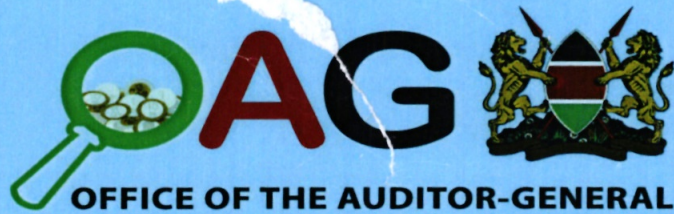


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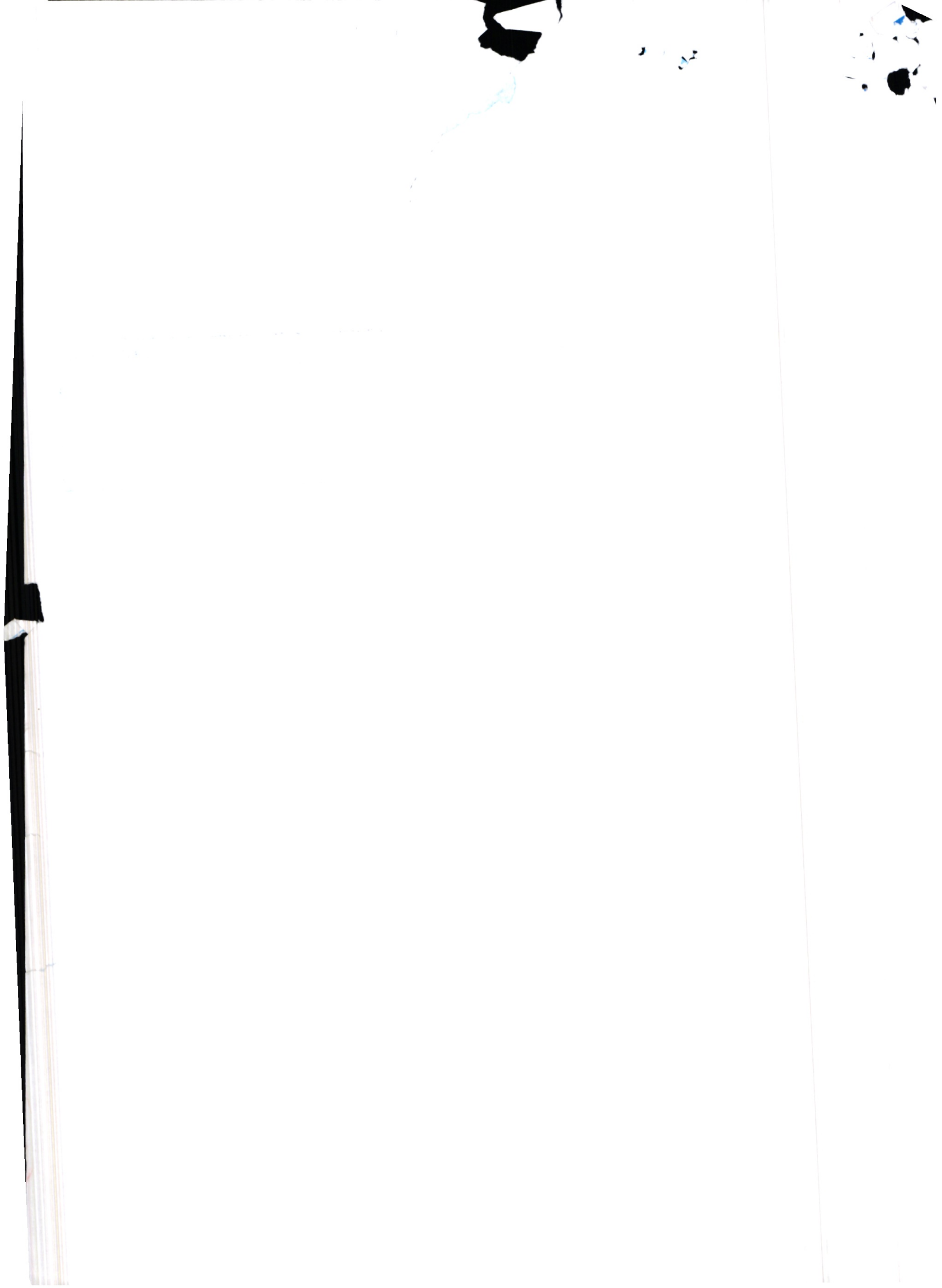
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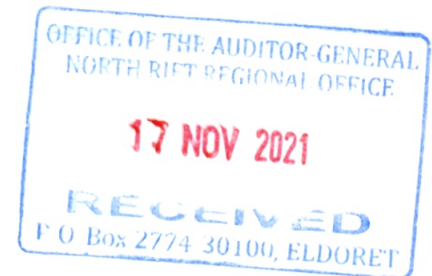
THE AUDITOR-GENERAL

