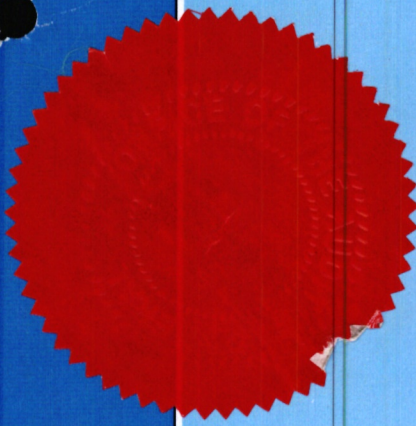
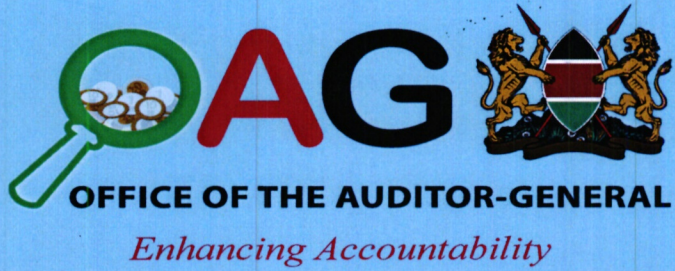


REPUBLIC OF KENYA

SCANNED



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COMMITTEE	←
CLERK AT THE TABLE	MR. INNOCENT MIBANI

REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

**TANA RIVER COUNTY
EMERGENCY FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**





TANARIVER COUNTY EMERGENCY FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022**

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

**Manana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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1.0 Key Fund Information and Management

1.1 Background information

Tana River County Emergency Fund is established by and derives its authority and accountability from The Public Finance Management Act, 2012 on 5th June, 2020. The Fund is wholly owned by the County Government of Tana River and is domiciled in Kenya.

The fund's objective is to enable payments to be made in respect of the 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;

- Capacity builds the staff and the community members in matters emergency
- Promote preparedness and initiate response to deal with emerging issues
- Evacuate, rescue and give relief to the victims of any hazard
- Avert danger, threat, risk, hazard or menace of any disaster
- Offer rehabilitative and reconstruction services to return to normalcy
- Mitigate, lessen, alleviate or reduce risk of any disaster or severity or consequences

During the year 2021/2022 the Tana River County Emergency Fund received Kshs. 132,165,375 of which Kshs. 128,200,413.75 was for carrying out the fund's activities and Kshs. 3,964,961.25 was for administration costs.







1.2 Principal Activities

The principal activity/mission/ mandate of the Fund is to ...



- Capacity builds the staff and the community members in matters emergency
- Promote preparedness and initiate response to deal with emerging issues
- Evacuate, rescue and give relief to the victims of any hazard
- Avert danger, threat, risk, hazard or menace of any disaster
- Offer rehabilitative and reconstruction services to return to normalcy
- Mitigate, lessen, alleviate or reduce risk of any disaster or severity or consequences

**Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

1.3 Fund Administration Committee

Ref	Directors	Details
1.	 H.E Dhadho Godhana Fund Chairman	Godhana Dhadho Gaddae is the 2nd and current governor of Tana River County in Kenya, in office since 22 August 2017
2.	 Jacob Jara County Secretary	Mr. Jacob Jara holds a BSc in arts. He has served as a County Secretary (2017-2022).
3.	 Mathew Babwoya Member	Mr. Mathew Babwoya is the CECM, Finance and Economic Planning, County Government of Tana River. He has represented other Heads of County Treasuries as the Chairperson of the Council of Governors Caucus of CECMs Finance, and is an active member at the Intergovernmental Budget and Economic Council, a national platform. He holds a Bachelor of Arts (Major in Economics) and a Master in Economics
4.	 Mohamed Dube CEC Public Service and Administration	Mr. Dube holds a BSc in development studies. He has served as a clerk in the county assembly (2013-2017) and also as a CECM in Water and Public Administration (2017-2022).
5.	 Hero Said Bwanamaka Chief Officer, Finance	Mr. Hero Bwanamaka holds a BSc in Accounting -Moi Campus and a CPA-K. He has served as a chief officer finance (2017-2022).
6.	Salma Makuru Chief Officer, Special Programs	Mrs. Makuru holds a BSc in Arts. She has served as a Chief Officer Special Programs (2017-2022)
7.	 Jonah Zealot	Mr. Zealot holds a BSc in Procurement. He has served as a director Procurement (2017-2022).

**Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Director Procurement		
8.	 Sakina Yusuf Accountant	<p>Born in 1986, Mrs. Sakina holds a Bachelor degree in BCom Finance and CPA (K). She is a registered member of ICPAK (No. 24428) and currently works as an accountant in Tana River County.</p>
9.	 William Jillo Managing Director- TAWASCO	<p>The Managing Director, TAWASCO was born in 1991 and holds a BSc. in Soil, Water & Environmental Engineering. He is a Registered Graduate Engineer with the Engineers Board of Kenya (B18737) and a Member of Institute of Engineers of Kenya (IEK).</p>

**Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

a) Registered Offices

P.O. Box 29, 70101
Tana River County Government
Headquarter
Hola, KENYA

b) Fund Contacts

Telephone: (254) 730626000
E-mail: info@tanariver.go.ke
Website: www.tanariver.go.ke

c) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Equity Bank Limited
P.O. Box 29-70101
County Headquarter
Hola, Kenya

d) Independent Auditors






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

e) Principal Legal Adviser




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

**Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

1.4 Fund Committee






10.	 H.E Dhado Godhana Fund Chairman	Fund Chairman
11.	 Jacob Jara County Secretary	Mr. Hero Bwanamaka holds a BSc in arts. He has served as a County Secretary (2017-2022).
12.	 Mathew Babwoya Member	Mr. Mathew Babwoya is the County Executive Committee Member, Finance and Economic Planning, County Government of Tana River. He has led a public finance management institution (a County Treasury), represented other Heads of County Treasuries as the Chairperson of the Council of Governors Caucus of CECMs Finance, and is an active member at the Intergovernmental Budget and Economic Council, a national platform. He holds a Bachelor of Arts (Major in Economics) and a Master in Economics
13.	 Mohamed Dube CEC Public Service and Administration	Mr. Dube holds a BSc in development studies. He has served as a clerk in the county assembly (2013-2017) and also as a CECM in Water and Public Administration (2017-2022).
14.	 Hero Said Bwanamaka Chief Officer, Finance	Mr. Hero Bwanamaka holds a BSc in Accounting -Moi Campus and a CPA-K. He has served as a chief officer finance (2017-2022).
15.	Salma Makuru Chief Officer, Special Programs	Mrs. Makuru holds a BSc in Arts. She has served as a Chief Officer Special Programs (2017-2022)

**Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

16.	 Jonah Zealot Director Procurement	Mr. Zealot holds a BSc in Procurement. He has served as a director Procurement (2017-2022).
17.	 Sakina Yusuf Accountant	Born in 1986, Mrs. Sakina holds a Bachelor degree in BCom Finance and CPA (K). She is a registered member of ICPAK (No. 24428) and currently works as an accountant in Tana River County.
18.	 William Jillo Managing Director- TAWASCO	The Managing Director, TAWASCO was born in 1991 and holds a BSc. in Soil, Water & Environmental Engineering. He is a Registered Graduate Engineer with the Engineers Board of Kenya (B18737) and a Member of Institute of Engineers of Kenya (IEK).

**Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

1.5 Management Team

1	 Mathew Babwoya Member	<p>Mr. Mathew Babwoya is the CECM, Finance and Economic Planning, County Government of Tana River. He has represented other Heads of County Treasuries as the Chairperson of the Council of Governors Caucus of CECMs Finance, and is an active member at the Intergovernmental Budget and Economic Council, a national platform. He holds a Bachelor of Arts (Major in Economics) and a Master in Economics</p>
2	 Hero Said Bwanamaka Chief Officer, Finance	<p>Mr. Hero Bwanamaka holds a BSc in Accounting -Moi Campus and a CPA-K. He has served as a chief officer finance (2017-2022).</p>
3	<p>Salma Makuru Chief Officer, Special Programs</p>	<p>Mrs. Makuru holds a BSc in Arts. She has served as a Chief Officer Special Programs (2017-2022)</p>
4	 Jonah Zealot Director Procurement	<p>Mr. Zealot holds a BSc in Procurement. He has served as a director Procurement (2017-2022).</p>
5	 Sakina Yusuf Accountant	<p>Born in 1986, Mrs. Sakina holds a Bachelor degree in BCom Finance and CPA (K), registered member of ICPAK (No. 24428) and currently works as an accountant in Tana River County.</p>
6	 William Jillo Managing Director- TAWASCO	<p>Born in 1991, Mr. Jillo and holds a BSc. in Soil, Water & Environmental Engineering. He is a Registered Graduate Engineer with the Engineers Board of Kenya (B18737) and a Member of Institute of Engineers of Kenya (IEK).</p>

