

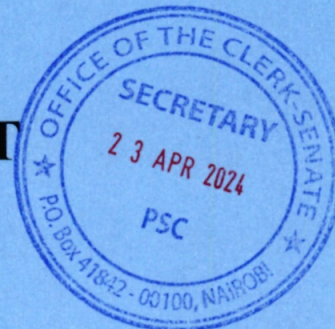
REPUBLIC OF KENYA



Enhancing Accountability

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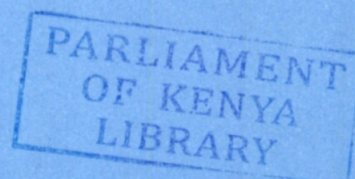
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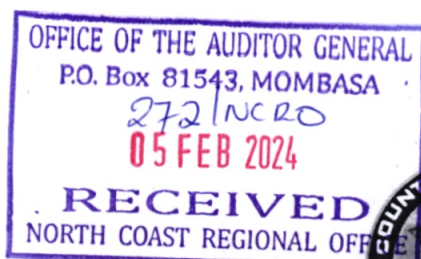
THE AUDITOR-GENERAL

ON



**TANA RIVER COUNTY CLIMATE
CHANGE FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**



TANA RIVER COUNTY CLIMATE CHANGE FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023

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

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Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

2. Key Entity Information and Management

a) Background information

The Tana River County Climate Change Fund is established by and derives its authority and accountability from Tana River County Climate Change Fund Act, 2021 on 1st November, 2021. The Fund is wholly owned by the County Government of Tana River and is domiciled in Kenya.

The fund's objective is to provide funding for climate change activities identified in the County climate change action plan and county climate finance framework and for connected purposes.

The Fund's principal activities are-climate resilience assessments, implementation of climate change response projects proposed by ward planning committees and approved by the planning committee, climate change research and knowledge management in the County, conduct public education, sensitisation and awareness creation on climate change and its impacts and any other activity, projects and interventions recommended by the planning committee and approved by the steering committee.

Principal Activities

The principal activity/mission/ mandate of the Fund is to provide funding for climate change activities identified in the County climate change action plan and county climate finance framework and for connected purposes.

b) Fund Administration Committee

Ref	Name	Position
1	H.E Mahat Loka	Chairperson
2	Mathew Babwoya	Secretary
3	Brenda Mokaya	Member
4	Mwanajuma Hiribae	Member
5	Joshua Jarha	Member
6	Beatrice Hidavu	Fund Administrator

c) Key Management Steam

Ref	Name	Position
1	Beatrice Hidavu	Fund Accountant
2	Abdullahi Omar Said	
3	Kuso Hussein Kuso	Assistant Director Climate Change

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Key Entity and Management (Continued)

d) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

SN	Position	Name
1	Directorate Internal Audit	CPA Charles Njuguna

e) Registered Offices

P.O. Box 29 - 70101
 Trade Building
 Posta Road
 Hola, KENYA

f) Fund Contacts

Telephone: (254) 0723455097
 E-mail: tanarivercounty.go.ke
 Website: www.tanarivercounty.go.ke

g) Fund Bankers

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
P.o box 100 - 70101
Hola

Key Entity and Management (Continued)

h) Independent Auditors

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

i) Principal Legal Adviser

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

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

3. Fund Steering Committee

Name	Details of qualifications and experience
1. H.E Mahat Loka 	Holds a Degree I Business Management from the University of East African University Currently serving as the Deputy Governor of Tana River and Chairperson of the Steering Committee
2. Mathew Babwoya 	Holds Masters in Economics, Bachelor of Arts in Economics, Certified Public Accountant I Currently Serving as CECM Environment & Climate Change and the secretary to the Steering Committee.
3. Brenda Mokaya 	Holds MBA Finance , Certified Public Accountant of Kenya finalist and a member of ICPAK Currently serving as the CECM Finance and Economic Planning

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

4. Mwanajuma Hiribae 	42 years old , Hold Bsc Mathematics. She is currently the serving CECM Laads & Physical Planning and acting County Secretary.
5 Joshua Jarha 	Born in 1958. Holds Bsc Mathematics and Statistics Currently serving as CECM Department of Health
6 Beatrice Hidavu 	Was born on 23/06/1984 schooled at Mau Mau Girls sec school from the year 1999 -2002 A holder of CPA SEC IV Accountant attached to the depatmebt of PSMA