ON

**TURKANA COUNTY CO-OPERATIVE
ENTERPRISE DEVELOPMENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**





THE TURKANA COUNTY CO-OPERATIVE ENTERPRISE DEVELOPMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2021

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Turkana County Co-operative Enterprise Development Fund was established by and derives its authority and accountability from Turkana County Co-operative Enterprise Development Fund Act, 2019(Amendment) Via Turkana County gazette Supplement No.14 (Act 07). The Fund is wholly owned by the County Government of Turkana and is domiciled in Kenya.

The fund's objective is to;

- (1) Finance and promote the socio-economic welfare of the Co-operative Societies;
- (2) Provide affordable and accessible credit to primary Co-operative Societies;
- (3) Facilitate Investments in Co-operative Societies;
- (4) Entrench the principles of prudent financial management and administrative action in the management of co-operative societies across the County;
- (5) Facilitate marketing of products and services of co-operative societies both in the domestic and the international markets;
- (6) Revive key primary Co-operative Societies for accelerated economic development of the cooperative movement across the County;
- (7) Research, develop, innovate and transfer technology;
- (8) Hold, manage and apply the finances of the fund in accordance with the provisions of the Act; and
- (9) Perform such other functions as are conferred on it by the Act or such other written law.

The Fund's principal activity is to provide low interest loans to Co-operative Institutions that seek to promote the welfare and economic uplifting of the people of Turkana County.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide low interest loans to Co-operative Institutions that seek to promote the welfare and economic uplifting of the people of Turkana County.

c) Board of Trustees/Fund Administration Committee.

d) Key Management

Ref	Position	Name
1	CECM Trade, Gender and Youth Affairs	Mr. Charles Ewoi
2	Chief Officer Trade, Gender and Youth Affairs	Mr. James Lokwale
3	Director Co-operatives Development and Marketing	Mr. Benson Akol
4	Fund Accountant	Mrs.CPA Grace Ewoi

e) Fiduciary Oversight Arrangements

Finance and Audit Committee

Ref	Position	Name
1	Secretary	Mr. Michael Ekwang'a
2	Member	Mr. Emmanuel Lochor
3	Member	Miss.Shemmy Ebulon
4	Member	Mrs.Selina Lokope
5	Member	Mr. Columbus Lokwei
6	Member	Mr. Edwin Omindo

f) Registered Offices

P.O. Box 11-30500

Trade, Gender & Youth Affairs Offices,

Cooperative Building,

Next to Turkana County Assembly

Lodwar, KENYA.

g) Fund Contacts

E-mail: tcg@yahoo.com

Website: www.tcg.go.ke

h) Fund Bankers

1. Kenya Commercial Bank

Lodwar Branch

i) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Office of the County Attorney

P.O. Box 11-30500

Lodwar, Kenya

2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

Turkana County Co-operative Enterprise Development Fund was established for the sole purpose of financing and promoting the socio-economic welfare of the Co-operative Societies within Turkana County through provision of affordable and accessible credit. The fund also aims at facilitating marketing of products and services of the co-operative societies within and outside the country.

In order to achieve the intended objectives, the fund received **Kshs.20,929,245** during the financial. This receipt will facilitate both the recurrent operations of the fund (**627,000**) and for the capital operation (**Kshs.20,302,245**). During the year under review the fund could not undertake all its activities due to lack of the board. The management therefore anticipates to have full operations of the fund in the coming financial year.