2.0 Fund Chairperson's Report

Tana River County is rated as one of the poorest Counties in Kenya with 62% of total population living in absolute poverty due to different factors, such as historical and political marginalization, recurrent inter-ethnic conflicts, poor quality and access to social services, poor infrastructure, recurrent drought, climate change, insecurity and low literacy levels. This coupled with reducing food production experienced progressively, has led to food insecurity, malnutrition, poor health and high mortality rates of people during drought. Recovery from drought is a significant challenge because the impact of drought leaves household assets critically depleted. Therefore, the Emergency Fund was for drought management to increase the resilience levels of communities in the target areas and to promote early response to drought in order to minimize the losses of household assets.

2.1 Overview on Performance

Despite the limited financial resources due to low appeal coverage, the County Drought Response Committee agreed to prioritize on 4 programs;

1. Water trucking and distribution
2. Drilling and water supply projects
3. Hay Procurement
4. Food and Non-Food Items Procurement

2.2 Appreciation

We continue to enjoy incredible support and goodwill from diverse stakeholders and development partners. I would like to appreciate and most sincerely thank the Fund Committee for their selfless services. I also wish to note with appreciation the support extended to us by the National Drought Management Authority, Tana Water and Sanitation Company, Young Muslim Association and AMA.

We greatly value and appreciate this support and trust that we can continue to count on it in the future.

We look forward with the conviction that Tana River County will remain not just a place but a good place to be



.....

Name: Mathew Babwoya

Fund Administrator

3.0 Report of The Fund Administrator

I am delighted to present the report showing the performance of the Emergency Fund for the year 2021/22.

3.1 Water Supply Coverage

During the year, both the County Government and the National Drought Management Authority (NDMA) pledged to support the county mainly on the water and food assistance programmes.

Since there was an increased rate of water shortage, the County Government provided interventions in schools and the communities not targeted by NDMA.

3.2 Water Trucking

On water trucking, the government worked on fuel subsidy, and procured KShs. 12 million worth of fuel, in order to ease water trucking which was very expensive. 7 water bowsers and 2 trucks were repaired and 1 bowser offered to NDMA. The 6 water bowsers were distributed across the 3 sub counties. NDMA was also granted a waiver by Tana Water and Sanitation Company (TAWASCO) for any water issued at the Water Supply Station. The Fund paid KShs. 5 million to KPLC for TAWASCO to ensure continuous pumping of water without power cut outs. This also acted as a subsidy for TAWASCO to provide treated water for water trucking in the 3 sub counties.

The intervention was targeting affected communities, education and health institutions in Tana Delta, Tana River and Tana North sub-counties. **In total, 175,000 people, 30 health facilities and 30 schools were reached.**

3.3 Borehole Drilling Programs

The Fund initiated drilling and equipping programs at Ngao, Gururi, Lakole and Waldena to respond to the drought issue.

3.4 Water Storage Tanks

The Fund procured 30 PVC tanks (10,000ltrs) to be distributed to the areas lacking storage facilities across the county.

**Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

3.5 Delivery of Food and Non-Food Items

S/No	Activity	Expenditure (KShs)
1	Supply and Delivery of food (Rice and Beans)	52,950,000.00
2	Supply and deliver of animal feeds (Drought pellets)	17,940,000.00
3	Transportation of relief food from Nairobi	3,750,000.00
	TOTAL	74,640,000.00

3.6 Challenges

- i. Inadequate water storage facilities at community level.
- ii. Frequent mechanical breakdown of the water bowsers.
- iii. Poor road network in some needy areas.

The future of the Fund seems excellent assuming that the operating environment is improved. The Fund could grow to provide clean and safe water and to all major villages in the county. The key areas to focus on include;

- Capacity building
- Improving water supply reliability

Thank you.