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

4. Management Team

Name	Details of qualifications and experience
1. Abdullahi Omar Said 	Was born on 06/11/1972. Hold bachelor in Bsc Environmental Health, Diplomain Environmental Health Science Currently serves as the Director of Climate Change
2. Beatrice Hidavu 	Was born on 23/06/1984 schooled at Mau Mau Girls sec school from the year 1999 -2002 A holder of CPA SEC IV Accountant attached to the depatmebt of PSMA
3. Kuso Hussein Kuso 	Holds a Bachelor in Environmental Health Science. Currently serving as an Assistant Director in the Department of Environment and Climate Change
<i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i>	

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Fund Chairperson's Report

During the financial year ended 30th June 2023, the Fund expected to receive Kshs. 72 Million from the County Exchequer. However as at the closure of the financial year the Fund received Kshs. 61 Million out of which Kshs. 11 Million was for recurrent expenditure and Kshs. 50 Million being development expenditure on climate change projects.

During the year the a steering committee to oversee the management of the fund was established comprising of 14 members. Key responsibilities of the steering committee as per the Tana River County Climate Change Fund regulations, 2023 include among others; Mobilization of funds and resources for climate change response projects approved by the planning committee, approve budget estimates of the Fund for each financial year, approve financial statements of the fund prepared by the Fund administrator before they are presented for audit.

The Fund also managed to train Climate Change Unit (CCU) staff whose main mandate is to sensitise citizens on climate change issues.

In the year 2023-2024 the Fund has laid out strategies to help combat climate change effects as per the approved strategic plan.

Name MAGAT WAKA Signature [Signature] Date 1-9-2023

Chairperson of the Board/Fund

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

6. Report of The Fund Administrator

During the financial year ended 30th June 2023, the Fund expected to receive Kshs.72 Million from the County Exchequer. However as at the closure of the financial year the Fund received Kshs.61 Million out of which Kshs.11 Million was for recurrent expenditure and Kshs.50 Million being development expenditure on climate change projects.

During the year the a steering committee to oversee the management of the fund was established comprising of 14 members. Key responsibilities of the steering committee as per the Tana River County Climate Change Fund regulations, 2023 include among others; Mobilization of funds and resources for climate change response projects approved by the planning committee, approve budget estimates of the Fund for each financial year, approve financial statements of the fund prepared by the Fund administrator before they are presented for audit.

The Fund also managed to train Climate Change Unit (CCU) staff whose main mandate is to sensitise citizens on climate change issues.

In the year 2023-2024 the Fund has laid out strategies to help combat climate change effects as per the approved strategic plan.



Abdullahi Omar

Fund Administrator

7. Statement of Performance Against the County Fund's Predetermined Objectives

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Fund as per the strategic plan for FY 2022/2023 are to:

Prevent disasters occurrences, Prepare and stockpiling for the preparations towards disasters; mitigate the effects of disasters and Timely response to disasters

Progress on the attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Provision of Mortgage facilities to all members of staff	To ensure all staff have access to Mortgage facilities	Number mortgages successfully applied	% of staff taking Mortgage facilities	During FY ,20 Members of staff accessed the facility and were able build their own houses
Program 2	Objective	outcome	indicator	Performance

8. Corporate Governance Statement

Tana River County is prone to a myriad disaster risks and hazards such as droughts, floods, conflicts, human and Livestock disease epidemics among others. The most common hazards experienced in the county are associated with geographical and climatic conditions, which include Drought and Floods. Floods occur seasonally while droughts are periodic and cyclic in nature. The occurrence of Conflict on the other hand has been largely associated with competition over scarce and diminishing resources. Other hazards such as fires and mass casualty accidents are rare events but potentially highly destructive when they occur. The occurrence of disasters leads to disruption of the communities' livelihoods, loss of human and animal lives, and destruction of infrastructures and diversion of planned use of resources at the county for use to respond to these disasters.

Insufficient funding for disaster risk management and lack of proper planning has led to far reaching economic and social consequences, which in turn has affected economic growth of the county of Tana River and negated the gains achieved as well as the efforts by the County Government to eradicate poverty and better the lives of the County residents.

The County Government plays a key role in the strategic planning and management of disaster risk and response management. To this end, it is imperative for the County to develop an effective and efficient policy framework for disaster management which focuses on suitable preparedness and response to disasters as part of county planning mechanism and to facilitate effective and timely response to disasters.