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

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Turkana County Co-operative Enterprises Development Fund's 2018-2022 plan are to:


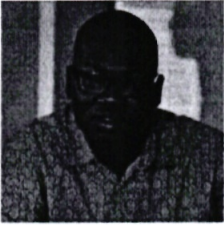

- a. Finance and promote the socio-economic welfare of the Co-operative Societies;
- b. Provide affordable and accessible credit to primary Co-operative Societies;
- c. Facilitate Investments in Co-operative Societies;
- d. Entrench the principles of prudent financial management and administrative action in the management of co-operative societies across the County;
- e. Facilitate marketing of products and services of co-operative societies both in the domestic and the international markets;
- f. Revive key primary Co-operative Societies for accelerated economic development of the cooperative movement across the County;
- g. Research, develop, innovate and transfer technology;


Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Co-operatives Development and Marketing	Provide affordable and accessible credit to primary Co-operative Societies	Increased access to Co-operative loans/financing	Number of Co-operative Societies awarded loans	During the FY 2020/2021 the Fund received a total of Kshs 20,929,245 which is yet to be disbursed to Co-operative Societies across the County.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1. Mr. Charles Ewoi</p> 	<p>He the current County executive committee member for Trade, Gender and Youth Affairs. He is the fund Patron. He holds a bachelor's degree in Arts (Education). He has held various public positions especially in TSC and the County government. He has over.</p>
<p>2. Mr. James Lokwale</p> 	<p>He is the Acting Chief Officer and Fund Administrator for the Fund. James holds a master of Business Administration (Strategic Management) from Moi University and a bachelor's degree in Finance and Banking from the same university. He has a diploma in SMEs Entrepreneurship and Innovative management from the Galilee International Management Institute in Israel. He has also undertaken various other trainings including strategic leadership development, result based monitoring and banking credit course. He has over twenty (20) years extensive knowledge and experience in areas of banking, entrepreneurship, community engagements, humanitarian response and public sector. He has formerly worked for KCB Bank in various capacities including as operations manager and in the county government as a director and KIPPRA.</p>
<p>3. Mr. Benson Akol</p> 	<p>He is the current Director for Co-operatives Development and Marketing. He is currently pursuing his master's degree in Business Administration (Finance) at Jomo Kenyatta University of Agriculture and Technology. He has a bachelor's degree in Business Management (Purchasing and Supplies Management option) at Mount Kenya University. In addition, he possesses a diploma in co-operative Management at Cooperative College of Kenya. Benson has a fifteen (15) year extensive experience in policy formulation and implementation, co-operatives good governance and provision of technical advice on co-operative investment, finance, credit and marketing, project management and extension services. He serves as</p>

	the Fund Board Secretary.
4. Mrs CPA Grace Ewoi 	<p>Grace has over Eleven (11) years' working experience in Public and Non-Governmental Organizations in areas of accounting and financial Management.</p> <p>She holds a Master of Science degree in International Oil and Gas Management from University of Dundee, UK and a Bachelors' degree in Business Management (Finance and Banking Option) from Moi University. She is a Certified Public Accountant (CPA) graduate with KASNEB Examining Body and an investment analyst. She also possesses expertise in Energy and Natural Resources management and policy formulation, Extractive industries financial modelling and analysis and experience in streamlining financial systems in humanitarian emergency responses. Grace is the fund accountant.</p>

5. BOARD CHAIRPERSON'S REPORT

The fund's main objective is to facilitate financing and promotion of socio-economic welfare of the Co-operative Societies within Turkana County through provision of affordable and accessible credit. The fund also aims at facilitating marketing of products and services of the co-operative societies within and outside the country.

During the Financial year under review, the fund received a total of Kshs. **20,929,245** from the County Exchequer Account.

There was no expenditure incurred during the Financial year since there was no board to approve the Fund's budget for appropriation. The fund anticipates to receive an allocation of **Kshs.40,000,000** in FY 2021/2022. These funds will be solely utilised to finance the existing co-operative societies and to facilitate the operations of the fund.

Signed: 

CHARLES LOKIYOTO EWOI
CECM-TRADE, GENDER AND YOUTH AFFAIRS.

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

During the Financial year under review, the fund received a total of **Kshs. 20,929,245** from the County Exchequer Account. This amount is apportioned as **Kshs.20,302,245(97%)** for revolving loans while **Kshs.627,000(3%)** is for recurrent operations. This is the first disbursement received by the fund since its formation. The only expenditure incurred sums up to Kshs.2,727 accrued from bank charges since the fund can not undertake any operations without the board that can approve its budget.