.....
Name: Mathew Babwoya
Fund Administrator
Date: 30.08.2022

Tana River County Emergency Fund

Annual Report and Financial Statements for the year ended June 30, 2022

4.0 Statement of Performance Against the County Fund's Predetermined Objectives

Strategic Pillar	Objective	KPI	Activities	Achievements
Increase Water Supply Coverage in Financial Year 2021-22	100%	No. of boreholes/ water supplies implemented	<ol style="list-style-type: none"> 1. Drilling & equipping of Lakole borehole 2. Drilling & equipping of Ngao Borehole 3. Drilling and equipping of Gururi borehole 4. Waldena sand water supply 	100%
Increase storage capacity for villages in Financial Year 2021-22	30	No. of tanks distributed	<ol style="list-style-type: none"> i. Distribution of 30 No. (10,000Litres) PVC tanks across the county 	100%
Ensure water Pumping reliability at the water supply	100	No. of hours of pumping	<ol style="list-style-type: none"> i. Settle 5-Million TAWASCO's KPLC Bills 	
Increase access to clean and safe water	100%	Litres of fuel for water trucking	<ol style="list-style-type: none"> i. Procure 12-million worth of fuel for water trucking 	100%
Increase access to clean and safe water	100%	No. of bowsers repaired	Repair 7 water bowsers and 2 trucks	20%
To mitigate drought effects, reduce vulnerability and enhance adaptation to climate change	100%	No. of beneficiaries targeted	<ol style="list-style-type: none"> i. Procure Drought pellets 	100%
To mitigate drought effects, reduce vulnerability and enhance adaptation to climate change	100%	No. of beneficiaries targeted	<ol style="list-style-type: none"> 1. Procure Rice & beans 	100%

Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022

5.0 Corporate Governance Statement

Appointment of members of the Tana River County Emergency Fund Committee took place on 13th Aug, 2021, according to the Act.

The Committee has had meetings on the following dates:

- a. 3rd September, 2021
- b. 9th September, 2021
- c. 16th September, 2021
- d. 16th November 2021

Remuneration: The Committee members draw sitting allowances for the Committee meetings.

The rates are as prescribed by SRC as follows:

1. Chairman – KShs. 5000
2. Secretary – KShs. 4000
3. Members – KShs 4000
4. Secretariate – Kshs. 2000

Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022

6.0 Management Discussion and Analysis

i. Number of Beneficiaries Reached

The number of beneficiaries continued to increase steadily largely attributable to the 7 water bowsers and 2 trucks repaired.

Total Number of Beneficiaries

S/No	Activity	Expenditure (KShs)	Outcome
1	Purchase of fuel for water bowsers and food distribution	12,000,000.0	175,000 people reached
2	Payment of Electricity Bill for TAWASCO	5,000,000.0	
3	Supply, deliver, installation & commissioning of water tanks (30 No)	6,000,000.0	
	TOTAL	23,000,000.0	

7.0 Environmental and Sustainability Reporting

Tana River County Government exists to transform lives for Tana River residents. This is our main purpose; the driving force behind everything we do. Our vision is to be a peaceful, cohesive and prosperous county offering high quality of life to its residents. It is what guides us to deliver our strategy as highlighted below:

7.1 Sustainability strategy and profile

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.

7.2 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

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,

**Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

management, implementation, regulation and monitoring of adaptation and mitigation measures and actions.

7.3 Employee welfare

The County Government of Tana River always puts into consideration all the relevant laws, policies and guidelines during its recruitment process. These include; the constitution of Kenya (2010), the Employment Act (2007), County government Act (2012) and the County Public Service Human Resource Manual (2016). The constitution of Kenya (2010), Article 27(8) provides that affirmative action should be factored where the state is required to take legislative and other measures to ensure that no more than two-thirds of the members of elective or appointive bodies are of the same gender. This has been cascaded to the County Government recruitment processes. The County Government Act 2012 also envisages the principle of gender equality in County Government hiring process whereby we are happy to report that Tana River County has complied by having a ratio of 60% men and 40 % women in the public service.

To manage employee's skills and management career development, the County Government of Tana River has employed several strategies, which range from training, promotions, and performance management. The County Government of Tana River has put in place measures that foster employee's skills through local and international training opportunities based on the training needs/gaps in various departments. It has also utilized Kenya School of Government to train its employees various courses in management of public service. The County government of Tana River has rolled out a structured performance management process where the employees are required to sign performance contracts and appraisals in order to ensure that they are aware of their department's goals, objectives and evaluations done as stipulated in the draft performance management policy. Promotions are done regularly to motivate and help the employees in their career advancement. The County government of Tana River has adhered to the guidelines in the Occupational Safety and health Act (2007) (OSHA).

7.4 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

Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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.

7.5 Community Engagements

The county government of Tana River conducted citizen engagement included public participation in Annual Development Plan (ADP) Finance Bill, County Budget Review Outlook Paper (CBROP) and County fiscal Strategy Paper (CFSP). With the advent of covid-19 pandemic, the Directorate of Public Participation with relevant departments held weekly digital civic education forums across the county.

