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REPORT

OF

THE AUDITOR-GENERAL

ON

KIAMBU COUNTY EMERGENCY FUND

FOR THE YEAR ENDED
30 JUNE, 2020

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COUNTY GOVERNMENT OF KIAMBU

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

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KCG/FEP//16/01/VCL.I/113

15th January, 2021

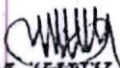
The Auditor General
P.O Box 30084-00100
NAIROBI

20 JAN 2021

RECEIVED

RE: REVISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

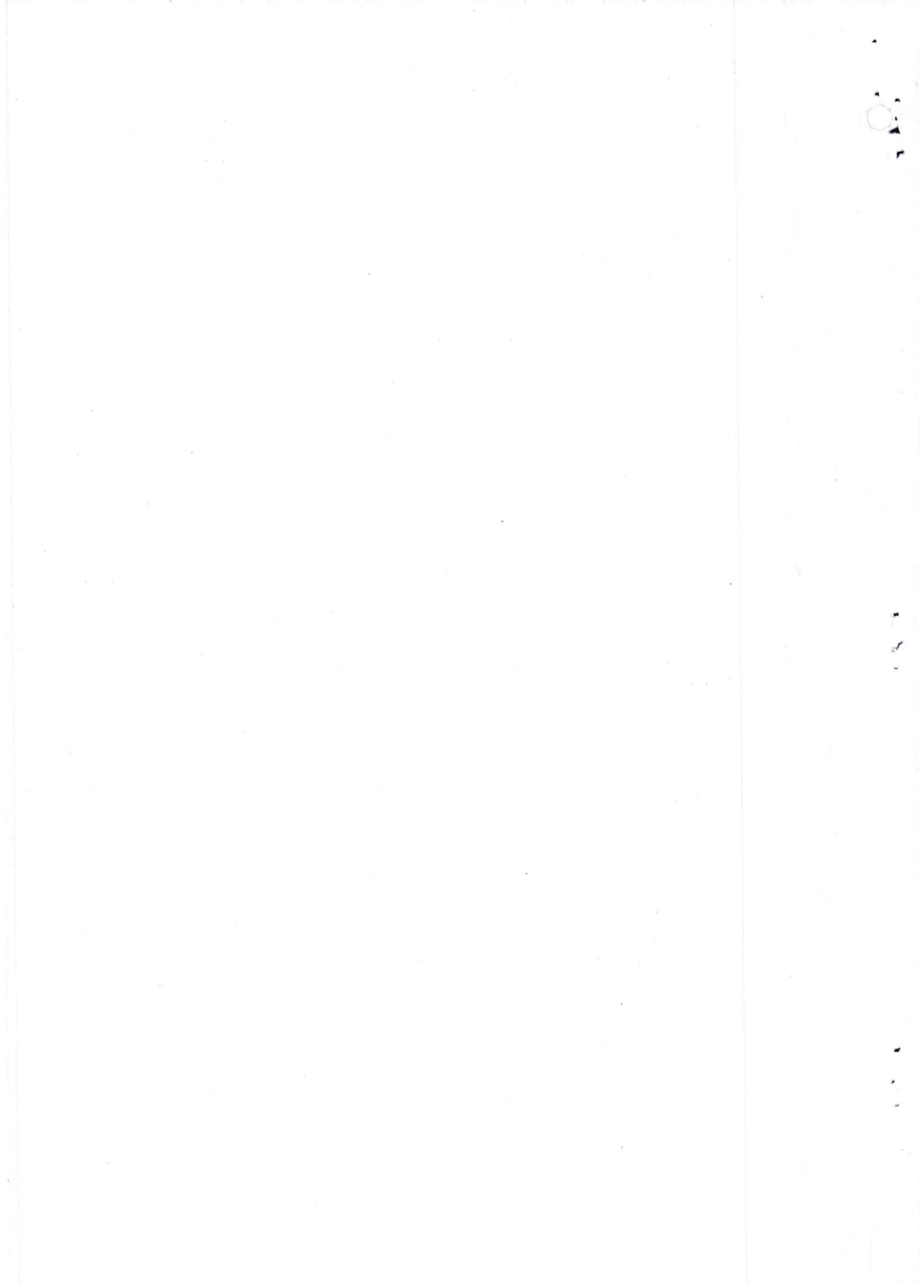
Pursuant to Section 167 of the Public Financial Management Act 2012, find enclosed the Fund Accounts (**Kiambu County Emergency Fund**) for the period 1st July, 2019 to 30th June, 2020 for your necessary action.


