

REPUBLIC OF KENYA



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**TANA RIVER COUNTY DISASTER RISK
MANAGEMENT FUND**

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





OFFICE OF THE AUDITOR GENERAL
P.O. Box 81543, MOMBASA
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**COUNTY GOVERNMENT OF TANA RIVER DISASTER RISK MANAGEMENT
FUND/BOARD**

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

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

County Government of Tana River Disaster Risk Management Fund
Annual Report and Financial Statements for the year ended June 30, 2023

County Government of Tana River Disaster Risk Management Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

a) Acronyms

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

2. Key Entity Information and Management

a) Background information

Tana River Disaster Risk Management Fund is established by and derives its authority and accountability from The Tana River County Disaster Risk Management Act, 2020 which was enacted on 30th October 2020. The Fund is wholly owned by the County Government of Tana River and is domiciled in Kenya.

The fund shall be utilised towards meeting the expenses for disaster prevention, preparedness, mitigation, risk reduction, response, relief, rehabilitation and reconstruction in the County.

The Fund's principal activity is to;

- Fund programmes and initiatives towards provision of emergency relief to the most vulnerable including persons living with disabilities, the elderly, women and children.
- Stimulate and support sustainable alternative livelihoods
- Fund the purchase of essential supplies for disaster response
- Facilitate development of capacity and technical expertise in disaster risk management in the County
- Establish programmes, activities and projects for disaster risk resilience; and
- Fund the control of any other emerging disaster

During the year 2022/2023 the Tana River Disaster Risk Management Fund received kshs. 66,162,540, 66,162,000 and Previous Years Balance of ksh. 29,587,225 amounting to ksh 161,911,765

The DRM fund has 4 functional areas these included

1. Resilience building
2. Disaster response
3. Recovery/ mitigation

b) Principal Activities

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

**County Government of Tana River Disaster Risk Management Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

- Examine the vulnerability of different parts of the County to different disasters and identify specific prevention, reduction or mitigation measures.
- Lay down guidelines to be followed for preparation of disaster and emergency management plan by the County departments
- Implement the national government's policy on disaster and emergency response
- Co-ordinate response in the event of disaster or emergency

c) Board of Trustees/Fund Administration Committee

| Ref | Name | Position |
|-----|------------------------|--|
| 1 | H.E Dr. Dhadho Godhana | Governor/ Fund Chairman |
| 2 | Thomas Sankei | County Commissioner |
| 3 | MakuruSalima Omara | County Chief Officer/ Fund Administrator |
| 4 | Jerald Bombe | Kenya Red Cross Society of Kenya |
| 5 | Mathew Babwoya | CECM Finance and Economic Planning |
| 6 | Abdi Musa Mohamed | CDC NDMA |
| 7 | Halubva Anna Gwiyo | Secretariat |
| 8 | LulutyaMavuweSokorote | Secretariat |

d) Key Management Steam

| e) Ref | Name | Position |
|--------|-----------------------|--|
| 1 | H.E Dhadho Godhana | Governor/ Fund Chairman |
| 2 | MakuruSalima Omara | County Chief Officer/ Fund Administrator |
| 3 | Mathew Babwoya | CECM Finance and Economic Planning |
| 3 | Halubva Anna Gwiyo | Secretariat |
| 4 | LulutyaMavuweSokorote | Secretariat |

Key Entity and Management (Continued)

f) Fiduciary Oversight Arrangements

| SN | Position | Name |
|----|----------------------------|-----------------|
| 1 | Directorate Internal Audit | Charles Njuguna |
| 2 | | |
| 3 | | |

g) Registered Offices

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

h) Fund Contacts

Telephone: (254) 798973312
E-mail: tanarivercounty.go.ke
Website: www.tanarivercounty.go.ke

i) FundBankers

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

Key Entity and Management (Continued)

j) Independent Auditors

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




k) Principal Legal Adviser

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



l) County Attorney

The County Attorney
County Government of Tana River
P. O. Box 29 70101
Hola, Kenya

3. Board of Trustees/ Fund Administration Committee




| Name | Details of qualifications and experience |
|---|---|
| <p>1. HE Major retired Dhadho Godhana</p>  | <p>HE Major retired Dhadho Godhana holds a doctorate in public administration. He is currently the Governor of Tana River County. Dhadho Godhana is the Chairperson to the Board</p> |
| <p>2. Trustee 2 Salima Makuru Omara</p>  | <p>Makuru Salima Omara holds a masters in leadership and Management. She also holds a bachelor's degree in Education and Counselling. She is currently the Chief Officer Cohesion and special programs and office of the Governor. Makuru Salima is also the Secretary to the Board</p> |
| <p>3. Gerald Bombe</p>  | <p>Gerald Bombe works for the Kenya Red Cross as the head of operations in all disaster related matters. Initially he used to work in a world bank funded project, in Arid Lands within Tana River. He also worked as the Kenya Red Cross coordinator coast region. Member to the Board</p> |