Wana River County Emergency Fund

Annual Report and Financial Statements for the year ended June 30, 2022

8.0 Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

8.1 Principal activities

The principal activities of the Fund are;

- Capacity builds the staff and the community members in matters emergency
- Promote preparedness and initiate response to deal with emerging issues
- Evacuate, rescue and give relief to the victims of any hazard
- Avert danger, threat, risk, hazard or menace of any disaster
- Offer rehabilitative and reconstruction services to return to normalcy
- Mitigate, lessen, alleviate or reduce risk of any disaster or severity or consequences

8.2 Results

The results of the Fund for the year ended June 30, 2022 are set out on page 1.

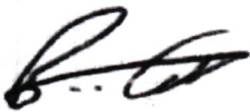
8.3 Trustees

The members of the Board of Trustees who served during the year are shown on page *ix*.

8.4 Auditors

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

By Order of the Board



Mathew Babwoya
Chair of the Board/Fund Administration Committee
Date: 30.08.2022

Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022

9.0 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 Emergency Fund 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, 2022. 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 *The Emergency Fund Regulation*. 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, 2022, 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.

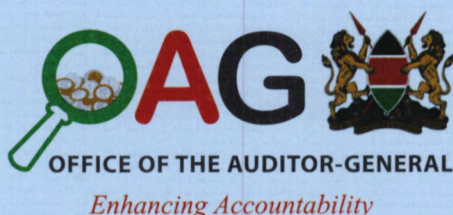
9.1 Approval of the financial statements

The Fund's financial statements were approved by the Board on 30th August 2022 and signed on its behalf by:



Mathew Babwoya
Administrator of the County Public Fund
Date: 30.08.2022

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 TANA RIVER COUNTY EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2022

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 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

Qualified Opinion

I have audited the accompanying financial statements of Tana River County Emergency Fund set out on pages 22 to 43, which comprise the statement of financial assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tana River County Emergency Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Tana River County Emergency Fund Regulations, 2020.

Basis for Qualified Opinion

1. Non-Compliance with the Prescribed Reporting Template

The financial statements prepared and submitted for audit contained guidance notes provided in the Annual Financial Reporting Template. In addition, Management did not provide a trial balance to support the balances presented in the financial statements.

In the circumstances, the financial statements do not conform to the Public Sector Accounting Standards guidelines.

2. Inaccuracies in the Financial Statements

The financial statements prepared and presented for audit had the following inaccuracies:

- i. The statement of changes in net assets included actual receipts and payments of Kshs.132,165,375 and Kshs.126,607,901 respectively under the revolving fund column and yet the operations of the Fund are not revolving in nature.
- ii. The statement of financial performance included a surplus for the year of Kshs.5,557,474 while the statement of changes in net assets reflected Kshs.Nil accumulated surplus balance.

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

3. Unsupported Fuel and Oil Costs

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects use of goods and services expenditure balance of Kshs.126,607,901 which includes the fuel and oil costs of Kshs.12,000,000. Review of records revealed that the expenditure was in respect of supply of fuel for water boozers and food distribution trucks through framework agreement. However, the payments were not supported with local purchase order (LPOs), detail orders and bulk fuel register. In addition, fuel worth Kshs.2,783,038 which is equivalent to 25,555 liters of diesel was not supported with work

tickets. Further, the delivery notes provided did not reflect the date fuel was drawn and the motor vehicle registration numbers.

In the circumstances, the accuracy, completeness and propriety of expenditure amounting to Kshs.12,000,000 on fuel for the year ended 30 June, 2022 could not be confirmed.

4. Unsupported Other Expenditure

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects use of goods and services expenditure balance of Kshs.126,607,901 which includes the other expenses of Kshs.108,758,081. The following unsupported expenditures were observed:

4.1 Unconfirmed Receipt and Distribution of Relief Food and Animals Feed

Included in other expenses of Kshs.108,758,081 is expenditure on relief food and animals' feeds of Kshs.74,640,000. However, Management did not provide for audit review inspection and acceptance committee report, counter receipt voucher (S13), stores ledger cards (S3), counter issue vouchers (S11), evidence of transportation to the beneficiaries and signed distribution schedules.

4.2 Supply, Delivery, Installation and Commissioning of Water Tanks

Included in other expenses of Kshs.108,758,081 is a payment to a local contractor of Kshs.6,000,000 towards supply, delivery, installation and commissioning of thirty (30) 10,000 litres water tanks. However, audit review revealed that only twenty (20) tanks were distributed to the beneficiaries and Management could not account for the remaining ten (10) water tanks.

