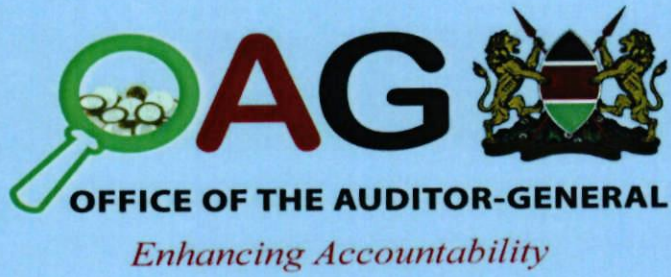


Scanned



PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

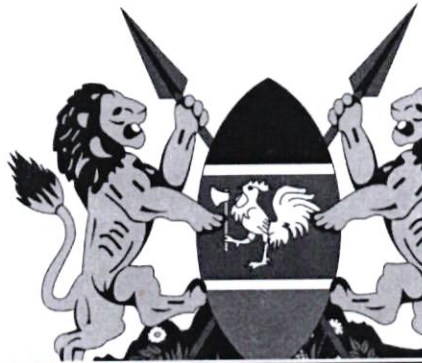
ON

**COUNTY ASSEMBLY OF TANA RIVER
GRATUITY FUND**

**FOR THE YEAR ENDED
30 JUNE, 2019**

PAPERS LAID	
DATE	15-02-2022
TABLED BY	LEADER OF MAJORITY
COMMITTEE	
CLERK AT THE TABLE	M. ADJ. BOGOTU





COUNTY ASSEMBLY OF TANA-RIVER
REPORTS AND FINANCIAL STATEMENTS
FOR GRATUITY

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

TABLE OF CONTENT

1. KEY ENTITY INFORMATION ANDMANAGEMENT	1
2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)	3
3. MANAGEMENT TEAM	4
4. REPORT OF THE FUND ADMINISTRATOR	5
5. CORPORATE GOVERNANCE STATEMENT	6
6. REPORT OF THE TRUSTEES	7
7. STATEMENT OF MANAGEMENT’S RESPONSIBILITIES	8
8. FINANCIAL STATEMENTS.....	9
a) Statement of financial performance for the year ended 30thJune 2019	9
b).Statement of financial position as at 30 June 2019	10
c).Statement of changes in net assets as at 30 june2019.....	11
d).Statement of cash flows for the year ended 30 june2019	12
e). Statement of comparison of budget and actual amounts for the period ended 30thjune 2019	13
9. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	14
10. NOTES TO THE FINANCIALSTATEMENTS.....	17
11. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	19

**County Assembly of Tana River
Tana River County Assembly Gratuity
Reports and Financial Statements For the year ended June 30, 2019**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The County Assembly of Tana River Gratuity Fund is established by salaries and remunerations commission circular dated 27th November, 2013 reference number SRC/TC/CGOVT/3/16. The fund account started operating as from July 2014. The Fund is wholly owned by the County Assembly of Tana River and is domiciled in Kenya.

The fund's objective is to provide gratuity for the members of the County Assembly and staff that were under the five year term and their gratuity is paid at the expiry of the five year term. Each year the County Assembly budgets for gratuity at the rate of 60% of the gross monthly remuneration package pay multiplied by 31%. This fund was topped up yearly to meet the objective of paying the MCAS and their ward staffs at end of their term in office.

The fund was set up to help the MCAS and ward staff to act as a pension fund once their term ended to enable start up a new life if they were not re-elected.

During the financial year all the Members of the County Assembly and staffs of the wards were paid their gratuity dues as their term and contracts had come to the end.

b) Key Management

Ref	Name	Position
1	Abdullahi Dayib Hussein	Clerk to Assembly
2	Alex Kibwage Ontumi	Principal Accounts Controller
3		
4		
5		

County Assembly of Tana River
Tana River County Assembly Gratuity
Reports and Financial Statements For the year ended June 30, 2019

c) Registered Offices

County Assembly of Tana River
P.O. Box 113-70101
Hola.
KENYA

d) Fund Contacts

Telephone: (254) 708005459
E-mail:
dayib@tanariverassembly.go.ke
Website: tanariverassembly.go.ke

e) Fund Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

Kenya Commercial Bank
P.O box 100-70101
HOLA.

f) Independent Auditors

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

g) Principal Legal Adviser

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

County Assembly of Tana River
Tana River County Assembly Gratuity
Reports and Financial Statements For the year ended June 30, 2019

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

Name	Details of qualifications and experience
1. Hon Masha Boru Dela	-Two term Member of the county assembly
2. Hon Mohamud Ahmed	-Two term Member of the county assembly -Minority Leader
3. Hon Musa Wario	-Two term Member of the county assembly
4. Hon Mariam Hargamso	-Nominated Member of the county assembly
5. Hon Abdi Ergamso	-Two term Member of the county assembly
6. Abdullahi Dayib Hussein	-Bachelor of arts Education from Nairobi university -Served as clerk for two years.

