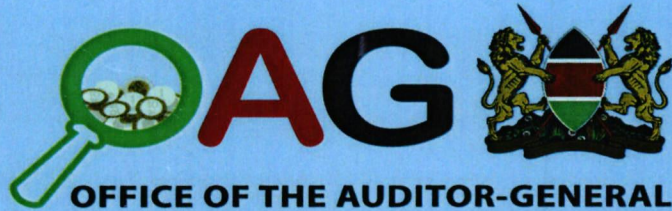


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REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

OF

THE AUDITOR-GENERAL

ON

**TURKANA COUNTY EDUCATION AND
SKILLS DEVELOPMENT FUND**

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



Turkana County Education and Skills Development Fund
Report and financial statements
For the year ended June 30, 2021



TURKANA COUNTY EDUCATION AND SKILLS 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)**

Turkana County Education and Skills Development Fund

Report and financial statements

For the year ended June 30, 2021

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Turkana County Education & Skills Development Fund is established by and derives its authority and accountability from Turkana county Education and skills Development (Amendment) Act, 2016. The Fund is wholly owned by the County Government of Turkana.

b) Principal Activities

The fund's Activities are;

1. Provide a framework for consultation and co-ordination between the county executive, ward appraisal committee and other stakeholders in the Education sector.
2. Provide a framework for consultation and cooperation amongst county government entities.
3. Establish institutional structure and mechanism for relations.
4. Provide a framework for the inclusive consideration of any matter that affects the entities of Turkana county Government and other county stakeholders in the Education sector
5. Give effect to Article 187 and 200 of the Constitution, in respect of the transfer of functions and powers by one level of government of another, including the transfer of the legislative powers
6. Provide mechanisms for the resolution of inter-entities and or stakeholders disputes where they arise.

c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
1	Chairman of the Board	Rev. Jackson Iruko
2	Chief Officer Education, Sports and Social Protection	Pauline Lokuruka
3	Chief Officer finance	Abraham Losinyen
4	Fund Manager/ Administrator	CPA Grace Ewoi

d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Pauline Lokuruka
2	Fund Accountant	CPA Grace Ewoi
3	Chair of the Board	Rev. Jackson Iruko

e) Fiduciary Oversight Arrangements

Turkana County Audit Committee

Ref	Position	Name
-----	----------	------

Turkana County Education and Skills Development Fund
Reports and Financial Statements
For the year ended June 30, 2021.

1	Secretary	CPA Michael Ekadeli
2	Member	Emmanuel Lochor
3	Member	Shemmy Ebulon
4	Member	Selina Lokope
5	Member	Columbus Lokwei
6	Member	Edwin Omindo

f) Registered Offices

P.O. Box 11-30500

Office of the County Executive-Education, Sports and Social Protection

LodwarMixed Primary Highway

Lodwar, KENYA

g) Fund Contacts

E-mail: tcg@gmail.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 County Attorney

Off Nawoitorong Road




P.O. Box 11-30500

Lodwar, Kenya

2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience
<p>1. Rev.Jackson Iruko</p> 	<p>Rev. Iruko is the Chairperson to the County Secretariat Committee. Appointed from Turkana South to represent religion and has a bachelor's degree in Arts (theology). He is mandated to chair meetings in every sitting. Jackson is practising reverend for reform church of East Africa(RCEA). He has worked with memtorsrhip program wthin the county with aim of improving the livelihood of girls child and school ongoing students. Jackson posses vast experience in counselling having engaged in counselling sesseion with the dicece of Lodwar to curb growing abuse of drug by young children. Jackson also works as Dean of student at Turkana University.</p>
<p>2. Patricia Kebo</p> 	<p>Patricia is the Vice chairperson to the County Secretariat Committee. Appointed from Loima to represent women. She has a bachelor's degree in Arts (Education). Patricia works has aprimary teachers and teaches English and maths, she also worked has secretary to Loima Empowerment and development Committee and member to Turkana-Karamojong Peace Negotiation board. She has vast experience in business has she engages in hotel industry.</p>
<p>3. Pauline Lokuruka</p> 	<p>She is the current County Chief Officer department of Education, Sports and Social protection. She is the Secretary to the County Secretariat Committee and has a bachelor's degree in BA. Art education. Mrs Pauline was former chief officer tourism for one year. She also worked with National Land Commission Turkana County has a secretary and registrar at Egerton university. She also a board member of Echami Aito women group that focusses on women empowerment.</p>
<p>4. Benedict Loyelei</p> 	<p>He is a member to the County Secretariat Committee. Appointed from Turkana East to represent minority. He holds a bachelor's degree in Art (education). Benedict is a practising teacher(primary) and has worked for 15 years. He was ordained has church elder and participated in church development forum within and outside the county. Benedict has also been involved in community charity work that aimed at improving the livelihood of the indegenious community, this lead him to be appointed into the board committee of water in turkana south. He is been vocal person for the community and arenowned advocate of peace in turkana east. He participated in peace meeting between the conflicting communities within and outside country.</p>