The fund anticipates to receive an allocation of **Kshs.40,000,000** in FY 2021/2022. These funds will be solely utilised to finance the existing co-operative societies and to facilitate the operations of the fund. The management hopes that the process of constituting the board will be fast tracked to enable the operation of the fund in order for its intended objectives to be achieved.

Signed: _____



BENSON AKOL
BOARD SECRETARY.

7. CORPORATE GOVERNANCE STATEMENT

At the moment the board has not been appointed rendering the fund un-operational. If appointed the board shall consist of not more than 9 members who are not public officers. The chairperson appointed by the governor on the recommendation of the county executive committee member responsible for Co-operative development and marketing with the approval of the County Assembly. The other eight members shall be appointed by the County Executive Committee Member responsible for Co-operative development and marketing; drawn from co-operative movement within the county while observing the interests of minorities, Youth, gender and people living with disability.

A person shall not be qualified for appointment as a member of the board if that person is;

- i. a member of National Assembly;
- ii. is adjudged bankrupt;
- iii. is convicted of a criminal offence and sentenced to a term of imprisonment of not less than six months.

An appointed member of the Board shall cease to be a member when;

- i. Dies;
- ii. Is unable to perform the functions of the office due to mental or physical infirmity

The board shall have the powers necessary for the performance of its functions and these powers shall be;

- i. Supervise, control and administer the assets of the fund in such a manner and for such purposes as would best promote the objects and functions for which the fund is established;
- ii. Formulate policy guidelines on funding
- iii. Ensure that all projects funded are consistent with priorities specified in the relevant policy documents;
- iv. Approve proposals submitted to it by the unit under the act;
- v. Authorise allocations from the fund;
- vi. Formulate or approve standards, guidelines and procedures for funding proposals and release of loans and credit facilities;

- vii. Approve the organizational structure of the unit;
- viii. Provide oversight in the utilization of the fund;
- ix. Cause to be kept proper records of all assets and liabilities of the Fund;
- x. Prepare and present for approval;
 - a. Annual estimates of revenue and expenditure of the fund
 - b. Audited accounts in accordance with the international accounting standards and relevant laws
 - c. The investment proposals

The members of the board shall be paid such allowances or remuneration as the County Executive Member for Trade, Gender and Youth Affairs in consultation with the County Public Service Board shall determine and in accordance with the relevant financial regulations and/or guidelines currently in force including the Salaries and Remuneration Commission.

The conduct of business of the Board shall be as provided in the First Schedule, but subject thereto, the Board may regulate its own procedure. The quorum for the conduct of business of the meeting of the Board shall be two-thirds of the total number of members of the Board.

8. MANAGEMENT DISCUSSION AND ANALYSIS.

In order to facilitate the main objective of the fund of providing affordable and accessible credit, the fund received a total of **Kshs. 20,929,245** from the County Exchequer Account during the period under review. This funding is anticipated to facilitate both the current operations of the fund and the capital.

Although the funds were received in the fourth quarter of the Financial year, it was difficult to incur expenditure since there was no board to approve the Fund's budget for appropriation. The fund anticipates to receive an allocation of **Kshs.40,000,000** in FY 2021/2022. These funds will be solely utilised to finance the existing co-operative societies and to facilitate the operations of the fund.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.

The fund's main objective is to provide affordable financing and promote socio-economic welfare of the Co-operative Societies within Turkana County through provision of affordable and accessible credit. The fund also aims at facilitating marketing of products and services of the co-operative societies within and outside the country. During the year under review, the fund did not undertake any Corporate Social Responsibility activity.

10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

During the financial year under review the fund did not have a board.

10.1 Principal activities.

The principal activity/mission/ mandate of the Fund is to provide low interest loans to Co-operative Institutions that seek to promote the welfare and economic uplifting of the people of Turkana County.

10.2 Performance

The performance of the Fund for the year ended June 30, 2021 are set out from page 20 to 58

10.3 Trustees

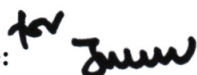
The fund did not have a board as at the date of the report.

10.4 Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. Or Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his/her behalf.

By Order of the Board

Turkana County Co-operative Enterprise Development Fund

Signature: 

CHARLES EWOI LOKIYOTO.

