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**REPORT**

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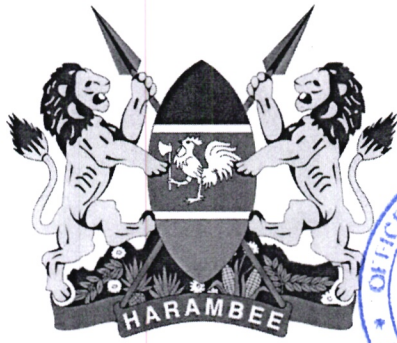
**THE AUDITOR-GENERAL**

**ON**

**SIAYA COUNTY EMERGENCY FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2021**





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**SIAYA COUNTY EMERGENCY FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2021**

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

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## **SIAYA COUNTY EMERGENCY FUND**

### **Reports and Financial Statements**

**For the year ended June, 30<sup>th</sup> 2021**

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#### **1. KEY ENTITY INFORMATION AND MANAGEMENT**

##### **a) Background information**

Siaya County Emergency Fund is established by and derives its authority and accountability from The Kenya Gazette Supplementary Siaya County Act, 2022 on 7<sup>th</sup> July, 2020. The Fund is wholly owned by the County Government of Siaya and is domiciled in Kenya.

The fund's objective is to ....

The Fund's principal activity is to enable payments to be made when an urgent and unforeseen need for the expenditure arises for which there is no specific legislative authority.

An executive member shall only pay monies out of the Fund after approval and ascertaining of the emergency by the County Executive Committee.

##### **b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to establish the County Emergency Fund, its management and operations.

##### **c) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Hon.CleophasOmbogo	CECM-Finance and Economic Planning
2	CPA, Denis Simiyu	Chief Officer- Finance and Economic Planning
3	Michael Ogola	Director- Finance and Economic Planning
4	CPA. Geoffrey Ochieng	Head of Accounting Services
5	Denis Simiyu	Accountant- Finance and Economic Planning

**d) Registered Offices**

P.O. Box 803-40600  
Siaya County Headquarters  
Siaya, KENYA

**e) Fund Contacts**

Telephone: (254) 792 631 619

E-mail: [inf@siaya.go.ke](mailto:inf@siaya.go.ke)

Website: [www.siaya.go.ke](http://www.siaya.go.ke)

**f) FundBankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Faulu Bank Limited  
P.O Box 60240-40600  
NAIROBI

**g) Independent Auditors**

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

**h) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

## **SIAYA COUNTY EMERGENCY FUND**

### **Reports and Financial Statements**

**For the year ended June, 30<sup>th</sup> 2021**

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## **2. BOARD/FUND CHAIRPERSON'S REPORT**

I have the pleasure of presenting the Quarterly Report and Financial Statements for the year ended 30<sup>th</sup> June 2021. During the quarter under review, the board discharged its mandate as stipulated in the Siaya County Emergency Fund Act, 2020. I'm pleased to report that the board was able to achieve all the targets set for the financial year. Siaya County Emergency Fund was created by the Siaya County Emergency Fund Act, 2020. The purpose of the Fund is to enable payments to be made when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority.

A disaster-emergency condition generates extensive damage and destruction to life or property. These events may lead to overwhelming social and physical disruption of functioning of society or community and overwhelms their sources of the affected community or country to provide a timely and effective response to meet the needs of the situation. The emergency aspect of such an event requires immediate attention to alleviate threats to life, pain, distress, anxiety and the destruction to the environment. The County's disaster profile is dominated by droughts, fires, floods, diseases and epidemics that disrupt people's livelihoods, destroy the infrastructure, divert planned use of resources, interrupt economic activities and retard development.

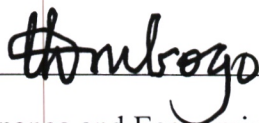
Our progressive Constitution has provided for devolution, not only of functions but also of resources, under county governments. In this regard, the county governments are the first point of response to calamities such as drought, fires, flood diseases and accidents. It is with this in mind that we need to work together and take far-reaching measures that can ensure long-term food security.

Our recent accomplishments in the past include management of fires in various schools for example in Maranda High school, provision of financial aid to the gold mine rescue team and families and provision of financial aid to school fire Accident.

While our achievements are substantial, they are still insufficient. I laud the Government's move to institutionalise the Disaster Management as a risk financing instrument and, therefore, appeal for fast-tracking of its operationalisation.

