<b>387,416</b>	<b>385,000</b>

**8. Finance costs**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Bank charges	2,650	4,949
Interest on loans from banks	-	-
<b>Total</b>	<b>2,650</b>	<b>4,949</b>

**9. Gain on disposal of assets**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



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

**10. Cash and cash equivalents**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Fixed deposits account	-	-
On – call deposits	-	-
Current account	21,228,783	11,618,800
Others	-	-
<b>Total cash and cash equivalents</b>	<b>21,228,783</b>	<b>11,618,800</b>

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

		<b>FY2018/2019</b>	<b>FY2017/2018</b>
<b>Financial institution</b>	<b>Account number</b>	<b>KShs</b>	<b>KShs</b>
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
NATIONAL BANK		21,228,783	11,618,800
Bank B		-	-
<b>Sub- total</b>		<b>21,228,783</b>	<b>11,618,800</b>
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>21,228,783</b>	<b>11,618,800</b>



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Current receivables</b>		
<b>Non-Current receivables</b>		
Long term loan repayments due	-	-
<b>Total Non-current receivables</b>	-	-
<b>Total receivables from exchange transactions</b>	-	-

12. Prepayments

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
<b>Total</b>	-	-

13. Inventories

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1 <sup>st</sup> July 2016	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30 <sup>th</sup> June 2017	-	-	-	-	-
At 1 <sup>st</sup> July 2017					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30 <sup>th</sup> June 2018	-	-	-	-	-
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2016	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 <sup>th</sup> June 2017	-	-	-	-	-
At 1 <sup>st</sup> July 2017					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30 <sup>th</sup> June 2018	-	-	-	-	-
<b>Net book values</b>					
At 30 <sup>th</sup> June 2017	-	-	-	-	-
At 30 <sup>th</sup> June 2018	-	-	-	-	-



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Intangible assets-software

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

16. Trade and other payables from exchange transactions

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
<b>Total trade and other payables</b>	-	-



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

**17. Provisions**

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

**18. Borrowings**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
<b>Balance at end of the period</b>	<b>-</b>	<b>-</b>



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

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

	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>External Borrowings</b>		
Dollar denominated loan from organization'	-	-
Sterling Pound denominated loan from 'organization'	-	-
Euro denominated loan from organization'	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

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

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Employee benefit obligations

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

20. Cash generated from operations

	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Surplus for the year before tax</b>		
<b>Adjusted for:</b>		
Depreciation	-	-
Gains/losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	-	-

21. 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;



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d) Board of Trustees; etc.

**b) Related party transactions**

	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Transfers from related parties'	-	-
Transfers to related parties	-	-

**c) Key management remuneration**

	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Due from parent Ministry	-	-
Due from County Government	-	-
<b>Total</b>	-	-

**e) Due to related parties**

	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
<b>Total</b>	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Contingent assets and contingent liabilities

<b>Contingent liabilities</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Court case against the Fund	-	-
Bank guarantees	-	-
<b>Total</b>	-	-



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**23. 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.

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

**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.