CECM TRADE, GENDER AND YOUTH AFFAIRS.

Date: 16/11/21

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the Constitution, an Act of Parliament or County Legislation, 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, 2021. 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 Fund Administrator accepts responsibility for the Turkana County Co-operative Enterprise Development Fund's financial statements, which have been prepared on the accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (Accrual Basis). The Fund Administrator is of the opinion that the fund financial statements give a true and fair view of the state of the funds transactions during the financial year ended June 30, 2021, and of its financial position as at that date.

**Turkana County Co-operative Enterprise Development Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

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 16/11/ 2021 and signed on its behalf by:

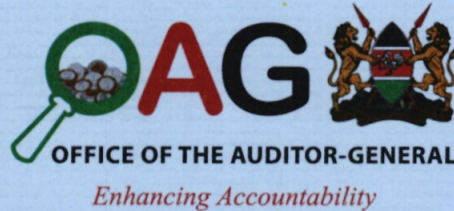


BENSON AKOL

BOARD SECRETARY

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 TURKANA COUNTY CO-OPERATIVE ENTERPRISE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2021

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 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

Opinion

I have audited the accompanying financial statements of Turkana County Co-operative Enterprise Development Fund set out on pages 21 to 58, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of 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, the financial statements present fairly, in all material respects, the financial position of Turkana County Co-operative Enterprise Development Fund as at 30 June, 2021, 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 the Turkana County Co-operative Enterprise Development Fund Act, 2016.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Turkana County Co-operative Enterprise Development Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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. Lack of Fund Management Board

The Turkana County Co-operative Enterprise Development Fund was established in the year 2016 and become operational effective 19 June, 2020. However, during the year ended 30 June, 2021, there was no evidence to show that the board chairman was nominated by the Governor, approved by County Assembly and other eight (8) persons not being public officers who were appointed by the county executive committee member for the time being responsible for Co-operative development and marketing to provide oversight function and management of the Fund. At the time of audit in October, 2021,

there was no evidence to show that the process of appointing board members had been initiated.

This is contrary to Section 11(1) of the Turkana County Co-operative Enterprise Development Fund Act, 2016 which states that the oversight function and management of the fund shall be vested in the board, which shall be appointed in accordance with this section.

In the circumstances, the appointing authority was in breach of the law and the Fund may not meet its objectives in the absence of a board.

2. Non-Disbursement of Loans

The statement of financial position reflects Nil balance in respect of long-term receivables from exchange transactions. During the year ended 30 June, 2021, the Fund received transfers of Kshs.20,929,245 on 1 April, 2021 out of which Kshs.627,000 was allocated to fund administration expenses and the remaining amount of Kshs.20,302,245 was to be disbursed as loans to eligible co-operative societies. However, as at 30 June, 2021, there was no disbursement of loans to any co-operative society. Further, at the time of audit in October, 2021, there was no loan disbursement to: revive, promote, finance and market facilitation of primary Cooperative Societies in accordance with Section 6 (a- j) of Turkana County Co-operative Enterprise Development Fund Act, 2016. The Fund Management did not provide any justification for non-disbursement of loans.

In the circumstances, the objects of the Fund were not met and there was no value for money obtained on Kshs.20,302,245 disbursed to the Fund to facilitate issuance of loans.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

06 September, 2022

13. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021.

	Note	2020/2021 KShs	2019/2020 KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	0	0
Transfers from the County Government	2	627,000	0
Fines, penalties and other levies	3	0	0
Total revenue from non-exchange transaction		627,000	0
Revenue from exchange transactions			
Interest income	4	0	0
Other income	5	0	0
Total revenue from exchange transaction		0	0
Total revenue		627,000	0
Expenses			
Fund administration expenses	6	0	0
General expenses	7	2,727	0
Finance costs	8	0	0
Total expenses		2,727	0
Other gains/losses			
Gain/loss on disposal of assets	9	0	0
Surplus/(deficit) for the period		624,273	0

The notes set out on pages 45 to 57 form an integral part of these Financial Statements.