In a bid to entrench the gains made thus far, the Board also commits to a collective institutional resolve to adhere to our core values of integrity and accountability, responsiveness to vulnerable groups and participatory approaches in executing our mandate.

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



CECM-Finance and Economic Planning

### **3. REPORT OF THE FUND ADMINISTRATOR**

I have the pleasure of presenting the end year Report and Financial Statements for the year ended 30<sup>th</sup> June 2021. During the year under review, the board discharged its ~~mid~~ ~~æ~~ as stipulated in the Siaya County Emergency Fund Act, 2020. I'm pleased to report that the board was able to achieve all the targets set for the financial year. Siaya County Emergency Fund was created by the Siaya County Emergency Fund Act, 2020. The purpose of the Fund is to enable payments to be made when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority

A disaster-emergency condition directly affect Kenya's socio-economic development due to their adverse impacts on various sectors such as food security, livestock, crop, water, education, energy, forestry, wildlife, health, nutrition, peace and security. In the last decade, droughts have become more frequent and severe. During the reporting period, there were no emergency cases reported within the county. In the past the county has reported certain cases such as School fires, Collapse of gold mines and Cases of flooding accident

To administer a comprehensive emergency/disaster programme in collaboration with stakeholders and in order to save lives, protect property and safeguard development gains the County has put in place certain standard operating procedures put in place such as ;

#### *Stakeholders Mapping*

Disaster management team will collaborate with all government ministries, UN agencies, KRCS, INGOs, NGOs, CBOs, FBOs, Communities, Private entities and foundations in Disaster Risk Management. A comprehensive list of stakeholders is annexed and will be reviewed from time to time.

#### *Capacity Building*

Capacity building is critical to performance and disaster management; it will equip disaster management personnel with necessary skills to save lives and reduce risks.

Disaster management team will collaborate with other entities to identify training needs for their staff in order to address them.

#### *Equipment Requirement*

To effectively and efficiently perform its mandate, the team will require tools, equipment, works and services as mentioned. The unit will from time to time hire/procure equipment and tools as per government approved procedures.

**SIAYA COUNTY EMERGENCY FUND**

**Reports and Financial Statements**

**For the year ended June, 30<sup>th</sup> 2021**

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**Budget**

The government through the relevant Ministries will fund the operations of the unit. The unit shall from time to time mobilize resources from stakeholders to address disaster risk management issues.

Despite our achievements, the fund suffered various challenges during the reporting period

- i. Delay in exchequer releases
- ii. Effect of covid-19 pandemic on County's economy
- iii. Overreliance in donor funding on implementation of key sector driving the economy
- iv. Limited capacity in disaster management and response

Additionally, coordination risk management for drought and flooding is curtailed by lack of information, specifically data on response interventions and issuance of warning by different stakeholders and the two levels of Government.

The Fund Administrator should sign the Fund Administrator report.

Signed: 

Michael Ogola



#### **4. CORPORATE GOVERNANCE STATEMENT**

##### **4.1. Role of Board of Directors**

The Board of Directors is responsible for governance of the Fund and accountable to the County Assembly to ensure compliance with the law and best practices in ensuring increase in stakeholder values, and satisfying them as confirmed in the presented financial statements.

The Directors attach great importance to the need to conduct the business and operations of the Authority with integrity, professionalism and in accordance with the generally accepted international corporate practice.

The Board's responsibilities include:

- i. Formulate policies to achieve its mandate.
- ii. Provide strategic direction, leadership and oversight to the Secretariat.
- iii. Undertake such activities as may be necessary for the discharge of its functions and the exercise of its powers.

##### **4.2. Board Meetings**

The Board and its committees met five times during the financial year. The calendar of the meetings is circulated well in advance, while meeting invitations to Board members are sent out two weeks in advance.

##### **4.3. Board Committees**

The Authority has four committees in line with the Code of Governance for County Public funds (Mwongozo) guidelines namely;

- i. Human Resource Management Committee
- ii. Finance Committee
- iii. Audit Committee
- iv. Technical Committee

The Board committees consider management reports ahead of the full Board. This allows for in-depth consideration of issues to enable decision-making of the full Board. After scrutiny, the specific committee present sits report and recommendations to the full Board for consideration.