**Turkana County Education and Skills Development Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

<p>5. Milestone Eregae</p> 	<p>He is a member to the County Secretariat Committee. Appointed from Turkana West to represent youth and has a degree in Art (Education). Milestone is primary teachers having worked for 19 years and still counting. He was a lecturer at Kibabii University (Lodwar campus), Mount Kenya University (Lodwar campus) and Turkana District. He also worked as a Human Resource Officer for DGP KENYA OIL EXPLORATION in Turkana West.</p>
<p>6. Beatrice Egiron</p> 	<p>She is a member to the County Secretariat Committee appointed from Turkana Central to represent Education. She has a Bachelor's degree in Art (Education). She is a renowned business lady basing her line of business in building industry. She has established herself to own a variety of businesses within the region. Beatrice furthermore is working as a primary teacher having bagged more than 10 years in the profession. She is a board member of women groups that focus on women empowerment and development.</p>
<p>7. Alexander Lama</p> 	<p>He is a Member to County Secretariat Committee appointed Turkana North to represent PLWDs. He has a Diploma in Development Studies. Lama has worked with NGOs focusing his energy in disability recognition in the society. He was a coordinator in Turkana North Disability Group that advocated for reforms on incorporation of persons living with disability in development agendas. He chaired an international disability meeting held in Turkana West. Lama participated in a refugee mentorship program conducted in Kakuma refugee camp. He has further participated in community immunization and sensitization exercises conducted by the Ministry of Health.</p>

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

The key development objectives of the Turkana county skill development fund plan are to:

- a) Provide quality education to resident of Turkana County.
- b) To bridge the gap of illiteracy
- c) To diversify knowledge around the corners of the Turkana county.
- d) To reduce poverty levels by empowering community to enrolling children to schools
- e) To nurture talents through skill developments programs.

Progress on attainment of Strategic development objectives




Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Turkana county education and skill development fund.	To ensure the residents attain quality education at high levels of learning	Increased number of beneficiaries enrolling to tertiary institutions	7.85% number of beneficiaries enrolling to tertiary institutions.	The number of students supported in tertiary institutions improved.
	To bridge the gap of illiteracy	Improved illiteracy levels in the county	Percentage of literacy level in the County	The number of students supported overallly reduced with a reduction in the allocation.
	To diversify knowledge around the corners of the Turkana county.	Availability of diverse skill sets across the County	Number of rare skills nurtured across he County.	Various skill sets have been developed.

**Turkana County Education and Skills Development Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

		To nurture talents through skill developments programs	Availability of diverse skill set in the county	Number of diverse rare skills nurtured and accessible in the county	Various skill sets have been developed.
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4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1. George Emoru</p> 	<p>George is the current acting County Executive Committee Member for Education, Sports and Social Protection. He is the Fund patron. He holds a masters degree in Education Economics with vast experience in Education Sector. He possesses a bachelor's degree in Education.</p>
<p>2. Pauline Lokuruka</p> 	<p>Pauline is the current Chief officer – department of education, sports and social protection, Turkana County. She is the Secretary to County Secretariat Committee and has a bachelor's degree in Education(Arts).</p>
<p>3. CPA Grace Ewoi</p> 	<p>Grace is the Fund Accountant. She holds a master of Science degree in Oil and gas management from Dundee University, United Kingdom with a bachelor's of Business Management degree in Finance and Banking. She is a certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya and currently at Sec 5 Certified Investment and Financial analysis Course.</p>

5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

The Turkana County Education and skill Development fund was established in 2014. The fund had a budgetary allocation of **Kshs.279, 000,000** during the year with a balance brought forward from the previous financial year amounting to **Kshs.51,179,744**. The County treasury disbursed 100% of the budgeted amount. The ward appraisal committee managed to award funds to beneficiaries across the 30 wards in the entire County.