This policy recognizes the existing infrastructures for disaster management at the County and provides an inclusive and harmonized system for disaster risk management at the County. The policy outlines elaborate strategies, institutions and funding mechanisms for various interventions for reducing disasters risk through enhanced participation of all stakeholders. It also lays the foundation for effective and better coordination of the stakeholders involved in managing disaster risks at the County. Further the policy sets out standardized functions of various County agencies on disasters and provides linkages with various state and non-state actors in disaster risk management.

The implementation of this policy will assist in establishing a seamless and well-coordinated disaster risk management systems and process that will ensure timely and efficient planning and response to disasters and help in saving lives, protecting livelihoods, infrastructures and the environment and build resilient communities and institutions.

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Appointment of members of the Tana River County Climate Change Management Fund Committees took place within the period.

The Committee held a number of meetings on different places including Malindi and at the Governor's residence

Management Discussion and Analysis

After a long discussion with the committee members, the committee agreed to undertake the following payments as a way of Capacity building and ensure smooth running of office operations.

1. Acquisition of office furniture worth kshs. 900,000/=
2. Committee Allowances worth 1,499,900

Environmental and Sustainability Reporting

To protect and improve the environment and natural resources for the people Tana River County and Kenya, through environmental awareness, execution of laws and regulations, social contribution and strengthening initiatives for sustainable environmental and natural resources management

1. Sustainability strategy and profile

2. Tana River County Government through its mission statement aims to ensure effective and accountable leadership, promote just, democratic and secure environment and establish strong governance institutions to empower citizens, for the achievement of socio-economic development. It aims to realise a democratic political system founded on issue-based politics, respect to the rule of law and protection of the rights and freedoms of every individual espousing principle of good governance by advocating for integrity, transparency, accountability, devolution of power and sustainability in implementation of all development programmes and projects.

3. Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

The purpose of the Tana River County Climate Change Act is meant to address the growing environmental and mitigation of climate change. This will protect the environment for the current and future generations and progressively strive to meet the realization of the right to healthy and clean environment.

The key interventions the county will focus on are:

- Increasing forest cover
- Control of air, land and water pollution.
- Management and conservation of environment and natural resources
- Law enforcement on climate change mitigations
- Control of noise pollution
- Control and management of sand harvesting

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

9. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are

Results

The results of the Fund for the year ended June 30, 2023 are set out on the Financial Statement provided

Trustees

The members of the Board of Trustees who served during the year are shown on pages of this Statement.

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 were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board

MACCAT LOKA
.....

Chair of the Board/Fund Administration Committee

Date: 1-9-2023

The overriding policy goal is to entrench the rights to clean and healthy environment, which is sustainable and renewable. The policy goal is to enhance climate resilience through development, management, implementation, regulation and monitoring of adaptation and mitigation measures and actions.

4. Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

5. Market place practices

The county Government of Tana River has operationalized e-procurement through Integrated Financial Management Information System (IFMIS) to enhance transparency and accountability in procurement process from procurement planning, requisition, sourcing and payment, e-transparency, competitively and in a cost-effective manner. IFMIS e-procurement module is linked to an n item master, which has indicative prices for all commonly used items to ensure that there are no price inflations by procuring entities thus enhancing value for money.

Further e-procurement has inbuilt approvals at all levels of the procurement process to enhance checks, controls and accountability.

Apart from increasing efficiency in service delivery due to competition, transparency and lower transaction costs-procurement system is designed to enable the government increase and monitor government procurement opportunities to the preference groups, including women, youth and differently abled persons.

6. Corporate Social Responsibility / Community Engagements

Under corporate social responsibility, the department has been doing community engagements and public participations at all levels.

The Climate Change Committees formed across all the fifteen wards do community awareness programs especially in Disasters related matters.

10. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the Tana River County Climate Change Fund Act, 2021 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. 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 Tana River County Climate Change Fund Act, 2021. 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, 2023, 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. OR

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 30-8-2023 2023 and signed on its behalf by:

.....

Administrator of the County Public Fund

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON TANA RIVER COUNTY CLIMATE CHANGE FUND FOR THE YEAR ENDED 30 JUNE, 2023

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 Tana River County Climate Change Fund set out on pages 1 to 25, which comprise the statement of financial position as at 30 June, 2023 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 of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Tana River County Climate Change Fund as at 30 June, 2023, and 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 Tana River County Climate Change Act, 2021.