WILLIAM KINYANJUI KIMANI
CHIEF OFFICER - FINANCE & ECONOMIC PLANNING

Copies to:

Controller of Budget
CEO- Commissioner on Revenue Allocation
Principal Secretary – National Treasury
Clerk – Kiambu County Assembly
County Secretary & Head of Public Service

Ends



OFFICE OF THE ATTORNEY GENERAL
CENTRAL OFFICE

20 JAN 2021

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T.O. No. 267-1010

Revised Template June 2020



**KIAMBU COUNTY GOVERNMENT
(EMERGENCY FUND)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Kiambu County Emergency Fund
Reports and Financial Statements
For the year ended June 30, 2020

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**Kiambu County Emergency Fund
Reports and Financial Statements
For the year ended June 30, 2020**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Kiambu County Emergency Fund is established by and derives its authority and accountability from Fund Act (PFM Act 2012 sec.110-115)on(2013). The Fund is wholly owned by the County Government of Kiambu and is domiciled in Kenya.

The fund's objective is to enable payments to be made in respect of a county when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority.

The Fund's principal activity is to assist kiambu county residents financially incase of emergencies. example fire victims

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to alleviate kiambu county residents from unforeseen emergencies effects. e.g fire victims, medical bills

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1		
2		
3		
4		
5		

d) Key Management

Ref	Name	Position
1	Wilson Mburu Kang'ethe	Fund Administrator/CEC Finance
2	Martin Njogu Mbugua	County Secretary ;Signatory
3	Peter Mugacha	Accountant
4		
5		

Kiambu County Emergency Fund
Reports and Financial Statements
For the year ended June 30, 2020

e) Registered Offices

P.O. Box 2344-00900
Kiambu, KENYA

f) Fund Contacts

Telephone:(254) 0675858141
E-mail: info@Kiambu.go.ke
Website: www.kiambu.go.ke

g) FundBankers

Cooperative Bank of Kenya
Kiambu Branch
Kenya

h) Independent Auditors

Auditor General
Kenya National Audit Office
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

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

The fund has no trustee

**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S
 PREDETERMINED OBJECTIVES**

Introduction

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 entity 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.



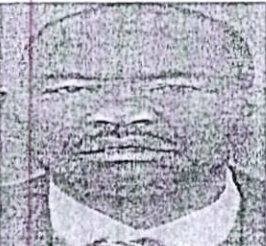
The key development objective of the Kiambu County Government Entity's 2018-2022 CIDP is to increase financial assistance to fire victims and medical bills assistance:

- a) Provide financial assistance incase of unforeseeable calamities.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Finance & Economic Planning	To enable payments to be made in respect of a county when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority	Increased financial assistance to fire victims	% of fire victims assisted	In FY 19/20 we decreased financial assistance due to lack of budget

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1.  Wilson Mburu Kang'ethe	Date of birth: 16 th June, 1961 MBA, BCOM, 28 years experience CEC Finance, ICT and Economic Planning
2.  Martin Mbugua Njogu	Date of Birth 15 th May, 1968 PHD, Researcher and lecturer, Over 20 years experience County Secretary
3.  Peter Kinuthia Mugacha	Date of Birth: 1961 Internal Auditor Over 37 Years experience Accountant

5. BOARD/FUND CHAIRPERSON'S REPORT

The Kiambu County Fund Act 2013 was operationalized in 2013. It complies with the provisions of the PFM Act 2012 Sec. 110-115. The fund receives 0.5% of total county revenue estimates every Financial Year. The purpose of the Emergency Fund is to facilitate urgent and unforeseen cases occurring in the county and which expenditure has to be incurred despite the absence of a legislative authority or budgetary provisions.