## **SIAYA COUNTY EMERGENCY FUND**

### **Reports and Financial Statements**

**For the year ended June, 30<sup>th</sup> 2021**

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The committee has the following duties and responsibilities as directed by the Board:

- a. Review the funds' annual work plans and associated budgets prepared by management and submit them to the Board for approval.
- b. Ensure that allocation of resources is aligned to the priority areas identified within the Strategic Plan.
- c. Coordinate and collaborate with other stakeholders in management of all emergencies and disasters in Kenya
- d. Review quarterly financial reports submitted by management and submit the same to the Board for discussion and adoption.
- e. Provide general direction in budgeting matters of the fund.
- f. Advise the CEO and the Board on financial management approaches that serve to enhance internal controls in order to improve efficiency, transparency and accountability.
- g. Review major audit issues raised by both internal and external auditors.
- h. Periodic reviews of the adequacy of management procedures with regard to issues relating to risk management control and governance.
- i. Review special audits/ investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency brought to the committee's attention by the fund's management and present to the Board for discussion and direction
- j. Review major audit issues raised by both internal and external auditors.
- k. Periodic reviews of the adequacy of management procedures with regard to issues relating to risk management, control and governance.
- l. Review special audits/investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency brought to the committee's attention by the funds' management and present to the Board for discussion and direction.
- m. Identification, development and implementation of strategic initiatives, programmes and projects, and resource mobilisation for these.
- n. Technical issues concerning the drought status, including early warning information, food security assessments, and response.

There is great hope that the fund and its standard operating procedures developed will be useful in providing strategic, operational and tactical guidelines in management of emergencies/ disasters in Kenya. We will commit to ensure diligence and accountability to the authorities and to the public while delivering the critical services.

**5. MANAGEMENT DISCUSSION AND ANALYSIS**

The budgetary allocation in the FY 2021/2022 the Siaya County Emergency Fund was Kshs 80,000,000.00

**Payments**

The Siaya County Emergency Act, 2020 provides for urgent and unforeseen need for expenditure arises for which there is no specific legislative authority. From the allocation as per the budget of Kshs 80,000,000 the Actual Expenditure within the period was Kshs.231, 557, 979.47

**Receipt**

The fund had receipt of Kshs.236, 000,000.

**6. 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 Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

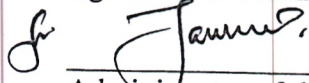
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year Ended 30<sup>th</sup> June, 2021. This responsibility includes: (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 *(quote the applicable legislation establishing the County Public Fund)*. 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 Ended 30<sup>th</sup> June, 2021, 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 \_\_\_\_\_ 2021 and signed on its behalf by

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

DIRECTOR OF FINANCE  
FINANCE & ECONOMIC PLANNING  
COUNTY GOVERNMENT OF SIAYA  
Date.....

# REPUBLIC OF KENYA



*Enhancing Accountability*

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON SIAYA COUNTY EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of Siaya County Emergency Fund set out on pages 13 to 43, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Siaya County Emergency Fund as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Siaya County Emergency Fund Act, 2020.

### **Basis for Adverse Opinion**

#### **1. Non-Emergency Expenditure in the Fund**

The statement of financial performance reflects an amount of Kshs.231,557,979 under general expenses which, as disclosed in Note 8 to the financial statements, includes amounts spent in acquisition of non-current assets as shown below:

	<b>Particulars</b>	<b>Amount (Kshs.)</b>
1.	Construction of buildings	49,551,333
2.	Refurbishment of buildings	7,008,917
3.	Office furniture and household equipment	7,217,000
4.	Purchase of medical equipment	459,900
	<b>Total</b>	<b>64,237,150</b>

No justification was provided for failure to disclose the expenditure under acquisition of assets. In addition, the details of the buildings constructed and refurbished were not provided for audit review neither was the location of the furniture and equipment disclosed for purposes of physical verification.

Further, the entire expenditure of Kshs.231,557,979 did not have any payment sanctioned by the County Executive Committee as relating to emergency in line with the Siaya County Emergency Act, 2020. The expenditure was mainly normal operations expenditure.

In the circumstances, the accuracy, completeness and validity of the emergency expenditure could not be confirmed.