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	20,926,518	0
Current portion of long- term receivables from exchange transactions	11	0	0
Receivables from Non- exchange transactions	12	0	0
Prepayments	13	0	0
Inventories	14	0	0
Total current Assets		20,926,518	0
Non-current assets			
Long term receivables from exchange transactions	11	0	0
Property, plant and equipment	15	0	0
Intangible assets	16	0	0
Total Non-current Assets		0	0
Total assets		20,926,518	0
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	0	0
Provisions	18	0	0
Current portion of borrowings	19	0	0
Employee benefit obligations	20	0	0
Total Current Liabilities		0	0
Non-current liabilities			
Long term portion of borrowings	19	0	0
Non-current employee benefit obligation	20	0	0
Total Non-Current liabilities		0	0
Total Liabilities		0	0
Net assets		20,926,518	0
Revolving Fund		20,302,245	0
Reserves		0	0
Accumulated surplus		624,273	0
Total net assets and liabilities		20,926,518	0

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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 16/11/2021 and signed by:



**Board Secretary
Benson Akol**



**Fund Accountant
CPA Grace Ewoi
ICPAK Member No. 25932**

13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	KShs	KShs	KShs	KShs
Balance as at 1 July 2019	0	0	0	0
Surplus/(deficit) for the period	0	0	0	0
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2020	0	0	0	0
Balance as at 1 July 2020	0	0	0	0
Surplus/(deficit) for the period	0	0	624,273	624,273
Funds received during the year	20,302,245	0	0	20,302,245
Revaluation gain	0	0	0	0
Balance as at 30 June 2021	20,302,245	0	624,273	20,926,518

13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		0	0
Transfers from the County Government		627,000	0
Interest received		0	0
Receipts from other operating activities		0	0
Total Receipts		627,000	0
Payments			
Fund administration expenses		0	0
General expenses		2,727	0
Finance cost		0	0
Total Payments		2,727	0
Net cash flows from operating activities		624,273	0
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	15	0	0
Proceeds from sale of property, plant and equipment	15	0	0
Proceeds from loan principal repayments		0	0
Loan disbursements paid out		0	0
Net cash flows used in investing activities		0	0
Cash flows from financing activities			
Proceeds from revolving fund receipts		20,302,245	0
Additional borrowings	19	0	0
Repayment of borrowings	19	0	0
Net cash flows used in financing activities		20,302,245	0
Net increase/(decrease) in cash and cash equivalents		20,926,518	0
Cash and cash equivalents at 1 JULY	10	0	0
Cash and cash equivalents at 30 JUNE	10	20,926,518	0

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021.

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	
Revenue					
Public contributions and donations	0	0	0	0	0%
Transfers from County Govt.	627,000	0	627,000	627,000	100%
Interest income	0	0	0	0	0%
Other income	0	0	0	0	0%
Total income	627,000	0	627,000	627,000	100%
Expenses					
Fund administration expenses	600,000	0	600,000	0	0%
General expenses	27,000	0	27,000	2,727	10%
Finance cost	0	0	0	0	0%
Total expenditure	627,000	0	627,000	2,727	0%
Surplus for the period	0	0	0	624,273	

Budget notes

The fund received Kshs.20,929,245 out of which Kshs.20,302,245 was allocated to loans disbursement. However, during the year no loans were disbursed.

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/Amendments Applicable 1 st January 2021	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	There was no Impact

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>There is no significant impact to the fund</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users</p>

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Standard	Effective date and impact
	<p>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; and (c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows. <p><i>There is no significant impact to the fund since the fund does not have employees directly managed by the Fund</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 30th June,2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional no additional appropriations.

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 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13.1 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.

2. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments

a) 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 asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- b) The debtors or an entity of debtors are experiencing significant financial difficulty
- c) Default or delinquency in interest or principal payments
- d) The probability that debtors will enter bankruptcy or other financial reorganization
- e) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

f) 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4. 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.

5. 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.

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.

6. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

7. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. 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.

9. 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.

10. 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/ Trustee, the Fund Managers and Fund Accountant.

11. 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 commercial bank at the end of the financial year.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Comparative figures

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

13. Events after the reporting period

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

14. Ultimate and Holding Entity

Turkana County Co-operative Enterprise Development Fund was established by and derives its authority and accountability from Turkana County Co-operative Enterprise Development Fund Act, 2019(Amendment) Via Turkana County gazette Supplement No.14 (Act 07). The Fund is wholly owned by the County Government of Turkana and is domiciled in Kenya.

15. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. 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.