The expenditure on the fund is managed by the Fund Administrator and is based on emergency requests received from affected departments of the County Government. Emergency Fund Committee approves the request subject to the provision of PFM Act 2012, and The Kiambu County Emergency Fund Act 2013

The expenditure incurred Resulted from the events that met the following criteria

- a) Payment not budgeted for cannot be delayed until a later financial year without harming the general public interest;
- b) Payment is meant to alleviate the damage, loss, hardship or suffering which maybe caused directly by the event; and
- c) The damage caused by the event is on a small scale and limited to the county

Signed: _____



Wilson Mburu Kang'ethe

CECM-finance and Economic Planning

6. REPORT OF THE FUND ADMINISTRATOR

Section 167 of the Public Finance Management Act, 2012 requires that ,at the end of each financial year, the Fund Administrator shall prepare financial statements for the fund of Government entities in accordance with the standards and formats prescribed by the public Sector Accounting Standards Board.

The Fund Administrator is responsible for the preparation and presentation of the 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, 2019. This responsibility includes (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the county government; (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 County Government; (v) making accounting estimates that are reasonable in the circumstances.

The Fund Administrator accepts responsibility for the fund's financial statements, which have been prepared on the accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Fund Administrator for Kiambu County Emergency Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transaction during the financial year ended June 30,2019, and of its financial position as at the date. The Fund Administrator further confirms the completeness of the accounting records maintained for the fund which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

The Fund Administrator confirms that the Fund has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Government's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Fund Administrator confirms that the fund financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the public sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Kiambu County Emergency Statements were approved and signed by the CEC-Finance and Economic Planning on 2020.

Signed: _____



Wilson Mburu Kang'ethe

7. CORPORATE GOVERNANCE STATEMENT

Emergency Fund has no Corporate governance statement

8. MANAGEMENT DISCUSSION AND ANALYSIS

The Kiambu County assembly fund Act, 2013 Section 3(3) The County assembly shall, in appropriating monies under subsection (2)(a) in each financial year ensure that the monies contained in the fund are 0.5% of the county 's budget. But during the financial year ended 30 June 2020, Approved budget provision was not allocated reducing the efficiency of the fund. Due to litigation matters indicated in summary 4 on budget information.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Community Engagements-

Emergency fund did not have CSR

10. REPORT OF THE TRUSTEES

The Emergency fund has no trustee

11. 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 on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *(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 year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on _____ 2020 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



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

REPORT OF THE AUDITOR-GENERAL ON KIAMBU COUNTY EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kiambu County Emergency Fund set out on pages 15 to 49, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Adverse Opinion

1.0 Erroneous Revenue Balance

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects balances described as balance brought forward amounting to Kshs.3,413,676 and Kshs.4,541,243.70 for the financial year 2019/2020 and 2018/2019 respectively. However, supporting documents including ledgers and movement schedules were not provided to support the balances.

Further, an amount of Kshs.3,413,676 is also reflected as surplus for the comparative period 2018/2019. It appears, therefore that the surplus realized in the previous years has been erroneously recognized and presented as revenue in these financial statements contrary to the reporting requirements under Accrual Basis of the International Public Sector Accounting Standards (IPSAS) number 1.

Consequently, the accuracy and completeness of the Kshs.3,413,676 on revenue for the year ended 30 June, 2020 could not be ascertained.

2.0 Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balances of Kshs.95,797 and Kshs.3,413,677 relating to 2019/2020 and 2018/2019 respectively. However, the corresponding Note 12 to the financial statements reflects balances of Kshs.3,413,677 and Kshs.4,541,244 respectively resulting in unexplained and unreconciled variances of Kshs.3,317,880 and Kshs.1,127,567.

In addition, bank reconciliation statements, cash books and bank statements were not provided to support the balances.