County Government of Tana River Disaster Risk Management Fund
Annual Report and Financial Statements for the year ended June 30, 2023

| | |
|---|---|
|  | <p>Halubva Anna Gwiyo is the Program Officer, Cohesion and Special Programs. Anna Gwiyo Holds a Bachelor Degree in Community Development and sociology. He is also the Programme Officer for the Department of Special Programs</p> |
| <p>4. Trustee 3</p> | |
|  | <p>LulutyaMavuweSokorote is currently the Data Officer in Special Programs, He holds a degree in Project Management. He also holds a diploma certificate holder in Community Development and counselling among other courses</p> |
| <p>5. Trustee LulutyaMavuweSokorote</p> | |

4. Management Team

3. Management Team

| Name | Details of qualifications and experience |
|---|---|
| <p>1. HE Major retired Dhadho Godhana</p>  | <p>HE Major retired Dhadho Godhana holds a doctorate in public administration. He is currently the Governor of Tana River County.</p> |
| <p>2. Salima Makuru Omara</p>  | <p>Makuru Salima Omara holds a masters in leadership and Management. She also holds a bachelor's degree in Education and Counselling. She is currently the Chief Officer Cohesion and special programs and office of the Governor</p> |
| <p>3. Halubva Anna Gwiyo</p>  | <p>Halubva Anna Gwiyo is the Program Officer, Cohesion and Special Programs. Anna Gwiyo Holds a Bachelor Degree in Community Development and sociology</p> |

4. Lulutya Mavuwe Sokorote



Lulutya Mavuwe Sokorote is currently the Data Officer in Special Programs, He holds a degree in Project Management. He also holds a diploma certificate in Community Development and counselling among other courses

5. Board/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.

Overview on Performance

Through the 2 percent of the total budget, the fund has received 132,324,540 shillings where the money was to be spent on four major areas

1. Resilience building, 66,325,080
2. Response activities. 52,800,000
3. Mitigation and recovery. 9,240,000
4. Administration. 3,959,460

Within the four thematic areas, the DRM unit embarked mostly on resilience building and response activities.

Appreciation

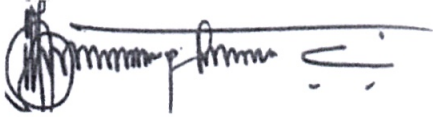
We continue to enjoy incredible support and goodwill from diverse stakeholders and development partners. I would like to appreciate and most sincerely thank the Fund Committee for their selfless services. I also wish to note with appreciation the support extended to us by the National Drought Management Authority, Tana Water and Sanitation Company, WFP, Office of the County Commissioner, the Kenya Red Cross society of Kenya, UNDP, World Vision and all partners working around DRM issues.

**County Government of Tana River Disaster Risk Management Fund
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At the same time not forgetting to mention the effort made by the 15 DRM Committees working at the community level. Through them a number of issues has been settled.

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 Hon Rtd Dhadho Signature  Date 1-9-2023
Godhana
Chairperson of the Board/Fund

6. Report of The Fund Administrator

I am delighted to present the report showing the performance of the Emergency Fund for the year 2022/23.

During the FY 2022/2023 the department through the DRM Fund managed to do a number of projects

1. Supporting Tana Water and Sanitation Company by paying part of the County Contribution in accessing donor funding.
2. Payment of electricity bills to KPLC due to accumulated electricity bills that hindered service delivery
3. Prepositioning of non-food items
4. Rehabilitation of shallow wells at Lakole village in Tana River Sub County
5. Conducting of drought needs assessment
6. Purchasing and prepositioning of motor boats and accessories
7. Transportation of donated food items to the people of Tana River
8. Opening up of Kongolola brook
9. Opening up of Kisichi brook
10. Opening up of Handaraku brook
11. Engaging in team building activities.

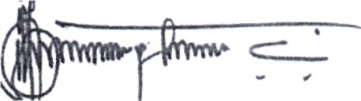
Challenges in implementation of the fund

- a. Untimely disbursement of funds that hinders operations.
- b. Too much political interference

County Government of Tana River Disaster Risk Management Fund
Annual Report and Financial Statements for the year ended June 30, 2023

- c. Increased Emerging needs the future of the Fund seems excellent assuming that the operating environment is improved. Due to the increased needs within the community, there is need to increase the funding.