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:

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

17. Financial risk management

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

a) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	KShs	KShs	KShs	KShs
At 30 June 2021				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	20,926,518	20,926,518	0	0
Total	20,926,518	20,926,518	0	0
At 30 June 2020				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0

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

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short,

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medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2021				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2020				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

d) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KShs	Other currencies KShs	Total KShs
At 30 June 2021			
Financial assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ receivables	0	0	0
Liabilities			
Trade and other payables	0	0	0

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Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in	Effect on surplus/deficit	Effect on
	currency rate		equity
	KShs	KShs	KShs
2021			
Euro	10%	0	0
USD	10%	0	0
2020			
Euro	10%	0	0
USD	10%	0	0

e) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern.

The entity capital structure comprises of the following funds:

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	20,302,245	0
Accumulated surplus	624,273	0
Total funds	20,926,518	0
Total borrowings	0	0
Less: cash and bank balances	(20,926,518)	0
Net debt/(excess cash and cash equivalents)	0	0
Gearing	0%	0%

14. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2020/2021	2019/2020
	KShs	KShs
Donation from development partners	0	0
Contributions from the public	0	0
Total	0	0

2. Transfers from County Government

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	627,000	0
Payments by County on behalf of the entity	0	0
Total	627,000	0

3. Fines, penalties and other levies

Description	2020/2021	2019/2020
	KShs	KShs
Late payment penalties	0	0
Fines	0	0
Levies	0	0
Licenses	0	0
Total	0	0

4. Interest income

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	0	0
Interest income from car loans	0	0
Interest income from investments	0	0
Interest income on bank deposits	0	0
Total interest income	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

Description	2020/2021	2019/2020
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender documents	0	0
Miscellaneous income (specify)	0	0
Total other income	0	0

6. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 6a)	0	0
Loan processing costs	0	0
Professional services costs	0	0
Administration fees	0	0
Total	0	0

6A. Staff costs

Description	2020/2021	2019/2020
	KShs	KShs
Salaries and wages	0	0
Staff gratuity	0	0
Staff training expenses	0	0
Social security contribution	0	0
Other staff costs	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Consumables	0	0
Electricity and water expenses	0	0
Fuel and oil costs	0	0
Insurance costs	0	0
Postage	0	0
Printing and stationery	0	0
Rental costs	0	0
Security costs	0	0
Telecommunication	0	0
Bank Charges	2,727	0
Hospitality	0	0
Depreciation and amortization costs	0	0
Other expenses	0	0
Total	2,727	0

8. Finance costs

Description	2020/2021	2019/2020
	KShs	KShs
Interest on Bank overdrafts	0	0
Interest on loans from banks	0	0
Total	0	0

9. Gain/(loss) on disposal of assets

Description	2020/2021	2019/2020
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Turkana Cooperative Enterprise account	20,926,518	0
County mortgage account	0	0
Fixed deposits account	0	0
On – call deposits	0	0
Current account	0	0
Others	0	0
Total cash and cash equivalents	20,926,518	0

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

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		0	0
Equity Bank, etc		0	0
Sub- total		0	0
b) On - call deposits			
Kenya Commercial bank		0	0
Equity Bank - etc		0	0
Sub- total		0	0
c) Current account			
Kenya Commercial bank	1224339827	20,926,518	0
Bank B		0	0
Sub- total		20,926,518	0
d) Others(specify)			
Cash in transit		0	0
Cash in hand		0	0
Mobile Money		0	0
Sub- total		0	0
Grand total		20,926,518	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Current Receivables		
Interest receivable	0	0
Current loan repayments due	0	0
Other exchange debtors	0	0
Less: impairment allowance	0	0
Total Current receivables	0	0
Non-Current receivables		
Long term loan repayments due	0	0
Total Non- current receivables	0	0
Total receivables from exchange transactions	0	0

Additional disclosure on interest receivable

Description	2020/2021	2019/2020
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	0	0
Accrued interest receivable from of long-term loans of previous years	0	0
Interest receivable from current portion of long-term loans issued in the current year	0	0
Current loan repayments due		
Current portion of long-term loans from previous years	0	0
Accrued principal from long-terms loans from previous periods	0	0
Current portion of long-term loans issued in the current year	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from Non-Exchange transaction