Consequently, the accuracy and completeness of cash and cash equivalents balances reflected in the financial statements could not be ascertained.

3.0 Statement of Changes in Net Assets

The statement of changes in net assets reflects revolving fund balances of Kshs.4,541,244. Kshs.3,413,677 and Kshs.95,797 as at 1 July, 2018, 1 July, 2019 and 30 June, 2020 respectively whose supporting documents and computation were not provided for audit. Further, the statement of financial position reflects Kshs.7,486,982 and Kshs.4,169,102 in respect to total net assets and liabilities for 2018/2019 and 2019/2020 respectively whose supporting documents were not provided for audit. In addition, Kshs.7,486,982 and Kshs.4,169,102 are not reflected in the statement of changes in net assets.

In addition, as reported previously, the statement of changes in net assets reflects a revolving fund balance of Kshs.3,413,677 and Kshs.95,797 as at 30 June, 2019 and 30 June, 2020 which is at variance with a nil balance shown in the statement of financial position. Further, the statement of changes in net assets reflects a nil surplus for the year, which is not in agreement with the Kshs.95,797 shown in the statement of financial performance for the year ended 30 June, 2019 and 30 June, 2020.

Consequently, the accuracy, validity and completeness of the statement financial statements for the year under review cannot be confirmed.

4.0 Long - Term Receivables from Exchange Transactions

The statement of financial position reflects current portion of long – term receivables from exchange transactions balance of Kshs.4,073,305, which has remained constant from previous year. Records made available indicate that the debt, which comprise advances of Kshs.3,073,305 to Kiambu Water Company and Kshs.1,000,000 to the Kiambu County Treasury, occurred in 2014 and 2015 respectively. However, the Fund's Management has not given steps being taken to recover these debts.

As a result, the recoverability of the current portion of the long-term receivables from exchange transactions of Kshs.4,073,305 as at 30 June, 2010 could not be confirmed.

5.0 Failure to Submit Financial Statements for 2013/2014 Financial Year

As previously reported, the Fund Administrator has not submitted to date the financial statements for 2013/2014 when the Fund was established.

Consequently, the accuracy and completeness of the opening balances as at 1 July, 2014 and subsequent years including 2019/2020 could not be ascertained.

6.0 Unsupported General Expenses

As disclosed in Note 8 to the financial statements, the statement of financial performance reflects Kshs.3,617,880 on general expenses which includes Kshs.3,600,000 (2018/2019-Kshs.1,100,000) on other expenses relating to the amounts disbursed to various beneficiaries who applied for assistance during the year. However, as previously reported, minutes of meetings and deliberations of the relevant committee regarding applications for assistance were not provided for audit review.

In view of the foregoing, the accuracy of the Kshs.3,600,000 for the year ended 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kiambu 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

Prior Year Issues

In the audit report of the previous year, several matters were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or explained its failure to report on the progress made in resolving the issues as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board (PSASB).

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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

Failure to Adhere to the Fund's Regulations

A review of documents revealed that the Fund Administrator/County Executive Member for Finance did not notify the County Assembly of any disbursements totaling Kshs.3,600,000 made during the year contrary to Section 9(1) of the Kiambu County Emergency Fund Act, 2013 which states that the County Executive Committee Member shall notify the County Assembly in writing within two months after payment is made out of the Fund.

Further, and as previously reported, the County Assembly did not appropriate any monies to the Fund in the financial year 2019/2020 contrary to Section 3(3) of the same Act which states that the County Assembly shall, in appropriating monies under subsection (2)(a) in each financial year, ensure that the monies contained in the Fund are 0.5 per cent of the County's budget.