The key areas to focus on include; Capacity building, Mainstreaming DRM at the community, Water trucking programmes, increase storage by constructing mega Dams

Name Hon Rtd Dhadho Signature  Date 1-9-2023
Godhama
Chairperson of the Board/Fund

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

1. Statement of Performance Against the County Fund'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 entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

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

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

Progress on the attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

| Program | Objective | Outcome | Indicator | Performance |
|---------------------|--|--|---|--------------------|
| Disaster prevention | Safeguard and make available vital materials, supplies and equipment to ensure the safety and recovery of records from | Increased efficient transportation of people, goods and services | % Of motorable and passable roads within the city | 100% |

County Government of Tana River Disaster Risk Management Fund
Annual Report and Financial Statements for the year ended June 30, 2023

| | | | | |
|--------------|---|--|---|-------------|
| | predictable disasters failures | | | |
| Preparedness | Reduce the risk of disasters caused by human error, deliberate destruction, and building or equipment | Prepositioning, planning and resource mobilization | No of prepositioned materials, resources mobilized and planning meetings. | 100% |
| Mitigation | Be better prepared to recover from a major natural catastrophe | Increase resilience and reduce vulnerability | Number of Implemented long term disaster risk management projects across the County | 100% |
| Response | To avoid deaths and sufferings | | | 100% |

8. Corporate Governance Statement

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

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

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

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

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

Appointment of members of the Tana River County Disaster Risk Management Fund Committee took place on 2nd April 2022

County Government of Tana River Disaster Risk Management Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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

9. Management Discussion and Analysis

After a long discussion with the committee members, the committee agreed to undertake the following projects as a way of mitigating the ongoing droughts and prepositioning of items for floods affected people.

1. Relief distribution 55,000,000
2. Rehabilitation of earth pans and wells 10,000,000
3. Purchase and distribution of flood preparedness boat for NFIs 4,000,000
4. Purchase and distribution of a boat trolley 600,000
5. Prepositioning of NFIs for Floods affected people 3,000,000
6. Purchase and distribution of farm inputs 2,400,000
7. Rehabilitation of Kisichi brook
8. Rehabilitation of Matomba brook
9. Rehabilitation of Handaraku Brook

10. Environmental and Sustainability Reporting

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

1. Sustainability strategy and profile

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.

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

3. Employee welfare

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

4. Market place practices

5. The county Government of Tana River has operationalized e-procurement through Integrated Financial Management Information System (IFMIS) to enhance transparency and accountability in procurement process from procurement planning, requisition, sourcing and payment, e-transparency, competitively and in a cost-effective manner. IFMIS e-procurement module is linked to an n item master, which has indicative prices for all commonly used items to ensure that there are no price inflations by procuring entities thus enhancing value for money.
6. Further e-procurement has inbuilt approvals at all levels of the procurement process to enhance checks, controls and accountability.
7. 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.

8. Corporate Social Responsibility / Community Engagements

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

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

12. Report of the Trustees

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

Principal activities

The principal activities of the Fund are;

- Capacity builds the staff and the community members in matters Disasters
- Promote preparedness and initiate response to deal with disasters as they occur
- 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

Results

The results of the Fund for the year ended June 30, 2023 are presented on this statement

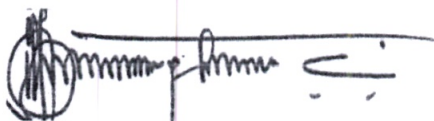
Trustees

The members of the Board of Trustees who served during the year are shown on page 5 and 6

Auditors

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

By Order of the Board



Chair of the Board/Fund Administration Committee

Date: 1-9-2023'

Statement of Management's Responsibilities

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

Principal activities

The principal activities of the Fund are;

- Capacity builds the staff and the community members in matters Disasters
- Promote preparedness and initiate response to deal with disasters as they occur
- 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.

Results

The results of the Fund for the year ended June 30, 2023 are set out in this document

Trustees

The members of the Board of Trustees who served during the year are shown on other pages of this report

Auditors

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

The Fund's financial statements were approved by Secretary of the Board on 1st SEP, 2023 and signed on its behalf by:

Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TANA RIVER COUNTY DISASTER RISK MANAGEMENT FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tana River County Disaster Risk Management Fund set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of

Report of the Auditor-General on Tana River County Disaster Risk Management Fund for the year ended 30 June, 2023

changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects 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 Disaster Risk Management Fund as at 30 June, 2023, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Tana River County Disaster Risk Management Act, 2020.

Basis for Qualified Opinion

1. Inaccuracies in the Disclosure and Presentation of the Annual Report and Financial Statements

Review of the annual report and the financial statements revealed the following anomalies:

- a. Page xvi is missing while page xviii is repeated.
- b. Pages 1 and 2 on Statement of Financial Performance and Statement of Financial Position lack the header "Tana River County Disaster Risk Management Fund Annual Report and Financial Statements for the year ended June 30, 2023" as required by the approved template.
- c. Table of content indicates that Statement of Performance against the County Fund's predetermined objectives is on page xvii instead of page xviii. Also, statement of management's responsibilities and report of the independent auditor on the financial statement has been omitted on the table of content.
- d. The management discussion and analysis cover only half (1/2) of a page. The recommended length is 2 to 3 pages.
- e. Statement of financial position had the following inaccuracies
 - i. The year has not been indicated.
 - ii. Cash and cash equivalent balance of Kshs.28,285,106 is at variance with balance of Kshs.57,872,331 disclosed at Note 3 to the financial statement.
 - iii. Accumulated surplus reflects Kshs.28,285,106 which is surplus for the current year instead of accumulated surplus of Kshs.57,872,331.