Basis for Adverse Opinion

1. Presentation and Disclosures in the Financial Statements

Review of the financial statements of the Fund for the year under review revealed inaccuracies and presentation anomalies as follows:

- i. The statement of financial performance reflects transfers from the County Government totalling Kshs.72,000,000. However, the statement of comparison of budget and actual amounts reflects actual receipts of Kshs.61,000,000 resulting in unreconciled variance of Kshs.11,000,000.
- ii. The statement of financial position reflects trade and other payables from exchange transactions of Kshs.15,517. However, the payables were not supported by a disclosure note to the financial statements. In addition, the statement reflects a balance of Kshs.70,500,100 in respect of total net assets and liabilities which when recomputed gives a balance of Kshs.70,515,617.
- iii. The statement of financial position reflects current portion of long-term receivables from exchange transactions amounting to Kshs.11,000,000. However, the amount was not supported by a list and ageing analysis of the receivables.
- iv. The statement of comparison of budget and actual amounts reflects actual revenue of Kshs.11,000,000 in respect of transfers from County Government. However, the actual amount received was Kshs.61,000,000 resulting in unexplained and unreconciled variance of Kshs.50,000,000. In addition, the performance difference for general expenses of Kshs.18,940,100 varies with the recomputed performance difference of Kshs.18,955,617 by Kshs.15,517.
- v. The annual financial reporting guidelines and template issued by the Public Sector Accounting Standards Board (PSASB) requires an entity to provide an explanatory comment on budget against actual which is below 90% of actual performance. However, no explanations were provided for such variances. In addition, there was no explanation on whether changes between the original and final budget were as a result of reallocations within the budget or other causes.

In the circumstances, the accuracy and completeness of the annual report and financial statements could not be confirmed.

2. Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.58,615,617 as further disclosed in Note 3 to the financial statements. The balance includes Kshs.50,000,000 held at a commercial bank. However, the balance was not supported by a cash book maintained for the account during the year or a reconciliation of cashbook and bank balances as at 30 June, 2023.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.58,615,617 could not be confirmed.

3. Unsupported and Irregular Expenditure on Use of Goods and Services

The statement of financial performance reflects expenditure on use of goods and services totalling Kshs.1,499,900. However, the amount was wrongly described as committee allowances in Note 2 to the financial statements. Further, the expenditure includes Kshs.382,500 spent on procurement of fuel, which was not supported by detail orders, fuel registers, receipts, and motor vehicle work tickets. In addition, the expenditure on use of goods and services includes Kshs.150,000 spent on hiring of public address system which was not supported with receipts and evidence of competitive bidding. Further, Kshs.103,000 spent on purchase of five hundred fifteen (515) brochures was not supported by receipts, invoice, delivery note and stores receipt and issue notes.

In the circumstances, the accuracy, completeness, and regularity of expenditure of Kshs.1,499,900 incurred on use of goods and services could not be confirmed.

4. Unsupported and Irregular Expenditure on Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.900,000, as detailed in Note 5 to the financial statements. The balance includes cost of furniture acquired during the year under review. The amount further includes Kshs.15,517 in respect of withholding tax on purchase of furniture which was not remitted to the Kenya Revenue Authority. In addition, the expenditure was not supported with an asset register entries. Further, the Fund assets were not tagged for ease of identification and ownership.

In the circumstances, the accuracy and completeness of the balance of Kshs.900,000 on purchase of property, plant and equipment could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Tana River County Climate Change 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects income budget of Kshs.22,000,000 and actual revenue on comparable basis of Kshs.11,000,000 resulting to revenue shortfall of Kshs.11,000,000 or 50% of the budget. Similarly, Management spent Kshs.2,384,383 against an approved budget of Kshs.22,000,000 resulting in under absorption of Kshs.19,615,617 or 89%. The underfunding and underperformance affected planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

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.

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 the Annual Report and Financial Statements

The annual report and financial statements were submitted to the Auditor General on 30 November, 2023, which was two (2) months after the statutory deadline, contrary to Regulation 51 of the Tana River County Climate Change Act, 2021 Regulation 34(2) of the Public Finance Management (Tana River County Climate Change Fund) Regulations, 2023 which provides that within three months after the end of each financial year, the Fund Administrator shall submit to the Auditor-General the accounts of the Fund in respect of that year.

