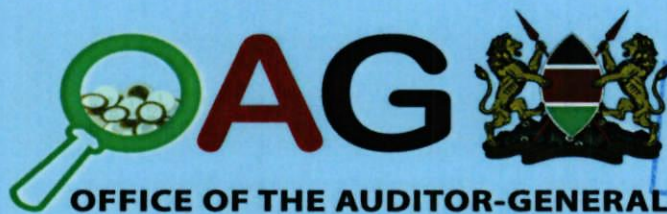


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REPORT

OF

THE AUDITOR-GENERAL

ON

**KILIFI COUNTY EMERGENCY
FUND**

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



KILIFI COUNTY 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)

**Kilifi County Emergency Fund
Reports and Financial Statements
For the Financial Year ended June 30, 2020**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

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

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to consider emergency funding requests from county departments/entities and provide funding for emergency interventions which meet the criteria set out in law.

c) Board of Trustees/Fund Administration Committee

The Kilifi County Emergency Fund is administered by the County Executive Committee Member for Finance and Economic Planning in accordance with Section 111 of the Public Finance Management Act, 2012.

d) Key Management

Ref	Name	Position
1.	Hon. Samuel Kombe Nzai	County Executive Committee Member for Finance/Fund Administrator
2.	Benjamin Kai Chilumo	Chief Officer for Finance
3.	Wilberforce Mwinga Katumo	Director, Budget Management
4.	Bonaventure F.M. Mwakio	Director, Accounting Services
5.	Keziah Wangui Mugambi	Director, Internal Audit Services
6.	Matanao Riziki Choga	Director, Supply Chain Management Services

e) Registered Offices

The County Treasury,
Bofa Road,
Kilifi, Kenya.

f) Fund Contacts

P.O. Box 519 – 80108

Kilifi, Kenya.

Email: cecmfinance@kilifi.go.ke

g) Fund Bankers

Kenya Commercial Bank

Kilifi Branch

h) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

i) Principal Legal Adviser

The County Attorney,

Office of the Governor,

Kilifi County.

2. THE BOARD OF MANAGEMENT

The Public Finance Management Act, 2012 and the Kilifi County Emergency Fund, 2020 do not provide for the establishment of a Board of Management. Instead, the general oversight of the County Emergency Fund is the responsibility of the County Executive Committee Member for Finance whose concise description, key academic and professional qualifications and work experience are provided in section 4 below.

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 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 objective of the Kilifi County Emergency Fund as spelt out in the Public Finance Management Act, 2012 and the Kilifi County Emergency Fund Act, 2020 is to enable payments to be made in respect of a county department/entity when an urgent and unforeseen need for expenditure for which there is no specific legislative authority arises.

Progress on attainment of Fund objectives

By its nature, the County Emergency Fund is intended to fund mitigations of emerging events which have not been planned for. As such, no strategic or other plan is prepared based on which funds may be expended from the Emergency Fund. This notwithstanding, the Fund recorded a number of achievements in line with its core mandate. Below we provide a list of the achievements of the Fund in line with its main objective as stipulated above.

(i) Mitigating against disruptions in the food supply chain during the COVID-19 pandemic

The restrictions on movement of persons which was imposed on Kilifi County and other few counties due to the COVID-19 pandemic came at the onset of long rains in the Coast region. Since movement of the general population was restricted, distribution and supply of farm inputs was hindered, thus posing a danger of disrupting production of food and the food supply chain in general. To mitigate against such a disruption of the food supply chain and avert a food insecure situation in the County, the County Emergency Fund funded the supply and delivery of certified seeds which was distributed to farmers across the County during the planting season. The quantities delivered and distributed are as follows:

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Type of seed	Variety	Quantity (Kg)
Maize	DH04	30000
Maize	PH4	15000
Maize	DH02	4570
Maize	WEMA	3000
Total Maize		52,570
Green grams	KS20	5,000

(ii) Intervention to cushion the vulnerable population within the County during the COVID-19 pandemic

The outbreak of COVID and the measures put in place by government to contain the spread of COVID-19 restricted the movement of people and interrupted economic activities and affected livelihoods across the country. The County Government of Kilifi saw the need to intervene and cushion the vulnerable population within the County by providing food and non-food items to vulnerable households through a program dubbed “SIMAMA NA KILIFI.” Through this program, the county government made an appeal to well-wishers to donate money, foodstuffs and essential non-food items towards the cause. The program benefitted a total of **48,303** households in the county as shown below:

Sub-county	No. of households
1. Kilifi North	9,046
2. Ganze	7,558
3. Kilifi South	6,191
4. Rabai	2,668
5. Kaloleni	6,650
6. Malindi	6,826
7. Magarini	9,364
Total	48,303

The County Emergency fund funded procurements aimed at making the initiative successful. Some of the items procured under the County Emergency Fund are as follows:

**Kilifi County Emergency Fund
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Description of item	Quantity
1. Procurement of (24kgs Bales) Maize flour	18,900 bales
2. Procurement of (90 kg bags) Beans	1,200 bags
3. Procurement of (10x1kg Cartons) bar soap.	3,400 cartons

(iii) Enhancing the capacity of the County health system to enable it to implement containment measures and effective case management.

After COVID-19 was declared a pandemic in the country, the County Government of Kilifi, set up several public health interventions based on the following thematic areas:



- Enhanced surveillance
- Infection prevention and control
- Case management
- Risk communication
- Planning and coordination of the COVID-19 preparedness and response
- Sample collection
- Refurbishment of isolation centers

To contribute towards the execution of the various interventions, the County Emergency Fund funded the procurement of the following items, among others:




1. Assorted personal protective equipment/kits and other non-pharmaceutical items
2. 5 (No.) washing machines (twin wash capacity 24.5 kg)
3. 7 (No.) ventilators with accessories
4. 3 (No.) cardiac monitors
5. (No.) Intensive Care Unit beds
6. 50 (No.) 2 crank hospital beds with feeding board, 50 (No.) 2 crank hospital beds all with corresponding bedside cabinets and mackintosh mattresses
7. 4 (no.) 10-litre autoclave machines

4. MANAGEMENT TEAM

The day-to-day management of the Kilifi County Emergency Fund is under the following officers:

Name	Details of qualifications and experience
<p>1. Hon. Samuel Kombe Nzai</p> 	<p>Fund Administrator/CEC Member for Finance and Economic Planning</p> <p>Hon. CPA Samuel Kombe Nzai was appointed as the CEC Member for Finance & Economic Planning on 4th January, 2018. With the establishment of the County Emergency Fund in April 2020, he became the Fund Administrator pursuant to Section 111 of the Public Finance Management Act, 2012.</p> <p>Prior to his appointment as CEC Member for Finance, Hon. Nzai served as a General Manager, Internal Audit & Compliance at Mombasa Water & Sanitation Company. He has also served as the Systems Audit Manager at the Agriculture and Food Authority. Hon. Nzai holds a Master of Business Administration (Finance Option) degree from the University of Nairobi and a Bachelor of Education (Maths and Economics) degree from Egerton University. He is a member of the Institute of Certified Public Accountants of Kenya.</p>
<p>2. Benjamin Kai Chilumo</p> 	<p>Chief Officer for Finance</p> <p>With Over 20 years working experience in the Accounting and Finance Sector, Mr. Kai is currently the Chief Officer For Finance – County Government of Kilifi. He heads the Secretariat of the County Emergency Fund.</p> <p>Previously, he served as Budget Co-ordinator with the Office Of The Controller of Budget, Head Of Finance with Mombasa Water and Assistant Chief Accountant with Express Kenya Ltd. Mr. Kai holds a Master of Business Administration (Finance) from the University of Nairobi and a Business Management Degree from Moi University. He is a member of Institute Of Certified Public Accountants of Kenya (ICPAK).</p>
<p>3. Wilberforce Mwinga Katumo</p>	<p>Director Budget Management & Economic Planning</p> <p>Mr. Wilberforce Mwinga Katumo was appointed the Director Budget & Economic Planning for the County Government of Kilifi in 2014. He serves as a member of the County Emergency</p>