**County Assembly of Tana River
Tana River County Assembly Gratuity
Reports and Financial Statements For the year ended June 30, 2019**

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Abdullahi Dayib Hussein	-Officer holds bachelor of education (arts) from Nairobi university and is currently clerk to Assembly.
2. Alex Kibwage Ontumi	-Mr Alex holds MBA from United state internal university Africa. -He also holds degree in Accounting from the same university. -Mr Alex is currently the principal accounts controller.

County Assembly of Tana River gratuity fund
Reports and Financial Statements For the year ended June 30, 2019

4. REPORT OF THE FUND ADMINISTRATOR

Tana River county assembly gratuity fund account has been in existence since 25th June 2016 and the cash was paid to the members of the county assembly and ward staff at the close of their term during the financial year.

During the year ended 30th June, 2019, provision for gratuity for both members of the county assembly and staff amounting to 13,137,321 has been catered for during the year under consideration.

On the same note an amount of 383,139 has been paid out to members of the county assembly staff who have either left the service on resignation or through death.

The fund in this account held at Tana River Gratuity fund account and is fully paid out to members of the county assembly and their staff at the end of the five year term.

The Fund Administrator should sign the Fund Administrator report.

Signed: _____



Abdullahi Dayib Hussein
Clerk to Assembly

5. CORPORATE GOVERNANCE STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

-Tana River county assembly gratuity fund has been operational as from 25th June 2016. The fund was set up to disburse out funds to Members of the County Assembly at the expiry of their five year term.

At the end of the five years the beneficiaries were paid their dues as per the laid down regulation.

During the year ended 30th June, 2019, provision for gratuity for both members of the county assembly and staff amounting to 13,137,321 has been catered for during the year under consideration.

On the same note an amount of 383,139 has been paid out to members of the county assembly staff who have either left the service on resignation or through death.

The fund in this account held at Tana River Gratuity fund account and is fully paid out to members of the county assembly and their staff at the end of the five year term.

County Assembly of Tana River gratuity fund
Reports and Financial Statements For the year ended June 30, 2019

6. REPORT OF THE TRUSTEES

The Trustees submit their report together with the unaudited financial statements for the year ended 30th June 2018.

Principal activities

The principal activities of Tana River Gratuity fund account is to save funds so as by the end of the five years that Members of the County Assembly are supposed to serve their electorate they have a lump sum amount to take home to plan their life with.

Auditors

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

Member of the Board

Date: 217/2020

7. STATEMENT OF MANAGEMENT’S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *legal notice no 8* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and legal notice no 8. 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, 2019, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund’s financial statements were approved by the Board on 2/7/ 2020 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA



Enhancing Accountability

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 COUNTY ASSEMBLY OF TANA RIVER GRATUITY FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of County Assembly of Tana River Gratuity Fund as set out on pages 9 to 19, which comprise the statement of financial position as at 30 June, 2019 and the statement of financial performance, 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, the financial statements present fairly, in all material respects, the financial position of County Assembly of Tana River Gratuity Fund as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly of Tana River Gratuity 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 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, 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Functional Internal Audit Unit

As reported in the year ended 30 June, 2018, the Assembly under which the Fund operates has no fully functional internal audit unit since it is manned by only one officer. The officer reports functionally and administratively to the Clerk of the Assembly where the Fund is established hence the independence of internal audit office cannot be assured. Further, it was also observed that the office does not have an internal audit charter that define functions, roles and powers.

Under the circumstances, effectiveness of the internal audit unit could not be ascertained.

2. Failure to Establish Audit Committee

The Assembly does not have an audit committee to oversee its financial operations and also to support the accounting officers with regard to their responsibilities for issues of risk, control and governance and associated assurances, as required by the Public Finance Management Act, 2012 Section 155(5) and Section 167(1). Where there is no audit committee the Management can easily override controls and in such instances, cases of fraud and errors may not be detected or corrected on timely.

Consequently, the Assembly is in breach of the law.

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 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 services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 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 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 the 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

14 January, 2022

County Assembly of Tana River gratuity fund
Reports and Financial Statements For the year ended June 30, 2019

8. FINANCIAL STATEMENTS

a) Statement of financial performance for the year ended 30th June 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Revenue from non-exchange transactions			
Transfers from the County Government	1	2,795,287	1,777,154
Total revenue		2,795,287	1,777,154
Expenses			
Gratuity Expenses	2	13,137,321	10,507,608
Bank Charges	3	8,269.50	12,144
Total expenses		13,145,591	10,519,752
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		-10,350,304	-8,742,598