The Fund encountered a number of challenges in the reporting period that affected budget implementation. These included the following:

- Delay in submission of beneficiary lists from the Wards appraisal committees.
- Inadequate administration budget to train Ward appraisal committee
- Covid-19 disrupted operations and negatively affected the disbursement process for the second phase

The following measures have been put in place to address the challenges and to improve budget execution in the future periods:

- Strict timelines for submission of beneficiary lists from Wards Appraisal Committees.
- Implementation of the e-bursary system to enhance efficiency.

Signed: _____



**REV.JACKSON IRUKO
BOARD CHAIRMAN**

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

The Fund was allocated a total budget of **Kshs.279,000,000** with a balance brought forward from the previous financial year amounting to **Kshs.51,179,744**. The total amount was disbursed in two phases during the year. A total of 36,054 students benefited from the Fund which represents a decrease of 974 students from last financial year's beneficiaries of 37,028 students.

Below is tabulation of the year performance:

Table 1: Beneficiaries.

S/NO	Categories	2019/2020	2020/2021	Difference
1	Secondary School	26,281	25,439	(842)
2	Colleges	4,317	3,424	(893)
3	Universities	3,418	3,610	192
4	Medical Colleges	867	1,060	193
5	Teachers Colleges	1111	1,090	(21)
6	Vocational/Polytechnics	572	1,127	555
7	Others	462	302	(160)
	Total	37,028	36,054	(974)

Table 2: Sub counties beneficiaries.

S/NO	Sub County	No of beneficiaries
1	Turkana Central	8,487
2	Turkana West	6,832
3	Turkana North	7,106
4	Turkana South	4,677
5	Loima	4,670
6	Turkana East	4,282
	Totals	36,054

Signed: 
PAULINE LOKURUKA
FUND ADMINISTRATOR.

7. CORPORATE GOVERNANCE STATEMENT

During the Financial Year the Fund Administration Committee held four meetings and all the members were present all through. The first meeting held was for budget approval, ward allocations, disputes resolution and follow up on various issues concerning the operations of the Fund.

The administrator of the Fund is committed to ensure that the fund operates with integrity and ethics maintaining high standards of Corporate governance in the interest of its stakeholders. The board believes that the Fund has complied with the guidelines on corporate governance practices as is required of Public Officers.

The Fund achieved high levels of corporate governance by continuing to adhere to the following principles amongst others;

- i. Adoption of appropriate strategies aimed at enabling and promoting the long term prosperity of the fund;
- ii. Timely and relevant disclosures and transparency to provide stakeholders with a clear understanding of the fund and its products;
- iii. Stakeholder's participation in enhancing stakeholders' interests
- iv. Upholding the highest levels of integrity in the fund's culture and practices through a well-defined and implemented code of conduct and Ethics.

8. MANAGEMENT DISCUSSION AND ANALYSIS

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6	Turkana East	4,282
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Challenges

1. The 3% of total budget portioned to cater for administrative expense cannot accommodate all key activities which include:-
 - Monitoring and evaluation of disbursed funds
 - Carrying out career guidance
 - Management and implementation of office core objectives i.e. disbursement and distribution of cheques outside the county
 - Carrying out sensitization of Ward Appraisal Committee.
2. Delay in submission of award list from wards.
3. Lack of admission numbers in some of beneficiaries that led to floating of fund in institutions.
4. Abbreviation of institutions/payee names that result to dishonour of cheques by banks.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINIBILITY REPORT.