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

2. Failure Disclose Available Funds for Climate Adaptation and Mitigation, and Climate Change Response Projects

During the year under review, Management did not provide a list of funds, circulated through the media or shared through a public gathering (baraza), available for climate adaptation and mitigation as well as a consolidated list of ongoing climate change response projects in the County contrary to Regulation 19 of the Public Finance Management (Tana River County Climate Change Fund) Regulations, 2023 which requires the Fund administrator to prior to the commencement of each financial year to prepare and circulate to the Steering Committee, the Planning Committee and the Ward Planning Committees a list of funds available for climate adaptation and mitigation in the county to guide planning of projects and to submit a consolidated list of ongoing climate change response projects in the County to the Steering Committee, the Planning Committee and the County Executive Committee Member for the time being in charge of the County Treasury.

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

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

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 governance were not effective.

Basis for Conclusion

Lack of Risk Management Policy and Strategy

During the year under review, the Fund did not have a risk management policy, strategies, and risk register to mitigate against risk. It was, therefore not clear what would guide Management and Fund employees in case of risk exposures.

In the circumstances, the existence of a strong and effective risk management strategies 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 the Fund Administration Committee

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 Fund Administration Committee is responsible for overseeing 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 ability of the Fund 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 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 March, 2024

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

12. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From the County Government	1	72,000,000	-
			-
Total Revenue		72,000,000	-
Expenses			
Use of goods and services	2	1,499,900	-
Total Expenses		1,499,900	-
Other Gains/Losses			
Gain/Loss on Disposal of Assets		-	-
Gain /Loss on fair value of investments		-	-
Surplus/(Deficit) for the Period		70,500,100	-

(The notes set out on pages xxx to xxx form an integral part of these Financial Statements)

.....
Name: **ABDULAH OMAR**
Administrator of the Fund

.....
Name: **BETRIACE** *HIDATU*
Fund Accountant
ICPAK Member Number:

Tana River County Climate Change Fund
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13. Statement of Financial Position As at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	3	58,615,617.25	-
Current Portion of Long- Term Receivables From Exchange Transactions	4	11,000,000	-
Total current assets		69,615,617.25	-
Non-Current Assets			
Property, Plant and Equipment	5	900,000	-
Total non- current assets		900,000	-
Total Assets		70,515,617.25	-
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	6	15,517.25	-
Total current liabilities		15,517.25	-
Non-Current Liabilities			
Long Term Portion of Borrowings		-	-
Total Liabilities		15,517.25	-
Net Assets		70,500,100	-
Revolving Fund		-	-
Reserves		-	-
Accumulated Surplus		70,500,100	-
Total Net Assets and Liabilities		70,500,100	-

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 1-9-2023 2023 and signed by:

.....
 Name: ABDULLAH OMAR
 Administrator of the Fund

.....
 Name: BEATRICE HIDAWE
 Fund Accountant
 ICPAK Member Number:

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement Of Changes in Net Assets for the year ended 30th June 2023

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	-	-	-	-
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Transfers	-	-	(-)	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	-	-	-	-
Balance As At 1 July 2022	-	-	-	-
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	72,000,000	72,000,000
Transfers	-	-	(1,499,900)	(1,499,900)
Revaluation Gain	-	-	-	-
Balance As At 30 June 2023	-	-	70,500,100	70,500,100

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15. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the county government	1	61,000,000	-
Total receipts		61,000,000	-
Payments			
Fund administration expenses		-	-
General expenses	2	1,499,900	-
Finance cost		-	-
Total payments		1,499,900	-
Net cash flows from operating activities		59,500,100	-
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Purchase of office furniture	5	(884,482.75)	
Loan disbursements paid out		(-)	(-)
Net cash flows used in investing activities		(884,482.75)	(-)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Repayment of borrowings		(-)	(-)
Net cash flows used in financing activities		(-)	(-)
Net increase/(decrease) in cash & cash Equivalents		58,615,617.25	(-)
Cash and cash equivalents at 1 July		-	-
Cash and cash equivalents at 30 June		58,615,617.25	-

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

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16. Statement Of Comparison Of Budget And Actual Amounts For The Period