- f. Statement of Changes in Net Assets reflects Nil Accumulated surplus whereas statement of financial position reflects accumulated surplus balance of Kshs.28,285,106.
- g. Statement of comparison of budget and actual amounts had the following inaccuracies:
 - i. Under use of goods and service, the percentage utilization was left blank whereas the actual percentage utilization was 79%.
 - ii. There was no note explaining the on significant underutilization of 21% under use of goods and services.
- h. The Fund cover page title should not read County Government of Tana River Disaster Risk Management Fund/Board but should read "TANA RIVER COUNTY DISASTER RISK MANAGEMENT FUND".

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

2. Unsupported and Irregular Procurement of Dignity Kits

The statement of financial performance reflect expenditure on use of goods and services totalling to Kshs.104,039,434 as detailed in Note 2 to the financial statements. Included in this expenditure is amount of Kshs.94,478,896 in respect of other expenses out of which Kshs.2,880,000 was paid to a firm for repositioning of dignity kits for disaster victims. However, the expenditure was not supported by a distribution list or details of the beneficiaries of the dignity kits and no proof of how the beneficiaries were identified. Further, evaluation report was signed by only two (2) members, this is contrary to Section 78(1a) of the Public Procurement and Assets Disposal Act, 2015 which requires at least 3 members to sign.

In the circumstances, the accuracy, completeness and regularity of the expenditure of Kshs.2,880,000 could not be confirmed.

3. Unsupported and Irregular Procurement of Transportation Services

The statement of financial performance reflect expenditure on use of goods and services totalling to Kshs.104,039,434 as detailed in Note 2. Included in this expenditure is an amount of Kshs.94,478,896 in respect of other expenses out of which Kshs.3,980,000 was paid to firm for transportation of food items. The expenditure was not supported with delivery notes, proof of the matrix used to identify recipients, registration numbers and the number of trips covered by the motor vehicles and inspection and acceptance certificate report verifying the condition of the supplies. Further, the services were procured through Request for Quotation (RFQ) issued to three (3) companies. The value of the services as stated in the requisition was Ksh.3,980,000. This Exceeds the RFQ threshold for services as set out in the threshold matrix issued in the second schedule of the Public Procurement and Assets Disposal Regulations, 2020.

In the circumstances, the accuracy, completeness and regularity of expenditure of Kshs.3,980,000 could not be confirmed.

4. Unsupported and Irregular Procurement of Relief Food

The statement of financial performance reflect expenditure on use of goods and services totalling to Kshs.104,039,434 as detailed in Note 2 to the financial statements. Included in this expenditure is an amount of Kshs.94,478,896 in respect of other expenses out of which Kshs.46,934,050 was paid to a firm for the supply and delivery of relief food. The expenditure was not supported with proof that the supplies were received into the stores before being issued out as stock. Control cards(S3) were not posted/updated and the basis of identifying the beneficiaries of the relief food and basis of arriving at the quantities give and the n to the beneficiaries was also not disclosed. Further, advertisement was done only on the standard Newspaper of 31 March, 2023 contrary to Section 96(2) of the Public Procurement and Asset Disposal Act, 2015 which requires the procuring entity to advertise in the dedicated Government tenders' portals or in its own website, or a notice in at least two daily newspapers of nationwide circulation.

In the circumstances, the accuracy, completeness and regularity of expenditure of Kshs.46,934,050 could not be confirmed.

5. Unsupported Expenditure on Fuel

The statement of financial performance reflect expenditure on use of goods and services totalling to Kshs.104,039,434 as detailed in Note 2 to the financial statements. Included in this expenditure is an amount of Kshs.94,478,896 in respect of other expenses out of which Kshs.6,000,000 was paid to a Petrol station for the supply of fuel for disaster response. The expenditure was not supported with work tickets of the motor vehicles which consumed the fuel.