Turkana county education and skills development fund provide fee subsidies to vulnerable and bright student in the county. The fund secretariat committee is in resolution of bringing on body ward based sponsored students to bridge the gap of shortage in personel to ensure the sustainability reguired is achieved. As side from the core activities of providing fee subsidies, the fund does not engages in any other activities.

10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

10.1 Principal activities

The key development objectives of the Turkana county skill development fund plan are to:

- a) Provide quality education to resident of Turkana County.
- b) To bridge the gap of illiteracy
- c) To diversify knowledge around the corners of the Turkana county.
- d) To reduce poverty levels by empowering community to enrolling children to schools
- e) To nurture talents through skill developments programs.

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 18 to 62

10.3 Trustees

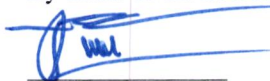
The members of the Secretariat who served during the year are shown on pages 5. The changes in the board during the financial year are as shown below;

S/No.	Name of the Previous Board Member	Position	New Board Member
1	Charles Ewoi	Patron	George Emoru

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 behalf

By Order of the Secretariat



REV JACKSON IRUKO –CHAIRPERSON

Date: 16/11/2021

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Sections 167(1) 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 for each Financial year in a form prescribed by the Accounting Standards Board

Turkana county skills development Fund Secretary is responsible for the preparation and presentation of Turkana County Education and skills Development 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 Secretary accepts responsibility for the 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 Secretary is of the opinion that the funds 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. The Secretary further confirms the completeness of the accounting records maintained for the fund which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

The Secretary confirms that Turkana County Education and skills Development Fund's has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further, the Secretary confirms that the fund's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Turkana County Education and Skills Development Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

Approval of the financial statements

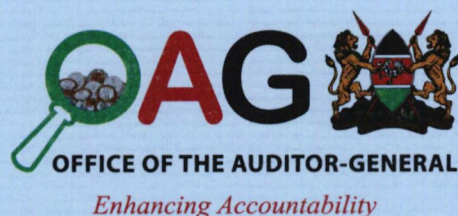
The Fund's financial statements were approved by the Board on 18/11/2021 2021 and signed on its behalf
by:



**Mrs Pauline Lokuruka
The Fund Administrator.**

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 EDUCATION AND SKILLS 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

Qualified Opinion

I have audited the accompanying financial statements of Turkana County Education and Skills Development Fund set out on pages 18 to 58, which comprise of 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Turkana County Education and Skills Development Fund as at 30 June, 2021, 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 Turkana County Education and Skills Development Act, 2016.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The financial statements of the Turkana County Education and Skills Development Fund for the year ended 30 June, 2021 were submitted for audit having been prepared in accordance with International Public Sector Accounting Standards (Accrual Basis), however, the following errors and inaccuracies were noted as summarized below:

1.1 Comparative Figures

The statement of cash flows reflects comparative figures which vary from figures reported in the audited financial statements for year ended 30 June, 2020 as indicated in the below.

Item	Financial Statement 2020/2021 (Kshs.)	Financial Statement 2019/2020 (Kshs.)	Variance (Kshs.)
Increase/Decrease in Short Term Receivables	(520,427)	520,427	(1,040,854)
Increase in Trade and Other Payables from Exchange Transactions	(1,132,900)	1,132,900	(2,265,800)

1.2 Statement of Cash Flows

The statement of cash flows reflects net cash flows from operating activities amount of Kshs.(44,639,734) while Note 21 of the financial statements reflects net cash flow from operating activities amount of Kshs.(43,506,834) resulting to an unexplained variance of Kshs.1,132,900. In addition, the statement reflects net cash flows from operating activities amount of Kshs.(120,117,381) for the year ended 30 June, 2020. However, the prior year audited financial statements and a recast of the statement reveals Kshs.122, 291,135 resulting in unexplained difference of Kshs.2, 173,754.

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

2. Payments Bearing Same Cheque Number

The statement of financial performance reflects general expenses figure of Kshs.311,278,734 for the year ended 30 June, 2021 comprising of bank charges of Kshs.155,442 and other expenses amount of Kshs.311,123,292 as disclosed in Note 7 to the financial statements. The amount of Kshs.311,123,292 was paid to various education institutions as fees subsidies for eligible students from the County. However, available information indicates that bursary payments amounting to Kshs.128,469,292 made to various education institutions were done through cheques bearing same cheque numbers from same bank account.