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Name	Details of qualifications and experience
	<p>Fund Secretariat where he advises on optimal allocation of financial resources in line with policy goals and strategic priorities.</p> <p>Mr. Mwinga previously served in the Office of the Controller of Budget. He has also worked in the Ministry of Immigration and Registration of Persons as a Senior Immigration Officer. He holds a Master of Arts in International Studies and a Bachelor of Arts in Economics both from the University of Nairobi. He is also a member of the Institute of Economic Affairs Kenya</p>
<p>4. Bonaventure F.M. Mwakio</p> 	<p>Director Accounting Services</p> <p>CPA Bonaventure F.M. Mwakio was appointed acting Director Accounting Services on 11th June 2018. He serves as a member of the County Emergency Fund Secretariat and plays the role of coordinating the payments and preparation of the financial reports.</p> <p>Before his appointment, he served as the Chief Officer of Finance at the County Government of Taita Taveta. Currently he sits in the County Audit Committee as a nominee member of the County Treasury. CPA Bonaventure Mwakio holds an MBA from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor in Business Management (Finance) from Moi University. He is also a member of the Institute of Certified Public Accountants of Kenya.</p>
<p>5. Keziah Wangui Mugambi</p> 	<p>Director Internal Audit Services</p> <p>CPA Keziah Wangui Mugambi has served in the County Government of Kilifi as Director Internal Audit Services since 2014. She serves as a member of the County Emergency Fund Secretariat where she advises on internal controls and ways to strengthen and improve efficiency on financial operations and management.</p> <p>She previously served as an accountant with the County government of Kilifi and the defunct Town council of Kilifi. CPA Keziah holds an MBA in Finance from Jomo Kenyatta University of Agriculture & Technology and bachelor's degree in Business and management (Accounting) from Egerton University. She is also a CPA finalist and member of Institute</p>

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Name	Details of qualifications and experience
	of Public Accountants of Kenya.
<p>6. Matano Riziki Choga</p> 	<p>Director, Supply Chain Management Services</p> <p>Matano R. Choga has been serving as the Head of Supply Chain Management Services since 1st June, 2014. He also serves as a member of the County Emergency Fund Secretariat and plays the role of coordinating the purchasing function.</p> <p>He is an experienced procurement professional and a member in good standing of Kenya Institute of Supplies Management (KISM).</p> <p>He previously served as the Head of Supply Chain Management for the defunct Town Council of Kilifi. Mr. Choga holds a Master of Science in Supply Chain Management from the University of Agriculture and Technology (JKUAT) and a Bachelor's Degree in Purchasing and Supplies Management from the same University.</p>

5. REPORT OF THE FUND ADMINISTRATOR

Introduction

The Kilifi County Emergency Fund was established by the Kilifi County Emergency Fund Act, 2020, a law that was enacted by the County Assembly of Kilifi in April 2020. The County Emergency Fund enables payments to be made when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority and is domiciled in the County Department of Finance and Economic Planning.

The County Emergency Fund was established during the COVID-19 pandemic to enable county departments/entities to access funding for various interventions to mitigate against the pandemic. This explains why most of the funding from the County Emergency Fund was channeled to public health interventions undertaken by the County Department of Health Services.

In order to operationalize the County Emergency Fund, the County Treasury developed guidelines for administering the Fund, guidelines which included the process to be followed in accessing financing the emergency Fund. The guidelines were approved by the County Executive committee.

The guidelines provide for the following aspects inter alia:

- (i) Sources of funds
- (ii) Administration of the fund
- (iii) Process of applying for financing from the fund
- (iv) Procurement of goods, services and works under the fund
- (v) Payment from the fund.

Review of the Fund's performance

The Supplementary Budget Estimates (No.2) of FY 2019/2020 provided for an allocation of Ksh. 220 million towards the County Emergency Fund. The County Emergency Fund also received donations from well-wishers totalling to Kshs. 311,000.

Considering that the County Emergency Fund was established in the wake of the outbreak of COVID19, all of the expenditure of the Fund during the financial year was on COVID-related mitigations.

A total of Kshs. 19,999,500, which translates to 9% of the total annual budget, was utilized to procure certified seeds to ensure food security during and after the COVID period. The certified

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seeds included 52,570 kg of maize seeds and 5,000 kg of green gram seeds. A total of 10,012 farm families benefited from this program across the County.

The Fund spent Kshs. 83.85 million (38% of the total fund budget) to procure food and non-food items for distribution to vulnerable families within the County during the COVID-19 pandemic period. This initiative was supported by well-wishers and eventually a total of 64,268 hampers were packaged and distributed to vulnerable households, special need groups and volunteers.

For interventions geared towards enhancing the capacity of health systems within the County, the County Emergency Fund spent a total of Kshs. 116,249,982 (53% of the total fund budget). This expenditure focused more on preventive and case management interventions, including the purchase of personal protective equipment, laboratory reagents and hospital equipment such as ICU beds, ventilators and autoclave machines.