#### **2. Unsupported Expenditure**

The statement of financial performance reflects an expenditure of Kshs.231,557,979 in respect of general expenses. However, expenditure totalling to Kshs.33,680,108 was not supported with payment vouchers and other relevant documentation as detailed below:

	<b>Details</b>	<b>Amounts (Kshs.)</b>
1.	Fuel costs	1,801,960
2.	Specialized materials	23,300,558
3.	Hospitality	8,577,590
	<b>Total</b>	<b>33,680,108</b>

In addition, Kshs.1,750,000 was paid to Kenya Veterinary Vaccines Production Institute (KEVEVAPI) for supply of foot and mouth disease vaccine. However, a distribution list for the vaccines and details on how the beneficiaries were identified were not provided for audit review.

In the circumstances, the propriety of the expenditure of Kshs.33,680,108 could not be confirmed.

### **3. Unsupported Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.4,442,020 as disclosed in Note 11 to the financial statements. However, a bank confirmation certificate in support of the balance was not provided for audit review. Further, the bank reconciliation statement for the month of June, 2022 reflects unrepresented payments amounting to Kshs.2,075,749 which have no payee details or when the amounts cleared.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.4,442,020 could not be confirmed.

### **4. Errors in Presentation of the Financial Statements**

Review of the financial statements and notes to the financial statements revealed that Notes 1, 3, 4, 5, 6, 7, 9, 10, 12, 13, 14, 15, 16, 17, 18, 19 and 20 do not support the financial statements and are therefore not relevant as they do not reflect any amounts. In addition, the face of the financial statements reflects Note 7 as describing general expenses while general expenses are itemized at Note 8 to the financial statements.

In the circumstances, the financial statements have not been presented as required by the reporting template prescribed by the Public Sector Accounting Standards Board (PSASB).

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

## **Key Audit Matters**

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

## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.100,000,000 and Kshs.236,000,000 respectively, resulting to over-funding of Kshs.136,000,000 or 136% of the budget. Similarly, the statement reflects total actual expenditure of Kshs.231,557,979 against approved budget of Kshs.100,000,000 resulting to over-expenditure of Kshs.131,557,979 or 132% of the budget. No plausible explanation was provided for the material over-funding and over-expenditure as required by the reporting template prescribed by the Public Sector Accounting Standards Board (PSASB).

In the circumstances, the over-funding and over-expenditure may be an indication that the budgeting process was not properly executed.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

The financial statements of the Fund for the financial year ended 30 June, 2021 were submitted for audit on 30 September, 2022, one year later, contrary to the provisions of Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

#### **2. Failure to Prepare and Operationalize the Fund's Regulations**

The Siaya County Emergency Fund was enacted through an Act of the County Assembly on 7 July, 2020. However, Management is yet to prepare and operationalize the Regulations contrary to Section 12 of the Act, which requires the County Executive Member to make regulations for the better carrying out of the provisions of this Act.

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

### **3. Irregular Award of Tender**

Management tendered for supply and delivery of various sanitary items and kitchen appliances and paid Kshs.7,291,920. However, review of the procurement evaluation process revealed that the tender was awarded to the highest bidder instead of the lowest bidder who quoted Kshs.5,916,480. There was no justification of awarding the tender to the highest bidder. Further, kitchen appliances cannot be classified as emergency payments.

In the circumstances, public funds were not spent in a lawful and effective manner.

### **4. Irregular Procurement of Items**

The statement of financial performance reflects an expenditure of Kshs.231,557,979 in respect of general expenses. As disclosed in Note 8 to the financial statements, the amount includes Kshs.21,757,262 relating to hospitality services, out of which Kshs.1,250,000 was incurred on emergency related items. Although the expenditures were above the threshold for low value procurement method, Management procured the above goods and services directly through cash purchases contrary to Section 92 of the Public Procurement and Asset Disposal Act, 2015 which recommends other procurement methods where the threshold for low value procurement method is exceeded.

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

### **5. Failure to Set Aside Retention Monies**

The statement of financial performance reflects Kshs.231,557,979 in respect to general expenses which, as disclosed in Note 8 to the financial statements, includes Kshs.7,008,917 and Kshs.49,551,333 in respect of refurbishment of buildings and construction of buildings respectively. Examination of related payment vouchers indicated that retention monies amounting to Kshs.940,891 was deducted but no funds were set aside and deposited in the bank to pay contractors upon expiry of the defect liability period. This was contrary to Regulation 96 (3) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the County Government deposits or exchequer releases to County Government entities by the County Treasury shall be deposited in the County Treasury single account or sub-accounts and shall form part of cash balances of these accounts.