In the circumstances, the occurrence, accuracy and completeness of expenditure of other expenses of Kshs.80,640,000 for the year ended 30 June, 2022 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 Emergency Fund 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 qualified 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts indicates that the Fund expended Kshs.126,607,901 against an approved budget of Kshs.132,165,375 resulting to an under expenditure of Kshs.5,557,474(or 4%) of the budget.

The under absorption is an indication of non-implementation of activities and projects in the annual work plan which is likely to have negative impact on delivery of services to the residents of Tana River County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Use of Goods and Services Expenditure

The statement of financial performance reflects use of goods and services expenditure of Kshs.126,607,901 as disclosed in Note 2 to the financial statements. However, Management did not provide the County Assembly Act that established the Fund and the framework as required by Section 110(1) of the Public Finance Management Act, 2012 which provides that a County Executive Committee may, with the approval of the County Assembly, establish an Emergency Fund for the County Government under the name " County Emergency Fund" and the Fund shall consist of money from time to time appropriated by the County Assembly to the Fund by an appropriation law.

In addition, audit review revealed that the County Executive Committee Member for Finance did not seek approval from the County Assembly after making payments from the Emergency Fund in accordance with Section 114(1) of the Public Finance Management Act, 2012 which provides that the County Executive Committee member for finance shall seek approval of the County Assembly within two months after payment is made from the Emergency Fund.

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

2. Irregular Other Expenses Expenditures

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects use of goods and services expenditure balance of Kshs.126,607,901 which

includes the other expenses of Kshs.108,758,081. The following unsatisfactory matters were observed:

2.1 Relief Food and Animals Feed

Included in other expenses of Kshs.108,758,081 is expenditure on relief food and animals' feeds totalling to Kshs.74,640,000. However, audit review revealed that relief food amounting to Kshs.52,950,000 was procured through direct procurement method without evidence that the conditions set in Section 103(2) of the Public Procurement and Asset Disposals Act, 2015 were satisfied. In addition, Management did not provide for audit review documentary evidence as proof that negotiations were conducted with the supplier in accordance with Section 104(b) of Public Procurement and Assets Disposal Act, 2015 which provides that an Accounting Officer shall appoint an Ad Hoc Evaluation Committee pursuant to Section 46 to negotiate with a person for the supply of goods, works or non-consultancy services being provided with respect to direct procurement.

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

2.2 Transportation of Relief Food

Included in other expenses of Kshs.108,758,081 are expenditures of Kshs.3,750,000 on transportation of relief food. However, audit review revealed that the submitted and evaluated quotations did not reflect prices and were not from among the pre-qualified list of suppliers. This is contrary to Section 106(2)(a) of the Public Procurement and Asset disposal Act, 2015 which provides that the Accounting Officer of a procuring entity shall give the request to such persons as are registered by the procuring entity. In addition, the winning bidders did not meet the mandatory compliance requirements such as provision of valid business licenses and tax compliance certificates set out in the quotations and evaluation criteria in accordance with Section 106(3) of the Public Procurement and Asset Disposal Act, 2015 which provides that the successful quotation shall be the quotation with the lowest price that meets the requirements set out in the request for quotations.

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

2.3 Drilling, Test Pumping and Solarization of Boreholes

Included in other expenses of Kshs.108,758,081 are payments totalling to Kshs.9,950,000 in respect of drilling, equipping, test pumping, solarization and piping of various boreholes within the County. However, audit review revealed that Management used direct procurement for the works without evidence that the conditions as set in Section 103(2) of the Public Procurement and Asset Disposals Act, 2015 were satisfied. In addition, the contract agreements for supply and delivery of steel casing for Lakole and Gururi boreholes at amounts of Kshs.2,550,000 and Kshs.2,500,000 respectively were not signed by the contractors. This is contrary to Section 135(2) of the Public Procurement and Asset Disposal Act, 2015 which provides that an Accounting Officer of a procuring entity shall enter into a written contract with the person submitting the successful tender based on the tender documents and any clarifications that emanate from the procurement proceedings.

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

2.4 Repair and Maintenance of Vehicles

Included in other expenses of Kshs.108,758,081 is an expenditure totalling to Kshs.10,682,475 incurred on repair and maintenance of vehicles. However, audit review revealed that supplier prices were not reflected in the quotation's forms submitted by the participating providers of services.

In the circumstances, the value for money on expenditures on motor vehicle repairs and maintenance of Kshs.10,682,4745 for the year ended 30 June, 2022 could not be confirmed.