Future outlook of the Fund

In the 2020/2021 financial year, it is expected that most of the funding by the County Emergency Fund will be directed on mitigating the effects of the COVID-19 pandemic. This is because of the resurgence of COVID infections in what has been referred to as the second wave of infections and the planned re-opening of learning institutions in Kenya after a long break. The reopening of learning institutions including early childhood development centres (ECDs) and vocational training centres (VTCs) will require that the County Government of Kilifi puts in place preventive measures in line with protocols recommended by the Ministry of Health. These measures include fumigation of learning facilities, providing sanitizing materials and ensuring ECD children and VTC learners have face masks.

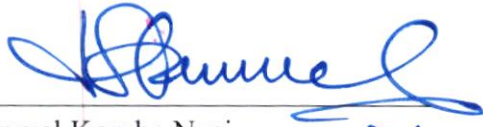
County departments have a limited budgets for the above interventions. Thus it is expected that once in a while, the County Emergency Fund will have to step in and fund a number of programmes in line with the Emergency Fund guidelines.

Conclusion

The establishment and operationalization of the County Emergency Fund has improved the way the county government responds to the happening of unforeseen events that require urgent funding for forestall resulting destruction or loss of livelihoods. The Kilifi County Emergency

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Fund has contributed immensely towards the effective COVID-19 prevention and case management that has been recorded for Kilifi County.



Samuel Kombe Nzai,
Fund Administrator,
Kilifi County Emergency Fund

6. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Emergency Fund established by Public Finance Management Act, 2012 and the Kilifi County Emergency Fund Act, 2020 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 Emergency 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 Emergency 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 Kilifi County Emergency Fund Act, 2020. 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 confirms the completeness of the accounting records maintained for the

**Kilifi County Emergency Fund
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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 Emergency 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 County Executive Committee Member for Finance on **25th September, 2020** and signed on its behalf by:

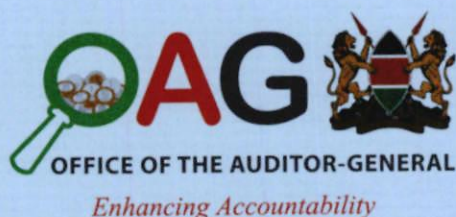


Samuel Kombe Nzai,
Fund Administrator,
Kilifi County Emergency Fund

7. REPORT OF THE INDEPENDENT AUDITOR

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 KILIFI COUNTY EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kilifi County Emergency Fund set out on pages 17 to 40, 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 statement of comparison 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kilifi 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 comply with the Kilifi County Emergency Fund Act, 2020 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccuracy of the Statement of Financial Position

The statement of financial position reflects total assets of Kshs.218,213,020 and total current liabilities and accumulated surplus(deficit) of Kshs.229,532,162 and negative Kshs.11,319,142 respectively as at 30 June, 2020. The statement, however, shows erroneously at the bottom total net assets and liabilities negative balance of Kshs.11,319,142 instead of the correct net assets and liabilities balance of Kshs.218,213,020. The statement therefore, did not balance. No explanation was provided for this anomaly.

Consequently, the accuracy of the statement of financial position as at 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 Kilifi 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 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. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.220,000,000 and Kshs.231,630,142 respectively resulting to an over expenditure of Kshs.11,630,142 or 5% of the budget. However, no evidence was provided of approval by County Assembly for the over expenditure. This is contrary to Regulation 53(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an accounting officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities.

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, I confirm that, nothing 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

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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 continue to sustain its services, disclosing, as applicable, matters related to sustainability of services using the applicable basis of accounting unless the 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 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and review 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 noncompliance. 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 Fund's ability to continue to sustain its services. If I conclude that a material

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 February, 2022

8. FINANCIAL STATEMENTS

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

	Note	2019/2020	2018/2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Public contributions and donations	1	311,000	
Transfers from the County Government	2	220,000,000	-
Total revenue		220,311,000	-
Expenses			
Fund administration expenses	3	8,176,640	-
General expenses	4	223,453,502	-
Total expenses		231,630,142	-
Surplus/(Deficit)		-11,319,142	-

The notes set out on pages 37 to 41 form an integral part of these Financial Statements

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8.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020 Kshs	2018/2019 Kshs
Assets			
Current assets			
Cash and cash equivalents	5	218,213,020	-
Non-current assets			
Total assets		218,213,020	-
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	6	229,532,162	-
Non-current liabilities			
Total liabilities		229,532,162	-
Net assets		-11,319,142	-
Accumulated surplus		-11,319,142	-
Total net assets and liabilities		-11,319,142	-