In the circumstances, it was not possible to confirm how the Fund will settle retention amounts when they fall due.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Lack of Internal Audit Review**

During the year under review, the Fund did not carry out an internal audit review of its activities contrary to Regulation 153(1)(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Internal Auditor to review the effectiveness of the financial and non-financial performance management systems of the entities.

In the absence of reviews by the internal audit unit, effectiveness of internal control and risk management of the Fund could not be confirmed.

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

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

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**12 May, 2023**

**SIAYA COUNTY EMERGENCY FUND**  
**Reports and Financial Statements**  
**For the year ended June, 30<sup>th</sup> 2021**

**8. FINANCIAL STATEMENTS**

**8.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE , 2021**

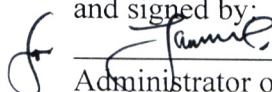
	Note	2020/2021	2019-2020
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	
Transfers from the County Government	2	236,000,000.00	
Fines, penalties and other levies	3	-	
<b>Revenue from exchange transactions</b>			
Interest income	4	-	
Other income	5	-	
<b>Total revenue</b>		<b>236,000,000.00</b>	
<b>Expenses</b>			
Fund administration expenses	6	0	
General expenses	7	231,557,979.47	
Finance costs	8	0	
<b>Total expenses</b>		<b>231,557,979.47</b>	
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	9	0	
<b>Surplus/( deficit) for the period</b>		<b>4,442,020.53</b>	

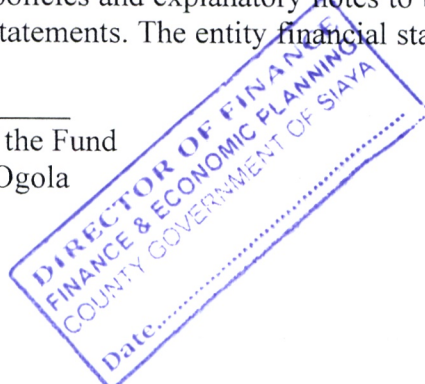
**SIAYA COUNTY EMERGENCY FUND**  
**Reports and Financial Statements**  
**For the year ended June, 30<sup>th</sup> 2021**

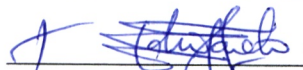
**8.2. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2021**

	Note	2020/2021	2019-2020
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	4,442,020.60	
Current portion of long term receivables from exchange transactions	11	-	
Prepayments	12	-	
Inventories	13	-	
<b>Non-current assets</b>			
Property, plant and equipment	14	-	
Intangible assets	15	-	
Long term receivables from exchange transactions	11	-	
<b>Total assets</b>		<b>4,442,020.60</b>	
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	16	-	
Provisions	17	-	
Current portion of borrowings	18	-	
Employee benefit obligations	19	-	
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	19	-	
Long term portion of borrowings	18	-	
<b>Total liabilities</b>		<b>-</b>	
<b>Net assets</b>		<b>4,442,020.60</b>	
Revolving Fund		-	
Reserves		-	
Accumulated surplus		4,442,020.53	
<b>Total net assets and liabilities</b>		<b>4,442,020.53</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 \_\_\_\_\_ 2021 and signed by:

  
 Administrator of the Fund  
 Name: Michael Ogola



  
 Fund Accountant  
 Name: Denis Simiyu

**SIAYA COUNTY EMERGENCY FUND****Reports and Financial Statements****For the year ended June, 30 2021****8.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30<sup>TH</sup> JUNE 2021**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2019</b>	0			
Surplus/(deficit) for the period	-			
Funds received during the year	-			
Revaluation gain	-			
<b>Balance as at 30 June 2020</b>	-			
<b>Balance as at 1 July 2020</b>	<b>0</b>			
Surplus/(deficit) for the period	4,442,020.53			
Funds received during the year	-			
Revaluation gain	-			
<b>Balance as at 31st March 2022</b>	<b>4,442,020.53</b>			

**SIAYA COUNTY EMERGENCY FUND**  
**Reports and Financial Statements**  
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**8.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2021**