Description	2020/2021	2019/2020
	KShs	KShs
Transfer from County Executive	0	0
Transfer from Fund	0	0
Total receivables from non-exchange transactions	0	0

13. Prepayments

Description	2020/2021	2019/2020
	KShs	KShs
Prepaid rent	0	0
Prepaid insurance	0	0
Prepaid electricity costs	0	0
Other prepayments(specify)	0	0
Total	0	0

14. Inventories

Description	2020/2021	2019/2020
	KShs	KShs
Consumable stores	0	0
Spare parts and meters	0	0
Catering	0	0
Other inventories(specify)	0	0
Total inventories at the lower of cost and net realizable value	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2019	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0
At 30th June 2020	0	0	0	0	0
At 1st July 2020					
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0
At 30th June 2021	0	0	0	0	0
Depreciation and impairment					
At 1 st July 2019	0	0	0	0	0
Depreciation	0	0	0	0	0
Impairment	0	0	0	0	0
At 30th June 2020	0	0	0	0	0
At 1st July 2020					
Depreciation	0	0	0	0	0

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	Land and Buildings	Motor vehicles	Furniture and fittines	Computers and office equipment	Total
	KSh	KSh	KSh	KSh	KSh
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0
At 30th June 2021	0	0	0	0	0
Net book values					
At 30th June 2020	0	0	0	0	0
At 30th June 2021	0	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2020/2021	2019/2020
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions	0	0
At end of the year	0	0
Amortization and impairment		
At beginning of the year	0	0
Amortization	0	0
At end of the year	0	0
Impairment loss	0	0
At end of the year	0	0
NBV	0	0

17. Trade and other payables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Trade payables	0	0
Refundable deposits	0	0
Accrued expenses	0	0
Other payables	0	0
Total trade and other payables	0	0

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year (1.07.2020)	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilized	0	0	0	0
Change due to discount and time value for money	0	0	0	0
Transfers from non -current provisions	0	0	0	0
Balance at the end of the year (30.06.2021)	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2020/2021	2019/2020
	KShs	KShs
Balance at beginning of the period	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	0	0
Repayments of domestic borrowings during the period	0	0
Balance at end of the period	0	0

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

	2020/2021	2019/2020
	KShs	KShs
External Borrowings		
Dollar denominated loan from organization	0	0
Sterling Pound denominated loan from organization	0	0
Euro denominated loan from organization	0	0
Domestic Borrowings		
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Borrowings from other government institutions	0	0
Total balance at end of the year	0	0

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

Description	2020/2021	2019/2020
	KShs	KShs
Short term borrowings (current portion)	0	0
Long term borrowings	0	0
Total	0	0

20. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	0	0	0	0
Non-current benefit obligation	0	0	0	0
Total employee benefits obligation	0	0	0	0

21. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	624,273	0
Adjusted for:		
Depreciation	0	0
Amortisation	0	0
Gains/ losses on disposal of assets	0	0
Interest income	0	0
Finance cost	0	0
Working Capital adjustments		
Increase in inventory	0	0
Increase in receivables	0	0
Increase in payables	0	0
Net cash flow from operating activities	624,273	0

22. Related party balances

a) Nature of related party relationships

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties'	20,929,245	0
Transfers to related parties	0	0

c) Key management remuneration

	2020/2021	2019/2020
	KShs	KShs
Board of Trustees	0	0
Key Management Compensation	0	0
Total	0	0

d) Due from related parties

	2020/2021	2019/2020
	KShs	KShs
Due from parent Ministry	0	0
Due from County Government	0	0
Due from County Assembly	0	0
Total	0	0

e) Due to related parties

	2020/2021	2019/2020
	KShs	KShs
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
Due to County Assembly	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Contingent assets and contingent liabilities

Contingent liabilities	2020/2021	2019/2020
	KShs	KShs
Court case against the Fund	0	0
Bank guarantees	0	0
Total	0	0

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

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

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

The fund did not have prior year audit queries as it is being audited for the first time. The fund has received transfers for the first time since its formation.

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16. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME				
Break down of Transfers from the County Executive of Turkana County Government				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
b.	Development Grants			
		April,2021	20,929,245	FY 2020/2021
			0	
			0	
		Total	20,929,245	

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager
 Turkana County Cooperative Enterprise Development Fund

Sign 

Head of County Treasury at
 Turkana County

Sign 