In the circumstances, the accuracy, completeness and regularity of expenditure of Kshs.6,000,000 incurred on supply of fuel for disaster response 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 Disaster Risk Management 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. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, 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 Payment to Water Sector Trust Fund

The statement of financial performance and as disclosed in Note 2 to the financial statements reflects expenditure on use of goods and services totalling to Kshs.104,039,434. Included in this expenditure is an amount of Kshs.94,478,896 in respect of other expenses out of which Kshs.3,300,000 was paid to Water Sector Trust Fund on behalf of Tana Water and Sanitation Company which is 17% of the total project cost of Kshs.19,394,550 contrary to the provisions of the financing contract for the implementation of Madogo water project. The Madogo Water Project Contract was between the Water Sector Trust Fund Urban Investments Programme and Tana Water and Sanitation Company Ltd, which provides that Tana Water and Sanitation Company shall contribute 16% of the total project cost amounting to Kshs.3,103,128. The basis of charging this contribution to the Fund has not been provided for audit review. This payment was contrary to Section 149 of the Public Finance Management Act, 2012 which provides that the Responsibilities of Accounting Officer is to ensure that resources of the entity for which the Officer is designated are used in a way that is lawful and authorized and effective, efficient, economical and transparent. An Accounting Officer is also required in respect of the entity concerned to ensure that all expenditure made by the entity complies with law and ensure that all contracts entered into by the entity are lawful and are complied with.

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

2. Irregular Payment to Kenya Power

The statement of financial performance reflect expenditure on use of goods and services totalling to Kshs.104,039,434 as detailed in Note 2 to the financial statements. Included in this expenditure is an amount of Kshs.94,478,896 in respect of other expenses out of which Kshs.2,000,000 was paid to KPLC on behalf of Tana Water and Sanitation Company for electricity bills. The basis for charging the expenditure to the Fund has not been provided for audit review. This payment was contrary to Section 149 of the Public Finance Management Act, 2012 which provides that the Responsibilities of Accounting Officer is to ensure that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized; and effective, efficient, economical and

transparent. An accounting officer is also required in respect of the entity concerned to ensure that all expenditure made by the entity complies with law and ensure that all contracts entered into by the entity are lawful and are complied with.

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

3. Irregular Expenditure on Use of Goods and Services

The statement of financial performance reflects expenditure on use of goods and services of Kshs.104,039,434. The amount was however incurred without support of any gazetted emergency by the Governor of Tana River County contrary to Section 14 of Tana River Disaster Risk Management Act, 2020 which states that “a disaster or emergency exists when the Governor declares, by notice in the Gazette, that disaster or emergency exists; a potential-disaster exists when (i) the Governor declares by notice in the Gazette after receiving advice from the Committee under subsection (2) that there is a substantial prospect that a disaster shall occur; or (ii) when an agency, whether within the County or otherwise, certified by the Committee as an accredited disaster notification service under subsection (3), broadcasts or , otherwise publishes a formal disaster warning persons of a potential disaster”. Further, section 19, (1) provides that All expenses for meeting emergency preparedness, response, mitigation, relief and reconstruction within the County shall be paid out of the Fund, upon occurrence of a disaster and, (2) For purposes of this Act, the Fund shall be accessible to other auxiliary government agencies involved in disaster risk management, with the approval of the Committee.

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

4. Establishment of Two Funds with Similar Activities

The County Government of Tana River has established two Funds which appear to be serving similar purposes which are the Emergency Fund and the Disaster Risk Management Fund. The Disaster Risk Management Fund commenced operations on 30 October, 2020. Review of the annual reports and financial statements indicate that the principal activities of the Disaster Risk Management Fund are:

- i. Examine the vulnerability of different parts of the County to different disasters and identify specific prevention, reduction or mitigation measures.
- ii. Lay down guidelines to be followed for preparation of disaster and emergency management plan by the County departments.
- iii. Implement the National Government’s policy on disaster and emergency response.
- iv. Co-ordinate response in the event of disaster or emergency.

The statement of financial performance indicates that the Fund received revenue of Kshs.132,324,540 and incurred expenditure of Kshs.104,039,434.

Management also established Tana River Emergency Fund which derives its authority and accountability from the Public Finance Management Act, 2012 with the principal activities including:

- i. Capacity building of the staff and community members in matters emergency.
- ii. Promoting preparedness and initiate response to deal with emerging issues.
- iii. Evacuation, rescue and giving relief to the victims of any hazard.
- iv. Averting danger, threat, risk, hazard or menace of any disaster.
- v. Offer rehabilitative and reconstruction services to return to normalcy.
- vi. Mitigate, lessen, alleviate or reduce risk of any disaster or severity or consequences.

The statement of financial performance for the Emergency Fund indicates that the Fund received revenue of Kshs. 137,722,849 and incurred expenditure of Kshs. 5,413,386 in the year under review in serving the same purpose with the Disaster Risk Management Fund.