In the circumstances, the Fund is likely to lose funds through duplicated payments.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Turkana County Education and Skills 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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, a number of paragraphs were raised under the Report on Financial Statements. However, Management has not resolved some of the issues nor disclosed all the prior year audit matters as provided by the Public Sector Accounting Standards Board templates

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 and Basis for Qualified Opinion 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. Fund Administration Expenses

The statement of financial performance reflects Fund administrative expenses amount of Kshs.11,228,100 which is approximately 4% of the approved budget of Kshs.279,000,000 for the year contrary to Regulation 197(1)(d) of Public Finance Management (County Governments) Regulations, 2015 which states that Fund administration costs of the Fund shall be at a maximum of three (3%) percent of the approved budgets of the Fund. The Fund might not meet its intended objective of providing the bursaries to the beneficiaries.

In the circumstances, the Fund Management is in breach of the law.

2. Other Expenses

The statement of financial performance reflects general expenses amount of Kshs.311,278,734 which includes other expenses of Kshs.311,123,292 paid to various secondary schools, colleges, and universities as fees subsidies in support of needy students from Turkana County as disclosed in Note 7 to the financial statements. However, out of Kshs.311,123,292, an amount of Kshs.128,055,101 was not supported by acknowledgement in form of official receipts from the respective educational institutions that received funds.

In addition, no support documentation was provided for audit review to show that vetting, identification and categorizing of needy students was done in presence of members of the public and the successful applicants were notified through a gazette notice as well as written communication. This is contrary to Section 22(b) and (d) of the Turkana County Education and Skill Development Act, 2014 which states that the ward appraisal committee should hold its meetings in public with members of the public present and successful applicants will be notified through the County gazette notice as well as written communication.

Review of the records revealed that the Fund does not maintain a current/updated database of all raw applicants and secondary schools, colleges and universities that are registered by the Ministry of Education to ascertain whether the students who applied for and received bursary are undertaking their studies in the respective registered institutions. There is a likelihood of undeserving students getting bursaries at the expense of needy/deserving cases.

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

3. Non-Submission of Monthly Financial and Non-Financial Budgetary Reports

The statement of financial performance reflects total expenses amount of Kshs.322,506,834 comprising of fund administration expenses of Kshs.11,228,100 and general expenses of Kshs.311,278,734 as disclosed in Notes 6 and 7 to the financial statements. However, there was no evidence provided to show that Fund Management submitted monthly financial and non-financial budgetary reports to the Controller of

Budget and Auditor-General during the year. This is contrary to Regulation 54(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer of a County Government entity shall not later than the 10th day of each month submit a monthly financial and non-financial budgetary report in the format to be issued by the Cabinet Secretary relating to the activities of his or her County Government entity for the preceding month to the County Treasury with copies to the Controller of Budget and the Auditor-General.

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

4. Implementation of Oversight Bodies' Recommendations

The Turkana County Education and Skills Development Fund was established on 30 June, 2014. The objective of the Fund is to provide framework for consultation and coordination between the County Executive, Ward Appraisal Committee and other stakeholders in the education sector among others. Annual statutory audits of the Fund for the years ended 30 June, 2015 to 2019 were concluded and audit reports issued to the Fund Management by the Auditor-General.

However, there was no evidence to show that the financial statements were discussed by the Audit Committee and were submitted to the County Assembly for consideration contrary to Section 149(1) of the Public Finance Management Act, 2012 which states an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the Officer is designated are used in a way that is — (a) lawful and authorized; and (b) effective, efficient, economical and transparent. This means the recommendations of the Auditor-General may not be implemented in the absence of effective oversight on utilization and accountability for public funds.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance and Basis for Qualified Opinion 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 overall governance were not effective.

Basis for Conclusion

Lack of Risk Management Policy

The Turkana County Education and Skills Development Fund operated without a Risk Management Policy during the year ended 30 June, 2021 contrary to Section 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government Entity to develop risk management strategies and a system of risk management law. Management is therefore not likely to identify risks and put in place appropriate measures to mitigate such risks.