In the circumstances, the Fund's Management breached 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

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 and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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

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 processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of Fund 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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 based on 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 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 the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the Fund's ability to 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 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

21 December, 2021

Kiambu County Emergency Fund
Reports and Financial Statements
For the year ended June 30, 2020

13. FINANCIAL STATEMENTS

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

	Note	2019/2020	2018/2019
		KShs	KShs
Bal b/f	2	3,413,676.00	4,541,243.70
Revenue from non-exchange transactions	1		
Public contributions and donations			
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	-	-
Other income	5	-	-
		-	-
Total revenue		3,713,676.00	4,541,243.70
Expenses			
Fund administration expenses	6	-	-
General expenses	8	3,617,880.00	1,127,567.00
Finance costs		-	-
Total expenses		-	-
Other gains/losses			
Gain/loss on disposal of assets	9		
Surplus/(deficit)for the period		95,796.70	3,413,676.00

The notes set out on pages 37 to49 form an integral part of these Financial Statements

Kiambu County Emergency Fund
Reports and Financial Statements
For the year ended June 30, 2020

13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	12	95,796.70	3,413,676.70
Current portion of long- term receivables from exchange transactions	13	4,073,305.00	4,073,305.00
Prepayments	12		
Inventories	13		
Non-current assets			
Property, plant and equipment	14		
Intangible assets	15		
Long term receivables from exchange transactions	11		
Total assets		4,169,101.70	7,486,981.70
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16		
Provisions	17		
Current portion of borrowings	18		
Employee benefit obligations	19		
Non-current liabilities			
Non-current employee benefit obligation	19		
Long term portion of borrowings	18		
Total liabilities			
Net assets			
Revolving Fund			
Reserves			
Accumulated surplus			
Total net assets and liabilities		4,169,101.70	7,486,981.70

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 _____ 2020 and signed by:



Administrator of the Fund
Name: Wilson Mburu Kang'ethe



Fund Accountant
Name: Peter Mugacha
ICPAK Member Number:

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

	Revolving Fund	Revaluation in Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	4,541,243.70			
Surplus/(deficit) for the period	-			
Funds received during the year				
Revaluation gain	-			
Balance as at 30 June 2019				
Balance as at 1 July 2019	3,413,676.70			
Surplus/(deficit) for the period				
Funds received during the year				
Revaluation gain	-			
Balance as at 30 June 2020	95,796.70			

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13.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations			
Transfers from the County Government			
Interest received			
Receipts from other operating activities			
Total Receipts			
Payments			
Fund administration expenses			
General expenses		(3,617,880.00)	(1,127,567.00)
Finance cost			
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21		
(Decrease) in Accounts Payable: (canceled payment)	23	300,000.00	
Net cash flows from operating activities		(3,317,880.00)	1,127,567.00
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets			
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments			
Loan disbursements paid out			
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from revolving fund receipts			
Additional borrowings			
Repayment of borrowings			

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Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		(3,317,880.00)	(1,127,567.00)
Cash and cash equivalents at 1 JULY	12	3,413,676.70	4,541,243.70
Cash and cash equivalents at 30 JUNE	12	95,796.70	3,413,676.70

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations						
Transfers from County Govt.	-	-	-	-	-	-
Interest income						
Other income						
Total income						
Expenses						
Fund administration expenses						
General expenses						
Finance cost						
Total expenditure						
Surplus for the period						

Budget notes

During the financial year there was no budget as indicated in summary 4 on budget information

13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 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 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: 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"> • 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;

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

c) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The budget for FY 2019/2020 was not presented for approval by the County Assembly. The county faced litigation in the constitutional matter James Gacheru Kariuki & 3 others v Attorney General and 11 others (2017)

In the matter, the court held that article 199(1) of the constitution imposed a mandatory obligation for all publication of county legislation in the Kenya Gazette or a supplement to the Kenya gazette and if was only through such publication that a county legislation could gain legitimacy .consequently ,the county government of kiambu was ordered to regularize the publication of all its county legislations in the Kenya gazette within 3 months failure to which such legislation shall lapse and be invalid.

The kiambu county Emergency Fund Act 2013 was not republished as per the court order and therefore became invalid

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 PFM Act 2012 (*state the legislation establishing the Fund public financial management*) under the Ministry of xxx. Its ultimate parent is the County Government of Kiambu.

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 .