The two Funds were therefore established contrary to Section 110 and Section 116 of the Public Finance Management Act, 2012. Section 110 (1) states that “a County Executive Committee may, with the approval of the county assembly, establish an Emergency Fund for the County Government and the Fund shall consist of money from time to time appropriated by the County Assembly to the Fund by an appropriation law”. Section 110 (2) states that “the purpose of an Emergency Fund is to enable payments to be made in respect of a County when an urgent and unforeseen need for expenditure for which there is no specific legislative authority arises”. Section 116 (1) of the Act states that “a County Executive Committee member for finance may establish other public funds with the approval of the County Executive Committee and the County Assembly”. Moreover, Section 19 (1) of the Tana River County Disaster Risk Management Act, 2020 states that “all expenses for meeting emergency preparedness, response, mitigation, relief and reconstruction within the County shall be paid out of the Fund, upon occurrence of a disaster”.

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, 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 The Fund Administration Committee

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 ability of the Fund to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 January, 2024

**County Government of Tana River Disaster Risk Management Fund/Board
Annual Report and Financial Statements for the year ended June 30, 2023**

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

| Description | Note | FY 2022/2023 | 2021/2022 |
|---|------|--------------------|--------------------|
| | | Kshs | Kshs |
| Revenue From Non-Exchange Transactions | | | |
| Transfers From the County Government | 1 | 132,324,540 | 132,165,375 |
| | | | |
| Total Revenue | | 132,324,540 | 132,165,375 |
| Expenses | | | |
| Use of goods and services | 2 | 104,039,434 | 102,578,150 |
| Total Expenses | | 104,039,434 | 102,578,150 |
| Gain/Loss on Disposal of Assets | | - | - |
| Gain /Loss on fair value of investments | | - | - |
| Surplus/(Deficit) for the Period | | 28,285,106 | 29,587,225 |

.....
Name: **SALMA OMARA**
Administrator of the Fund



.....
Name: **JILWA M. KOMORI**
Fund Accountant
ICPAK Member Number: **24131**

County Government of Tana River Disaster Risk Management Fund
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Position as at 30 June 2023

| Description | Note | Insert Current FY Kshs | Insert Comparative FY Kshs |
|---|------|---------------------------|-------------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 3 | 28,285,106 | 29,587,225 |
| Total current assets | | 28,285,106 | 29,587,225 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | | - | |
| Total non-current assets | | | - |
| Total Assets | | 28,285,106 | 29,587,225 |
| Liabilities | | | |
| Current Liabilities | | | |
| Total current liabilities | | | |
| Non-Current Liabilities | | | |
| Total Liabilities | | | |
| Accumulated Surplus | | 28,285,106 | 29,587,225 |
| Total Net Assets and Liabilities | | 28,285,106 | 29,587,225 |

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 1ST SEP, 2023 and signed by:

.....
Name: SALIMA OMARA
Administrator of the Fund



.....
Name: JILLO M. KOMORA
Fund Accountant
ICPAK Member Number: 24/31

**County Government of Tana River Disaster Risk Management Fund/Board
Annual Report and Financial Statements for the year ended June 30, 2023**

15. Statement of Changes in Net Assets for the year ended 30th June 2023

| Description | Revolving Fund | Revaluation Reserve | Accumulated surplus | Total |
|-------------------------------------|--------------------|------------------------|------------------------|--------------------|
| | | Kshs | Kshs | Kshs |
| Balance As At 1 July 2021 | 132,165,375 | - | - | 132,165,375 |
| Surplus/(Deficit) For the Period | - | - | - | - |
| Funds Received During the Year | 132,165,375 | - | | 132,165,375 |
| Transfers | 102,578,150 | | - | 102,578,150 |
| | | | | |
| Balance As At 30 June 2022 | 29,587,225 | - | - | 29,587,225 |
| | | | | |
| Balance As At 1 July 2022 | 132,324,540 | - | - | 132,324,540 |
| Surplus/(Deficit) For the Period | 28,285,106 | - | - | 28,285,106 |
| Funds Received During the Year | 132,324,540 | - | - | 132,324,540 |
| Transfers | 104,039,434 | | (-) | 104,039,434 |
| | | | | |
| Balance As At 30 June 2023 | 57,872,434 | - | - | 57,872,434 |

County Government of Tana River Disaster Risk Management Fund
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement of Cash Flows for the Year Ended 30 June 2023

| Description | Note | Current FY | Current FY |
|---|------|--------------------|--------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from the county government | | 132,324,540 | 132,165,375 |
| Interest received | | - | - |
| Receipts from other operating activities | | - | - |
| Total receipts | | 132,324,540 | 132,165,375 |
| Payments | | | |
| Use of goods and services | | 104,039,434 | 102,578,150 |
| Other payments | | - | - |
| | | - | - |
| Net cash flows from operating activities | | 28,285,106 | 29,587,225 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and Intangible assets | | (-) | (-) |
| Proceeds from sale of property, plant & equipment | | - | - |
| Proceeds from loan principal repayments | | - | - |
| Loan disbursements paid out | | (-) | (-) |
| Net cash flows used in investing activities | | (-) | (-) |
| Cash flows from financing activities | | | |
| Proceeds from revolving fund receipts | | - | - |
| Additional borrowings | | - | - |
| Repayment of borrowings | | (-) | (-) |
| Net cash flows used in financing activities | | (-) | (-) |
| Net increase/(decrease) in cash & cash Equivalents | | 28,285,106 | (-) |
| Cash and cash equivalents at 1 July 2022 | | 29,587,225 | - |
| Cash and cash equivalents at 30 June 2023 | | 57,872,331 | 29,587,225 |