In the circumstances, the Fund Management was 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 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 controls 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 the 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 cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

02 September, 2022

13. FINANCIAL STATEMENTS

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

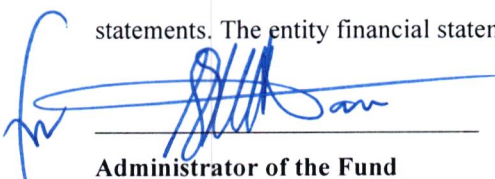
	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	0	0
Transfers from the County Government	2	279,000,000	294,000,000
Fines, penalties and other levies	3	0	0
		279,000,000	294,000,000
Revenue from exchange transactions			
Interest income	4	0	0
Other income	5	0	0
		0	0
Total revenue		279,000,000	294,000,000
Expenses			
Fund administration expenses	6	11,228,100	22,525,338
General expenses	7	311,278,734	392,112,470
Finance costs	8	0	0
Total expenses		322,506,834	414,637,808
Other gains/losses			
Gain/loss on disposal of assets	9		
Surplus/(deficit) for the period		(43,506,834)	(120,637,808)

The notes set out on pages 38 to 50 form an integral part of these Financial Statements.

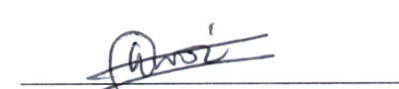
13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	6,540,010	51,179,744
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
		6,540,010	51,179,744
Non-current assets			
Long term receivables from exchange transactions	11	0	0
Property, plant and equipment	15	0	0
Intangible assets	16	0	0
		0	0
Totalassets		6,540,010	51,179,744
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	0	1,132,900
Provisions	18	0	0
Current portion of borrowings	19	0	0
Employee benefit obligations	20	0	0
		0	1,132,900
Non-current liabilities			
Long term portion of borrowings	19	0	0
Non-current employee benefit obligation	20	0	0
Total Liabilities		0	1,132,900
Netassets		6,540,010	50,046,844
Revolving Fund		10,026,460	10,026,460
Reserves		0	0
Accumulated surplus		(3,486,450)	40,020,384
Totalnetassetsandliabilities		6,540,010	50,046,844

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 16/10 2021 and signed by:



Administrator of the Fund
Name: Pauline Lokuruka



Fund Accountant
Name: CPA Grace Ewoi
ICPAK Member No. 25932

Turkana County Education and Skills Development Fund
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13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Revaluation	Accumulated surplus	Total
		Reserve		
		KShs	KShs	KShs
Balance as at 1 July 2019	10,026,460	0	160,658,192	170,684,651
Surplus/(deficit) for the period	0	0	(120,637,808)	(120,637,808)
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2020	10,026,460	0	40,020,384	50,046,844
Balance as at 1 July 2020	10,026,460	0	40,020,384	50,046,844
Surplus/(deficit) for the period	0	0	(43,506,834)	(43,506,834)
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2021	10,026,460	0	(3,486,450)	6,540,010

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13.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Cashflows from operating activities			
Receipts			
Public contributions and donations		0	0
Transfers from the County Government		279,000,000	294,000,000
Interest received		0	0
Receipts from other operating activities		0	0
Total Receipts		279,000,000	294,000,000
Payments			
Fund administration expenses	6	11,228,100	22,525,338
General expenses	7	311,278,734	392,112,470
Finance cost	8	0	0
Total Payments		322,506,834	414,637,808
Adjusted for			
Increase/decrease in short term receivable		0	(520,427)
Increase in trade and other payable from exchange transaction		1,132,900	(1,132,900)
Net cashflows from operating activities		(44,639,734)	(120,117,381)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		0	0
Proceeds from sale of property, plant and equipment		0	0
Proceeds from loan principal repayments		0	0
Loan disbursements paid out		0	0
Net cashflows used in investing activities		0	0
Cashflows from financing activities			
Proceeds from revolving fund receipts		0	0
Additional borrowings		0	0
Repayment of borrowings		0	0
Net cashflows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		(44,639,734)	(120,117,381)
Cash and cash equivalents at 1 JULY	10	51,179,744	170,164,225
Cash and cash equivalents at 30 JUNE	10	6,540,010	51,179,744