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 **25th September, 2020** and signed by:



Administrator of the Fund
Name: CPA Samuel Kombe Nzai
ICPAK Member No. 12429



Accountant
Name: Jacob Kalama Mwangi
ICPAK Member No. 14058

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance as at 1 July 2018	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	-	-	-	-
Balance as at 1 July 2019	-	-	-	-
Surplus/(deficit) for the period	-	-	-11,319,142	-11,319,142
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	-	-	-11,319,142	-11,319,142

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8.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		311,000	-
Transfers from the County Government		220,000,000	-
Total Receipts		220,311,000	-
Payments			
Fund administration expenses		8,176,640	-
General expenses		223,453,502	-
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)			-
Increase/(Decrease) in Accounts Payable: (deposits and retention)	7	229,532,162	-
Net cash flows from operating activities	8	218,213,020	-
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		-	-

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Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		218,213,020	-
Cash and cash equivalents at 1 JULY	8	-	-
Cash and cash equivalents at 30 JUNE 2020	8	218,213,020	-

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8.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2020	2020	2020	2020	2020	2020
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Public contributions and donations	-	-	311,000	311,000	-	-
Transfers from County Govt.	220,000,000	0	220,000,000	220,000,000	-	-
Total income	220,000,000	-	220,311,000	220,311,000	-	-
Expenses						
Fund administration expenses	6,000,000	-	6,000,000	8,176,640	(2,176,640)	1.3627
General expenses	214,000,000	-	214,000,000	223,453,502	(9,453,502)	1.0441
Finance cost	-	-	-	-	-	
Total expenditure	220,000,000	-	220,000,000	231,630,142	11,630,142	1.0528
Surplus	-			(11,319,142)		

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.*

8.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 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 cash flows. 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to

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Standard	Effective date and impact:
	<p>impairment testing; and</p> <ul style="list-style-type: none"> • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity'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 2022:</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 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting</p>

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Standard	Effective date and impact:
	<p>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 original budget for FY 2019/2020 was approved by the County Assembly on 21st April 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

6. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

7. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

- The debtors or 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.

11. Changes in accounting policies and estimates

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

12. Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are 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.

13. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

15. Related parties

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

16. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Kilifi County Emergency Fund Act. Its ultimate parent is the County Government of Kilifi.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

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

Provisions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

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

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

a) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the 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	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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.

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 2020				
Trade payables	229,532,162			229,532,162
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total	229,532,162	-	-	229,532,162
At 30 June 2019				
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)

ii. 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%	-	-

iii. 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.

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	(11,319,142)	-
Total funds	(11,319,142)	-
Total borrowings	-	-
Less: cash and bank balances	218,213,020	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

8.7. 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	311,000	-
Total	311,000	-

2. Transfers from County Government

Description	2019/2020	2018/2019
	Kshs	Kshs
Transfers from County Govt. – operations	220,000,000	-
Payments by County on behalf of the entity	-	-
Total	220,000,000	-

3. Fund administration expenses

Description	2019/2020	2018/2019
	Kshs	Kshs
Staff costs	8,176,640	-
Total	8,176,640	-

4. General expenses

Description	FY2019/2020	FY2018/2019
	Kshs	Kshs
General expenses	223,453,502	-
Total	223,453,502.00	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Cash and cash equivalents

Description	2019/2020	2018/2019
	Kshs	Kshs
Current account	218,213,020	-
Others	-	-
Total cash and cash equivalents	218,213,020	-

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

Financial institution	Account number	2019/2020	2018/2019
		Kshs	Kshs
a) Current account			
Kenya Commercial bank	1273063767	218,213,020	-
Sub- total		218,213,020	-

6. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	Kshs	Kshs
Trade payables	229,532,162	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	229,532,162	-

7. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 – 2020	2018 – 2019
	Kshs	Kshs
Accounts Payable as at 1 st July 2019 (A)	-	-
Accounts Payable held during the year (B)	-	-
Accounts Payable paid during the Year (C)	229,532,162	-
Net changes in account receivables D= A+B-C	(229,532,162)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Cash generated from operations

	2019/2020	2018/2019
	Kshs	Kshs
Surplus/ (deficit) for the year before tax	(11,319,142)	-
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	229,532,162	-
Net cash flow from operating activities	218,213,020	-

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