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

**County Government of Tana River Disaster Risk Management Fund/Board
Annual Report and Financial Statements for the year ended June 30, 2023**

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

| Description | Originalbudget | Adju stme nts | Finalbudget | Actualon comparable basis | Performance difference | % Utiliza tion |
|--------------------------------------|--------------------|---------------------|--------------------|---------------------------------|---------------------------|----------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| | a | b | C=(a+b) | d | e=(c-d) | f=d/c* 100 |
| Revenue | | | | | | |
| Transfers From County Govt. | 132,324,540 | | 132,324,540 | 132,324,540 | - | 100% |
| Interest Income | - | - | - | - | (-) | |
| Other Income | - | - | - | - | - | |
| TotalInco me | 132,324,540 | - | 132,324,540 | 132,324,540 | | |
| Expenses | | | | | | |
| Use of goods and services | 132,324,540 | - | 132,324,540 | 104,039,434 | | |
| FinanceCo st | - | (-) | - | - | (-) | |
| TotalExp enditure | 132,324,540 | (-) | 132,324,540 | 104,039,434 | 28,285,106 | |
| SurplusF orthePeri od | - | - | - | 28,285,106 | - | |

Notes to the Financial Statements

1. General Information

Tana River County Disaster Risk Management Fund entity is established by and derives its authority and accountability from Disaster Risk Management Act. The entity is wholly owned by the Tana River County Government and is domiciled in Kenya. The entity's principal activity is Disaster Management ranging from Resilience Building, Response activities, Mitigation and Recovery.

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 2023

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

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

County Government of Tana River Disaster Risk Management Fund
Annual Report and Financial Statements for the year ended June 30, 2023

| 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 Entity’s future cash flows. 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 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 2023</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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; <p>and</p> |

County Government of Tana River Disaster Risk Management Fund
Annual Report and Financial Statements for the year ended June 30, 2023

| Standard | Effective date and impact: |
|--|--|
| | (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | <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> |
| Other improvements to IPSAS | <p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • IPSAS 39: Employee Benefits <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> |
| IPSAS 43 | <p>Applicable 1st January 2023</p> <p>The standard sets out the principles for the recognition, measurement,</p> |

| Standard | Effective date and impact: |
|---|--|
| | <p>presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</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>Applicable 1st January 2023</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 entity did not early – adopt any new or amended standards in year 2022.

4. significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2022-2023 was approved by the County Assembly on 17th October 2022. 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 a section 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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible Assets

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

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

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 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 an entity of financial assets is impaired. A financial asset of an 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 an 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)

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 Entity.

c) 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.

d) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Changes in accounting policies and estimates

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

e) 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.

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.

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 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.

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 Entity

The entity is a County Public Fund established by Disaster Risk Management Act under Cohesion and Special Programs. Its ultimate parent is the County Government of Tana River.

m) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

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

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

b) Useful lives and residual values

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

The condition of the asset based on the assessment of experts employed by the Entity

The nature of the asset, its susceptibility and adaptability to changes in technology and processes

The nature of the processes in which the asset is deployed

Availability of funding to replace the asset

Changes in the market in relation to the asset

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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

6. Notes to the Financial Statements

1. Transfers from County Government

| Description | 2022-2023 | 2021-2022 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Transfers From County Govt. –Operations | 132,324,540 | 132,165,375 |
| Payments By County on Behalf of The Entity | - | - |
| Total | 132,324,540 | 132,165,375 |

2. Use of Goods and Services

| Description | 2022/23 | 2021/22 |
|-----------------------------|-----------|-----------|
| | Kshs. | Kshs. |
| General Office Expenses | - | - |
| Loan Processing Costs | - | - |
| Administration fees | 1,551,445 | 2,356,500 |
| Professional Services Costs | - | - |
| Committee allowance | - | - |

**County Government of Tana River Disaster Risk Management Fund
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| | | |
|------------------------------|--------------------|--------------------|
| Rental of Produced assets | | 9,519,000 |
| Electricity& water expenses | 2,000,000 | - |
| Fuel And Oil Costs | 6,000,000 | - |
| Bank charges | 9093 | 2, 650 |
| Audit Fees | - | - |
| Provision For Doubtful Debts | - | - |
| Other Expenses | 94,478,896 | 90,700,000 |
| Total | 104,039,434 | 102,578,150 |