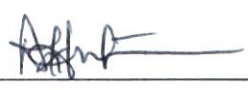
County Assembly of Tana River gratuity fund
Reports and Financial Statements For the year ended June 30, 2019

b).Statement of financial position as at 30 June 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	2,423,909	20,030
Total assets		2,423,909	20,030
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions			
Provisions for Gratuity	5	29,605,850	16,851,668
Non-current liabilities			
Non-current employee benefit obligation			
Long term portion of borrowings			
Total liabilities		29,605,850	16,851,668
Net assets			
Revolving Fund			
Reserves			
Accumulated surplus		-27,181,942	-16,831,638
Total net assets and liabilities		2,423,909	20,030

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 2/7/ 2020 and signed by:


Administrator of the Fund
Name: **Abdullahi Dayib Hussein**


Fund Accountant
Name: **Alex Kibwage Ontumi**
ICPAK Member Number:

County Assembly of Tana River gratuity fund
Reports and Financial Statements For the year ended June 30, 2019

c).Statement of changes in net assets as at 30th june2019

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017			-8,089,040	-8,089,040
Surplus/(deficit) for the period			-8,742,598	-8,742,598
Funds received during the year				
Revaluation gain				
Balance as at 30 June 2018			-16,831,638	-16,831,638
Balance as at 1 July 2018			-16,831,638	-16,831,638
Surplus/(deficit) for the period			-10,350,304	-10,350,304
Funds received during the year				
Revaluation gain				
Balance as at 30 June 2019			-27,181,942	-27,181,942

County Assembly of Tana River gratuity fund
 Reports and Financial Statements For the year ended June 30, 2019

d).Statement of cash flows for the year ended 30 june2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government	1	2,795,287	1,777,154
Interest received		-	-
Receipts from other operating activities		-	-
Total Receipts		2,795,287	1,777,154
Payments			
Fund administration expenses			
Gratuity Expenses	6	383,139	10,507,608
Bank Charges	3	8,270	12,144
Total Payments		391,409	10,519,752
Adjustment during the year			24,382,561
increase in trade receivables		-	-
Net cash flows from operating activities		2,403,879	-33,125,159
Net increase/(decrease) in cash and cash equivalents		2,403,879	-33,125,159
Cash and cash equivalents at 1 JULY 2018	4	20,030	33,145,188
Cash and cash equivalents at 30 JUNE,2019	4	2,423,909	20,030

County Assembly of Tana River gratuity fund

Reports and Financial Statements For the year ended June 30, 2019

e). Statement of comparison of budget and actual amounts for the period ended 30th June 2019

	Original budget	Adjustme nts	Final budget	Actual on comparable basis	Performanc difference	% utilisa tion
	2019	2019	2019	2019	2019	2019
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	-	-	-	2,795,287	-2,795,287	
Interest income	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total income	-	-	-	2,795,287	-2,795,287	-
Expenses						
Gratuity expenses	-	-	-	13,145,590.50	-13,145,590.50	-
General expenses	-	-	-	-	-	-
Finance cost	-	-	-	8,269.50	-8,269.50	-
Total expenditure	-	-	-	13,145,590.50	13,145,590.50	-
Surplus for the period	-	-	-	10,350,303.50	10,350,303.50	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. 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. Revenue recognition

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.

Revenue from exchange transactions

3. 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 2018/2019 was approved by the County Assembly. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

6. 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.

7. 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

8. Comparative figures

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

9. Events after the reporting period

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

10. Ultimate and Holding Entity

The entity is a County Public Fund established by legal notice no 8 on Kenya gazette notice under County Assembly of Tana River.

11. Currency

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

10. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers Received	2,795,287	1,777,155
Total	2,795,287	1,777,155

2. Gratuity Provision

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Gratuity expense	13,137,321	10,507,608
Total	13,137,321	10,507,608

3. Bank Charges

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Bank charges	8,269.50	12,144
Total	8,269.50	12,144

4. Cash to cash Equivalents

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	2,423,909	20,030
Others	-	-
Total cash and cash equivalents	2,423,909	20,030

5. Provision for Gratuity

Description	Gratuity provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	16,851,668	-	-	16,851,668
Additional Provisions	13,137,321	-	-	13,137,321
Provision utilised	-383,139	-	-	-383,139
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Total provisions	29,605,850	-	-	29,605,850

6. Gratuity Expenses

NAME	DESIGNATION	AMOUNT PAID
Ismail Hussein	Personal Assistant	66,402
Mohamud Kuso	Field Officer	288,737
Halima shafat	Personal Assistant	28,000
	Totals	383,139

11. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
TRC/ASS/1/VOL1	5.1 Lack functional internal Audit	County service Board is in the process of hiring new staff to man the audit department once that is achieved the audit department will function more effectively.	Clerk to Assembly	Not Resolved	20/7/2020
	5.2 Failure to establish audit committees	The board is in the process of establishing Audit committee in line sec 167 of the public finance management Act.	Clerk to Assembly	Not resolved	20/7/2020