	Note	2020/2021	2019-2020
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1	-	
Transfers from the County Government	2	236,000,000.00	
Interest received		-	
Receipts from other operating activities			
<b>Total Receipts</b>		<b>236,000,000.00</b>	
<b>Payments</b>			
Fund administration expenses	6	-	
General expenses	8	231,557,979.47	
Finance cost	9	-	
<b>Total Payments</b>		<b>231,557,979.47</b>	
<b>Net cash flows from operating activities</b>	25	<b>4,442,020.53</b>	
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		0	
Proceeds from sale of property, plant and equipment		0	
Proceeds from loan principal repayments		0	
Loan disbursements paid out		0	
<b>Net cash flows used in investing activities</b>		<b>0</b>	
<b>Cash flows from financing activities</b>		<b>4,442,020.53</b>	
Proceeds from revolving fund receipts		0	
Additional borrowings		0	
Repayment of borrowings		0	
<b>Net cash flows used in financing activities</b>		<b>0</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,442,020.53</b>	
Cash and cash equivalents at 30th June, 2020		-	
<b>Cash and cash equivalents at 30 June 2021</b>		<b>4,442,020.53</b>	

**SIAYA COUNTY EMERGENCY FUND****Reports and Financial Statements****For the year ended June, 30 2021****8.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE QUARTER ENDED 30<sup>TH</sup> JUNE 2021**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022	2022	2022	2022	2022	2022
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	0	0	0	0	0	0
Transfers from County Govt.	100,000,000.00	-	100,000,000.00	236,000,000.00	(136,000,000.00)	236.00
Interest income						
Other income						
<b>Total income</b>	<b>100,000,000.00</b>	<b>-</b>	<b>100,000,000.00</b>	<b>236,000,000.00</b>	<b>(136,000,000.00)</b>	<b>236.00</b>
Expenses						
Fund administration expenses	-	0	-			
General expenses	100,000,000.00	0	100,000,000.00	231,557,979.47	(131,557,979.47)	231.56
Finance cost	-	0	-			
<b>Total expenditure</b>	<b>100,000,000.00</b>	<b>0</b>	<b>100,000,000.00</b>	<b>231,557,979.47</b>	<b>(131,557,979.47)</b>	<b>231.56</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,442,020.53</b>	<b>(4,442,020.53)</b>	

**Budget notes***There were no changes between original and final budget*

**8.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Statement of compliance and basis of preparation**

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

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

**2. Adoption of new and revised standards**

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

Standard	Impact
<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 are covered purely under Public Sector combinations as amalgamations.

**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:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> June 2021:</b> 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 cashflows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <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> </ul>

**SIAYA COUNTY EMERGENCY FUND**  
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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <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 management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 30<sup>th</sup> June 2021</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>

**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 2020/2021 was approved by the County Assembly on 30<sup>th</sup> June, 2021. 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. Accordingly, the Fund recorded additional appropriations of onthe FY 2020/2021 budget following the governing body's approval.

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 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 cashflows 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.

***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.

**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.

**11. 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.

**12. 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)**

**13. 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.

**14. 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.

**15. 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.

**16. Comparative figures**

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

**17. Events after the reporting period**

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

**18. Ultimate and Holding Entity**

The entity is a County Public Fund established by Siaya County Emergency fund Acyt,2020 under the County Government of Siaya. Its ultimate parent is the County Government of Siaya.

**19. Currency**

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

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

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

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

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

**Estimates and assumptions** – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**Useful lives and residual values**

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

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

**Provisions**

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

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

**SIAYA COUNTY EMERGENCY FUND**  
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**For the year ended June, 30<sup>th</sup> 2021**

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

**21. Financial risk management**

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

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

**a) Credit risk**

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
<b>At 30 June 2022</b>				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
<b>Total</b>				
<b>At 30 June 2020</b>				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
<b>Total</b>				

**SIAYA COUNTY EMERGENCY FUND****Reports and Financial Statements****For the year ended June, 30<sup>th</sup> 2021****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The entity has significant concentration of credit risk on amounts

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

**b) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2022</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
<b>Total</b>				
<b>At 30 June 2021</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
<b>Total</b>				

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

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

		Other currencies	Total
	KShs	KShs	KShs
<b>At 30 June 2020</b>			
Financial assets			
Investments			
Cash			
Debtors/ receivables			
<b>Liabilities</b>			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

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

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
<b>2022</b>			
Euro	10%		
USD	10%		
<b>2021</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 entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

*Management of interest rate risk*

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

*Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs (2019: KShs ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs (2018 – KShs )