Notes to the Financial Statements Continued

3. Cash and cash equivalents

| Description | 2022-2023 | 2021-2022 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Tana River Disaster Risk Management Fund Account | 57,872,331 | 29,587,225 |
| Others | - | - |
| TotalCashandCashEquivalents | 57,872,331 | 29,587,225 |

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

| Financial Institution | Account number | 2022-2023 | 2021-2022 |
|----------------------------------|----------------|-----------|-----------|
| | | Kshs | Kshs |
| a) Fixed Deposits Account | | | |
| Kenya Commercial Bank | | - | - |
| Equity Bank, etc. | | - | - |

County Government of Tana River Disaster Risk Management Fund
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| | | | |
|------------------------------|------------|--------------------------|--------------------------|
| Sub- Total | | - | - |
| | | - | - |
| b) On - Call Deposits | | - | - |
| Kenya Commercial Bank | | - | - |
| Equity Bank - Etc. | | - | - |
| Sub- Total | | - | - |
| | | - | - |
| c) Current Account | | | |
| Kenya Commercial Bank Ltd | 1290396809 | 57,872,331 | 29,587,225 |
| | | | |
| Bank B | | - | - |
| | | | - |
| Sub Total | | 57,872,331 | 29,587,225 |
| d) Others (Specify) | | - | - |
| Cash In Transit | | - | - |
| Cash In Hand | | - | - |
| Sub- Total | | - | - |
| Grand Total | | <u>57,872,331</u> | <u>29,587,225</u> |

18. Annexes

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

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---------------------|-----------------------------------|--|
| | Unsupported expenditure on use of goods and service | | Not resolved | Senate committee schedule |
| | Incomplete board composition | | Not resolved | Senate committee schedule |
| | Late submission of financial statements | | Not resolved | Senate committee schedule |
| | Establishment of two funds with similar activities | | Not resolved | Senate committee schedule |
| | Irregular award of transportation of relief food | | Not resolved | Senate committee schedule |

Fund Manager/Accounting Officer Tana River County Disaster Risk Management Fund

Date...1ST SEPT. 2023

**County Government of Tana River Disaster Risk Management
Annual Report and Financial Statements for the year ended June 30, 2023**

Annex II: Inter-Fund Confirmation Letter



County Government of Tana River Disaster Risk Management

[P.O.Box 29-70101

Hola]

The County Government of Tana River Disaster Risk Management Fund wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

| Confirmation of amounts received by [Tana River County Government Disaster Risk Management Fund] as at 30 th June 2023 | | | | | | | |
|---|-----------------------|---|---------------------|----------------------------------|--------------------------|--|--|
| Referen ce Number | Date Disburs ed | Amounts Disbursed by [Tana River County Government] (Kshs) as at 30 th June 2023 | | | | Amount Received by [beneficia ry Fund] (KShs) as at 30 th June 2023 (E) | Differen ces (KShs) (F)=(D- E) |
| | | Recurrent (A) | Developm ent (B) | Inter- Minister ial (C) | Total (D)=(A+B +C) | | |
| | | 132,324,5 40 | - | - | 132,324,54 0 | 132,324,5 40 | - |
| | | | | | | | |
| | | | | | | | |
| Total | | 132,324,5 40 | | | 132,324,54 0 | 132,324,5 40 | |

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name Jillo m. Homora Sign [Signature]
Date 1-9-2023

**County Government of Tana River Disaster Risk Management
Annual Report and Financial Statements for the year ended June 30, 2023**

Annex III: Reporting of Climate Relevant Expenditures

| Project Name | Project Description | Project Objectives | Project Activities | Year | | | | Source Of Funds | Implementing Partners |
|--------------|---------------------|--------------------|--------------------|------|-----|-----|-----|-----------------|-----------------------|
| | | | | Q 1 | Q 2 | Q 3 | Q 4 | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
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| | | | | | | | | | |

**County Government of Tana River Disaster Risk Management
Annual Report and Financial Statements for the year ended June 30, 2023**

Annex IV: Reporting on Disaster Management Expenditure

| Column I | Column II | Column III | Column IV | Column V | Column VI | Column VII |
|-----------|----------------|---------------|--|------------------|-------------------|------------|
| Programme | Sub-programme | Disaster Type | Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness) | Expenditure item | Amount (Kshs.) | Comments |
| DRM | Administration | Drought | | Administration | 3,551,445 | |
| DRM | Resilience | Drought | | Resilience | 46,053,556 | |
| DRM | Response | Drought | | Response | 54,004,350 | |
| DRM | Recovery | Drought | | Recovery | 430,083.00 | |