2.5 Supply, Delivery, Installation and Commissioning of Water Tanks

Included in other expenses of Kshs.108,758,081 is a payment to a local contractor of Kshs.6,000,000 towards supply, delivery, installation and commissioning of thirty (30) 10,000 litres water tanks. Audit review revealed that the contractor was identified through direct procurement method. However, Management did not provide documentary evidence to confirm that negotiations by an Ad Hoc Evaluation Committee on price took place in accordance with Section 104(b) of Public Procurement and Asset Act, 2015 which provides that an Accounting Officer of a procuring entity shall with respect to direct procurement appoint an Ad Hoc Evaluation Committee to negotiate with a person for the supply of goods, works or non-constancy services being provided.

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

3. Irregular Electricity and Water Expenditure

Included in use of goods and services balance of Kshs.126,607,901 is electricity and water expenses of Kshs.5,000,000 as disclosed in Note 2 to the financial statements. Audit review revealed that the expenditure was in respect of payment of electricity bill for the Tana River Water and Sewerage Company Limited. However, Management did not provide justification for the same as the Water Company is a separate County entity which also received funding from the County Executive during the year under review.

In the circumstances, the regularity of expenditure of Kshs.5,000,000 on electricity and water expenses for the year ended 30 June, 2022 could not be ascertained.

4. Failure to Respond to the Management Letter

Management did not respond to issues raised in the Management Letter issued on 02 December, 2022 following the audit of the Fund. This is contrary to Section 31(4) of the Public Audit Act, 2015 which provides that the Accounting Officer shall within fourteen days from the date of receipt of the Draft Management Letter, submit a response to the Auditor-General including remedial actions undertaken to address any qualifications.

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and conclusion on lawfulness and effectiveness in use of public resources section of my report, I confirm that, nothing has come to my attention to cause me to believe 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 effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to 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 Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk Management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the 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 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 Tana River County Emergency Fund ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Tana River County Emergency Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Tana River County Emergency 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

20 March, 2023

Tana River County Emergency Fund

Annual Report and Financial Statements for the year ended June 30, 2022

11.0 Statement of Financial Performance for The Year Ended 30th June 2022

Revenue From Non-Exchange Transactions			
Transfers From the County Government	1	132,165,375	-
		132,165,375	-
Expenses			
Use of goods and services	2	126,607,901	-
Total Expenses		126,607,901	-
Surplus/(Deficit) For the Period		5,557,474	-

(The notes set out on pages 27 to 43 form an integral part of these Financial Statements)



Name: Mathew Babwoya
Administrator of the Fund



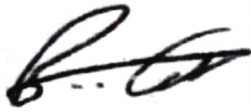
Name: Sakina Yusuf
Fund Accountant
ICPAK Member Number: 24428

Manana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022

12.0 Statement of Financial Position as at 30 June 2022

Assets				
Current Assets				
Cash and Cash Equivalents	3	5,557,474	-	
		5,557,474	-	
Total Assets		5,557,474	-	
Net Assets		5,557,474	-	
Accumulated Surplus		5,557,474	-	
Total Net Assets and Liabilities		5,557,474	-	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 30th August 2022 and signed by:



Name: Mathew Babwoya
Administrator of the Fund



Name: Sakina Yusuf
Fund Accountant
ICPAK Member Number: 24428

**Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

13.0 Statement of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulate d surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	-	-	-	-
Funds Received During the Year	132,165,375	-	-	132,165,375
Transfers	126,607,901	-	-	126,607,901
Balance As At 30 June 2022	5,557,474	-	-	5,557,474



**Name: Mathew Babwoya
Administrator of the Fund**



**Name: Sakina Yusuf
Fund Accountant
ICPAK Member Number:**

**Manana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

14.0 Statement of Cash Flows for The Year Ended 30 June 2022

	Note		
Cash flows from operating activities			
Receipts			
Transfers from the county government	1	132,165,375	-
Total receipts		132,165,375	-
Payments			
Use of Goods and Services	2	126,607,901	-
Total Payment		126,607,901	-
Net cash flows from operating activities		5,557,474	-
Net increase/(decrease) in cash & cash Equivalents		5,557,474	-
Cash and cash equivalents at 1 July		-	-
Cash and cash equivalents at 30 June	3	5,557,474	-

(IPSAS 2 allows a fund to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)