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

**d) Capital risk management**

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

	2021	2020
	KShs	KShs
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>		

**8.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

Description	2020/2021	2019/2020
	KShs	KShs
Donation from development partners	0	
Contributions from the public	0	
<b>Total</b>	<b>0</b>	

**2. Transfers from County Government**

Description	2020/2021	2019-2020
	KShs	KShs
Transfers from County Govt. – operations	236,000,000.00	
Payments by County on behalf of the entity	-	
<b>Total</b>	<b>236,000,000.00</b>	

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

Description	2021/2022	2020/2021
	KShs	KShs
Late payment penalties	0	
Fines	0	
<b>Total</b>	<b>0</b>	

**4. Interest income**

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	0	
Interest income from car loans	0	
Interest income from investments	0	
Interest income on bank deposits	0	
<b>Total interest income</b>	<b>0</b>	

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**5. Other income**

Description	2020/2021	2019/2020
	KShs	KShs
Insurance recoveries	0	
Income from sale of tender documents	0	
Miscellaneous income	0	
<b>Total other income</b>	<b>0</b>	

**6. Fund administration expenses**

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 7)	0	
Loan processing costs	0	
Professional services costs	0	
Administration fees	0	
<b>Total</b>	<b>0</b>	

**7. Staff costs**

Description	2020/2021	2019/2020
	KShs	KShs
Salaries and wages	0	
Staff gratuity	0	
Staff training expenses	0	
Social security contribution	0	
Other staff costs	0	
<b>Total</b>	<b>0</b>	

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

**8. General expenses**

Description	2020/2021	2019-2020
	KShs	KShs
Consumables	4,687,528.00	
Electricity and water expenses	9,000,000.00	
Fuel and oil costs	4,801,959.70	
Insurance costs	-	
Postage	-	
Printing and stationery	-	
Specialised Material	119,238,366.76	
Construction of Building	49,551,333.00	
Rental costs	-	
Security costs	-	
Advertisement and Telecommunication	4,669,546.00	
Hospitality	21,757,261.50	
Motor vehicle maintenance	3,166,167.71	
Refurbishment of Building	7,008,916.80	
Office furniture and Household Equipment	7,217,000.00	
Purchase of Medical Equipment	459,900.00	
Depreciation and amortization costs	-	
Other expenses	-	
<b>Total</b>	<b>231,557,979.47</b>	

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

**9. Finance costs**

Description	2020/2021	2019/2020
	KShs	KShs
Interest on Bankoverdrafts	0	
Bank Charges	0	
Interest on loans from banks	0	
<b>Total</b>	<b>0</b>	

**10. Gain/(loss) on disposal of assets**

Description	2020/2021	2019/2020
	KShs	KShs
Car loan account	0	
County mortgage account	0	
Fixed deposits account	0	
On – call deposits	0	
Current account	0	
Others	0	
<b>Total cash and cash equivalents</b>	<b>0</b>	

**11. Cash and cash equivalents**

Description	2020/2021	2019-2020
	KShs	KShs
Car loan account	-	
County mortgage account	-	
Fixed deposits account	-	
On – call deposits	-	
Current account	4,442,020.60	
Others	-	
<b>Total cash and cash equivalents</b>	<b>4,442,020.60</b>	

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

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

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

Financial institution	Account number	2020/2021 KShs	2019-2020 KShs
<b>a) Fixed deposits account</b>			
Central Bank Of Kenya	1000468677	4,422,967.20	
<b>Sub- total</b>		<b>4,422,967.20</b>	
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	
Siaya County Emmegency Faulu	1010825462	19,053.30	
<b>Sub- total</b>		<b>19,053.30</b>	
<b>c) Current account</b>			
Kenya Commercial bank		-	
Bank B			
<b>Sub- total</b>		<b>-</b>	
<b>d) Others(specify)</b>			
Cash in transit		-	
Cash in hand		-	
M Pesa		-	
<b>Sub- total</b>		<b>-</b>	
<b>Grand total</b>		<b>4,442,020.50</b>	

**12. Receivables from exchange transactions**

Description	2020/2021 KShs	2019-2020 KShs
<b>Current Receivables</b>		
Interest receivable	0	0
Current loan repayments due	0	0
Other exchange debtors	0	0
Less: impairment allowance	0	0
<b>Total Current receivables</b>	<b>0</b>	<b>0</b>
<b>Non Current receivables</b>		
Long term loan repayments due	0	0
<b>Total Non- current receivables</b>	<b>0</b>	<b>0</b>
<b>Total receivables from exchange transactions</b>	<b>0</b>	<b>0</b>