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
At 30 June 2019				
Receivables from exchange transactions				
Receivables from non exchange transactions	4,073,305.00			
Bank balances	4,063,676.70			
Total	8,136,981.70			
At 30 June 2018				
Receivables from exchange transactions				
Receivables from non exchange transactions	4,073,305.00			
Bank balances	4,541,243.70			
Total	8,614,548.70			

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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
At 30 June 2019			
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.

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
2020			
Euro	10%		
USD	10%		
2019			
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 (2020: KShs). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2019– KShs)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019/2020	2018/2019
	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		

13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

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

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Balance B/F	3,413,676.70	4,541,243.70
Transfers from County Govt. – operations		-
Payments by County on behalf of the entity	-	-
Total	3,413,676.70	4,541,243.70

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties		
Fines		
Total		

4. Interest income

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

5. Other income

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries		
Income from sale of tender documents		
Miscellaneous income		
Total other income		

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)		
Loan processing costs		
Professional services costs		
Administration fees		
Total		

7. Staff costs

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages		
Staff gratuity		
Staff training expenses		
Social security contribution		
Other staff costs		
Total		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	17,880	27,567
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	3,600,000	1,100,000
Total	3,617,880	1,127,567

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

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

10. Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
	KShs	KShs
Property, plant and equipment		
Intangible assets		
Total		

11.

12. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Car loan account		
County mortgage account		
Fixed deposits account		
On – call deposits		
Current account	3,413,676.70	4,541,243.70
Others		
Total cash and cashequivalents	3,413,676.70	4,541,243.70

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2019/2020	2018/2019
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank			
Equity Bank, etc			
Sub- total			
b) On - call deposits			
Kenya Commercial bank			
Equity Bank – etc			
Sub- total			
c) Current account			
Cooperative Bank	01144371997200	95,796.70	4,063,676.70
Bank B			
Sub- total			
d) Others(specify)			
Cash in transit			
Cash in hand			
M Pesa			
Sub- total			
Grand total		95,796.70	4,063,676.70

13. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable		
Current loan repayments due		
Other exchange debtors	4,073,305	4,073,305
Less: impairment allowance		
Total Current receivables		
Non-Current receivables		
Long term loan repayments due		
Total Non- current receivables		
Totalreceivables from exchange transactions	4,073,305	4,073,305

Additional disclosure on interest receivable

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

14. Revenue from Non-Exchange transaction

	KShs	KShs
Description	2019/2020	2018/2019
	KShs	KShs
Transfer to County Executive	2,600,000	
Transfer to Fund		
Total receivables from non-exchange transactions	2,600,0 00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Prepayments

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

16. Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets-software

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

19. Trade and other payables from exchange transactions

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

20. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Borrowings

Description	2019/2020	2018/2019
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the period		
Repayments of domestic borrowings during the period		
Balance at end of the period		

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

	2019/2020	2018/2019
	KShs	KShs
External Borrowings		
Dollar denominated loan from organisation'		
Sterling Pound denominated loan from 'yyyorganisation'		
Euro denominated loan from organisation'		
Domestic Borrowings		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Borrowings from other government institutions		
Total balance at end of the year		

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. CHANGES IN RECEIVABLE

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

23. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 – 2020	2018 – 2019
	KShs	KShs
Accounts Payable as at 1 st July 2019 (A)	650,000,00	
Accounts Payable held during the year (B)		
Accounts Payable paid during the Year (C)	350,000.00	
Net changes in account receivables D= A+B-C	300,000.00	

24. 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				
Total employee benefits obligation				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Cash generated from operations

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

26. Related party balances

a) Nature of related party relationships

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'		
Transfers to related parties		

c) Key management remuneration

	2019/2020	2018/2019
	KShs	KShs
Board of Trustees		
Key Management Compensation		
Total		

d) Due from related parties

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry		
Due from County Government		4,073,305.00
Total		4,073,305.00

e) Due to related parties

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

27. Contingent assets and contingent liabilities

Contingent liabilities	2019/2020	2018/2019
	KShs	KShs
Court case against the Fund		
Bank guarantees		
Total		

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14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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

Guidance Notes:

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