**Name: Mathew Babwoya
Administrator of the Fund**



**Name: Sakina Yusuf
Fund Accountant
ICPAK Member Number: 24428**

Tana River County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022

15.0 Statement of Comparison of Budget and Actual Amounts for The Period

	Budget 2022	Adjustments 2022	Final budget 2022	Actual on comparable basis 2022	Performance difference 2022	% Utilization 2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfers From County Govt.	132,165,375		132,165,375	132,165,375	-	
Total Income	132,165,375	-	132,165,375	132,165,375	-	
Expenses						
Use of Goods and Services	132,165,375	-	132,165,375	126,607,901	5,557,474	
Total Expenditure	132,165,375	-	132,165,375	126,607,901	(5,557,474)	
Surplus For the Period	-	-	-	5,557,474	(5,557,474)	

Budget notes

1. *Provide explanation of differences between actual and budgeted amounts (10% over/ under) 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.*

Tana river County Emergency Fund

Annual Report and Financial Statements for the year ended June 30, 2022

16.0 Notes to the Financial Statements

1. General Information

Tana river County Emergency Fund is established by and derives its authority and accountability from the Public Finance Management Act, 2012. The fund is wholly owned by the Tana River County Government and is domiciled in Kenya. The fund's principal activity is

- Capacity builds the staff and the community members in matters emergency
- Promote preparedness and initiate response to deal with emerging issues
- Evacuate, rescue and give relief to the victims of any hazard
- Avert danger, threat, risk, hazard or menace of any disaster
- Offer rehabilitative and reconstruction services to return to normalcy
- Mitigate, lessen, alleviate or reduce risk of any disaster or severity or consequences

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) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19.

This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

**Tana river County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Fund’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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; • 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 Fund’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Fund; (b) The key features of the operation of those social benefit schemes; <p>and</p>

Standard	Description
	<p>(c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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. <p>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.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>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</p>

Tana river County Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact
	<p>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 a Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>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.</p>

(iii) Early adoption of standards

The Fund did not early – adopt any new or amended standards in year 2022.

4.0 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 fund 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.

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on 21st June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record any additional appropriations on the FY 2021-2022 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

Summary Of Significant Accounting Policies (Continued)

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 fund 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.

a) 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 Fund 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 Fund 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 Fund assesses at each reporting date whether there is objective evidence that a financial asset or a fund of financial assets is impaired. A financial asset or a fund of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a fund 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 Fund 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)

b) 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 Fund.

c) Provisions

Provisions are recognized when the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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.

d) Nature and purpose of reserves

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

d) Changes in accounting policies and estimates

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

e) Employee benefits – Retirement benefit plans

The Fund provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which a fund pays fixed contributions into a separate 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.

f) 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.

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Summary Of Significant Accounting Policies (Continued)

g) 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.

h) Related parties

The Fund regards a related party as a person or a fund with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

i) 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.

j) Comparative figures

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

k) Events after the reporting period

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

l) Ultimate and Holding Fund

The fund is a County Public Fund established by The Public Finance Management Act, 2012 under the Ministry of Finance. Its ultimate parent is the County Government of Tana River.

m) Currency

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

Summary Of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

The preparation of the Fund'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 Fund 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 Fund. 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 Fund
- 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	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	132,165,375	-
Total	132,165,375	-

2. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	670,000	-
Administration Fees	79,700	-
Committee Allowances	88,000	-
Bank Charges	12,120	-
Electricity And Water Expenses	5,000,000	-
Fuel And Oil Costs	12,000,000	-
Other Expenses	108,758,081	-
Total	126,607,901	-

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Notes to the Financial Statements Continued

3. Cash and cash equivalents

Description	2021-2022	2020-2021
Current Account	5,557,474	-
Total Cash and Cash Equivalents	5,557,474	-

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

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

Financial Institution	Account number	2021-2022	2020-2021
a) Current Account			
Equity Bank Limited	1210277984971	5,557,474	-
Sub- Total		5,557,474	-
Grand Total		5,557,474	-

Other Disclosures

4. 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.

b) Related party transactions

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	132,165,375	-

Other Disclosures Continued

5. 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 fund'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 fund'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 2022				
Bank Balances	5,557,474	-	-	-
Total	5,557,474	-	-	-

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

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 fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The fund has no significant concentration of credit risk.

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 fund's short, medium and long-term funding and liquidity management requirements. The fund 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.

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the fund 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 fund'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.

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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 fund's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

The fund has no 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.

ii. Interest rate risk

Interest rate risk is the risk that the fund's financial condition may be adversely affected as a result of changes in interest rate levels. The fund'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.

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 fund capital structure comprises of the following funds:

	2021-2022	2020-2021
	Kshs	Kshs
Revolving fund	132,165,375	-
Total funds	132,165,375	-



1. 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	Status: (Resolved / Not Resolved)	Timeframe: (If 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 fund 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.