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

**13. Prepayments**

Description	2020/2021	2019-2020
	KShs	KShs
Prepaid rent	0	0
Prepaid insurance	0	0
Prepaid electricity costs	0	0
Other prepayments(specify)	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**14. Inventories**

Description	2020/2021	2019-2020
	KShs	KShs
Consumable stores	0	0
Spare part sand meters	0	0
Catering	0	0
Other inventories(specify)	0	0
<b>Total inventories at the lower of cost and net realizable value</b>	<b>0</b>	<b>0</b>

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

**15. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
<b>At 1<sup>st</sup> July 2017</b>					
Additions					
Disposals					
Transfers/adjustments					
<b>At 30<sup>th</sup> June 2018</b>					
<b>At 1<sup>st</sup> July 2018</b>					
Additions					
Disposals					
Transfer/adjustments					
<b>At 30<sup>th</sup> June 2019</b>					
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2017					
Depreciation					
Impairment					
<b>At 30<sup>th</sup> June 2018</b>					
<b>At 1<sup>st</sup> July 2018</b>					
Depreciation					
Disposals					
Impairment					
Transfer/adjustment					
<b>At 30<sup>th</sup> June 2019</b>					
<b>Net book values</b>					
<b>At 30<sup>th</sup> June 2018</b>					
<b>At 30<sup>th</sup> June 2019</b>					

**SIAYA COUNTY EMERGENCY FUND****Reports and Financial Statements****For the year ended June, 30<sup>th</sup> 2021****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****16. Intangible assets-software**

Description	2020/2021	2019-2020
	KShs	KShs
<b>Cost</b>		
At beginning of the year	0	
Additions	0	
At end of the year	<b>0</b>	
<b>Amortization and impairment</b>		
At beginning of the year	0	
Amortization	0	
At end of the year	0	
Impairment loss	0	
At end of the year	<b>0</b>	
NBV		

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

Description	2020/2021	2019-2020
	KShs	KShs
Trade payables	0	
Refundable deposits	0	
Accrued expenses	0	
Other payables	0	
<b>Total trade and other payables</b>	<b>0</b>	

**18. Provisions**

Description	2020/2021	2019-2020
	KShs	KShs
Trade payables	0	
Refundable deposits	0	
Accrued expenses	0	
Other payables	0	
<b>Total trade and other payables</b>	<b>0</b>	

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

**19. Borrowings**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	0	0	0	0
Non-current benefit obligation	0	0	0	0
<b>Total employee benefits obligation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

	2021/2022	2020/2021
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'organisation'		
Sterling Pound denominated loan from 'organisation'		
Euro denominated loan from organisation'		
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Borrowings from other government institutions		
<b>Total balance at end of the year</b>		

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

Description	2020/2021	2019-2020
	KShs	KShs
Short term borrowings(current portion)		
Long term borrowings		
<b>Total</b>		

**SIAYA COUNTY EMERGENCY FUND****Reports and Financial Statements****For the year ended June, 30<sup>th</sup> 2021****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****20. Employee benefit obligations**

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

**21. Cash generated from operations**

	2021/2022	2020/2021
	KShs	KShs
<b>Surplus/ (deficit) for the year before tax</b>		
<b>Adjusted for:</b>		
Depreciation		
Amortisation		
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>		

**22. Related party balances****a) Nature of related party relationships**

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

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

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

**b) Related party transactions**

	2020/2021	2019-2020
	KShs	KShs
Transfers from related parties'		
Transfers to related parties		

**c) Key management remuneration**

	2020/2021	2019-2020
	KShs	KShs
Board of Trustees		
Key Management Compensation		
<b>Total</b>		

**d) Due from related parties**

	2020/2021	2019-2020
	KShs	KShs
Due from parent Ministry		
Due from County Government		
<b>Total</b>		

**e) Due to related parties**

	2020/2021	2019-2020
	KShs	KShs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
<b>Total</b>		

**23. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	2020/2021	2019-2020
	KShs	KShs
Court case xxx against the Fund		
Bank guarantees		
<b>Total</b>		

*(Give details)*

**SIAYA COUNTY EMERGENCY FUND**

**Reports and Financial Statements**

**For the year ended June, 30<sup>th</sup> 2021**

**9. 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.