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers From County Govt.	11,000,000	11,000,000	22,000,000	11,000,000	11,000,000	50%
Other Income	-	-	-	-	-	
Total Income	11,000,000	11,000,000	22,000,000	11,000,000	11,000,000	
Expenses						
Fund Administration Expenses	330,000	330,000	660,000	-	(660,000)	-
General Expenses	10,670,000	10,670,000	21,340,000	2,384,382.75	(18,940,100)	11.2%
Finance Cost	-	-	-	-	(-)	
Total Expenditure	11,000,000	11,000,000	22,000,000	2,384,382.75	(19,600,100)	
Surplus For the Period	-	-	-	8,615,617.25		
Capital expenditure	50,000,000	-	50,000,000	-	-	

Budget notes

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

17. Notes to the Financial Statements

1. General Information

Tana River County Climate Change Fund entity is established by and derives its authority and accountability from Tana River County Climate Change Act, 2021. The entity is wholly owned by the Tana River County Government and is domiciled in Kenya. The entity's principal activity is dealing with climate mitigation.

2. 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.

3. Adoption of new and revised standards

- (i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

Standard	Effective date and impact
IPSAS 41: Financial Instruments	Applicable: 1st January 2023 The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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;

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <i>(State the impact of the standard to the Entity if relevant)</i>
IPSAS 42: Social Benefits	Applicable: 1st January 2023 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: (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <i>(State the impact of the standard to the Entity if relevant)</i>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023 a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. <i>(State the impact of the standard to the Entity if relevant)</i>
Other improvements to IPSAS	Applicable 1st January 2023 • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <i>State the impact of the standard to the Entity if relevant</i>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>State the expected impact of the standard to the Entity if relevant</i>

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <i>State the expected impact of the standard to the Entity if relevant</i>

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

4. Significant Accounting Policies

a) 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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022-2023 was approved by the County Assembly on xxxx. 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 Kshs.11,000,000 on the FY 2022-2023 supplementary 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.

Tana River County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

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 xxx of these financial statements.

c) 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.

d) 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.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(entity to amend appropriately)* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate). A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) 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.

h) 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.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

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Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) 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.

m) 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.

Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) 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.

q) 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.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. 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.

a) 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.

b) 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

c) Provisions

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

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

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

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6. Notes To The Financial Statements

1. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	72,000,000	-
Payments By County On Behalf Of The Entity	-	-
Total	72,000,000	-

2. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Committee Allowances	1,499,900	-
Bank Charges	-	-
Total	1,499,900	-

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42

3. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Account	58,615,617.25	-
Others (<i>Specify</i>)	-	-
Total Cash And Cash Equivalents	58,615,617.25	-

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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	2022-2023	2021-2022
		Kshs	Kshs
a) Current Account			
Central Bank OF Kenya	1000591463	8,615,617.25	-
Kenya Commercial Bank Ltd	1312883324	50,000,000	-
Grand Total		58,615,617.25	-

4. Receivables from exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
Current Portion of Long- Term Receivables From Exchange Transactions	11,000,000	-
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
Total Current Receivables	11,000,000	-
Non-Current Receivables		
Long Term Loan Repayments Due	-	-
Total Non- Current Receivables	-	-
Total Receivables From Exchange Transactions	11,000,000	-

Notes to the Financial Statements Continued

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Notes To The Financial Statements (Continued)

5. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2021	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
At 1st July 2022	-	-	-	-	-
Additions	-	-	900,000	-	900,000
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2023	-	-	900,000	-	900,000
Depreciation And Impairment	-	-	-	-	-
At 1st July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
At 1st July 2022	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June 2023	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
At 30th June 2023	-	-	900,000	-	900,000

Notes To The Financial Statements (Continued)

6. 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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

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

Notes To The Financial Statements (Continued)

b) 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:

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June (Current FY)			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
Liabilities			
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.

Notes To The Financial Statements (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.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
(Current FY)			
Euro	10%	-	-
USD	10%	-	-
(Comparative FY)			
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 xxx (2022: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (2021 – Kshs xxx).

Notes To The Financial Statements (Continued)

c) 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:

Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	%	%

7. Events after the reporting period

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

8. Ultimate and Holding Entity

The entity is a County Public Fund established by Tana River County Climate Change Act, 2021 under the Department of Environment and Climate Change. Its ultimate parent is the County Government of Tana River.

9. Currency

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

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18. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Fund responsible for implementation of each issue.
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Fund Manager/Accounting Officer (enter title of head of Fund)

Date.....1-9-2023.....

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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		



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Annex IV: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