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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.	279,000,000	0	279,000,000	279,000,000	100%
Interest income	0	0	0	0	0%
Balance B/F	0	51,179,744	51,179,744	51,179,744	100%
Total income	279,000,000	51,179,744	330,179,744	330,179,744	100%
Expenses					
Fund administration expenses	8,370,000	3,619,744	11,989,744	11,228,100	93%
General expenses	270,630,000	47,560,000	318,190,000	311,278,734	98%
Finance cost	0	0	0	0	0%
Total expenditure	279,000,000	51,179,744	330,179,744	322,506,834	98%
Surplus for the period	0	0	0	7,672,910	

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	<i>There was no impact to the entity.</i>

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 was no impact to the entity.</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 of the financial statements and general purpose financial reports assess:</p> <ol 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 was no impact to the entity as it does not have social benefits for employees.</i></p>

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Standard	Effective date and impact:
<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 applied 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 no additional appropriations for the FY 2020/2021 budget following the governing body's approval.

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.

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 13.5 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

7. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. 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.

9. 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.

10. 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 at commercial bank at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

11. Comparative figures

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

12. Events after the reporting period

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

13. Ultimate and Holding Entity

The Turkana County Education & Skills Development Fund is established by and derives its authority and accountability from Turkana county Education and skills Development (Amendment) Act, 2016. The Fund is wholly owned by the County Government of Turkana.

14. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

- 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

16. Financial risk management

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Credit risk

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

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

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

	Total amount	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	6,540,010	6,540,010	0	0
Total	6,540,010	6,540,010	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	51,179,744	51,179,744	0	0
Total	51,179,744	51,179,744	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 amounts.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 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:

		Other currencies	Total
	KShs	KShs	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
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 currency rate	Effect on surplus/ deficit	Effect on 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.

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:

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	10,026,460	10,026,460
Accumulated surplus	(3,486,450)	40,020,384
Total funds	6,540,010	50,046,844
Total borrowings	0	0
Less: cash and bank balances	(6,540,010)	(51,179,744)
Net debt/(excess cash and cash equivalents)	0	(1,132,900)
Gearing	100%	2%

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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	279,000,000	294,000,000
Payments by County on behalf of the entity	0	0
Total	279,000,000	294,000,000

3. Fines, penalties and other levies

Description	2020/2021	2019/2020
	KShs	KShs
Late payment penalties	0	0
Fines	0	0
Levies	0	0
Licences	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	11,228,100	22,525,338
Total	11,228,100	22,525,338

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

N/B The total amount under staff costs has been included in note 6 as part of Fund Administration Expenses chiefly because most funds do not have separate employee but rather the cost would relate to allowances drawn in line fund administration.

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	155,442	0
Hospitality	0	0
Depreciation and amortization costs	0	0
Other expenses	311,123,292	392,112,470
Total	311,278,734	392,112,470

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 County Education Skills Development Fund Account	6,540,010	51,179,744
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	6,540,010	51,179,744

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	1162877286	6,540,010	51,179,744
Bank B		0	0
Sub- total		6,540,010	51,179,744
d) Others(specify)			
Cash in transit		0	0
Cash in hand		0	0
Mobile Money		0	0
Sub- total		0	0
Grand total		6,540,010	51,179,744

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
Totalreceivables 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
Totalreceivables 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

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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
Disposals	0	0	0	0	0

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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
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	1,132,900
Total trade and other payables	0	1,132,900

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

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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 organisation	0	0
Sterling Pound denominated loan from organisation	0	0
Euro denominated loan from organisation	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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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
Totalemployee benefits obligation	0	0	0	0

21. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	(43,506,834)	(120,637,808)
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	(43,506,834)	(120,637,8081)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 ParentCounty Government Ministry;
- c) County Assembly;
- d) Key management;
- e) Board of Trustees;etc

b) Related party transactions

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties'	279,000,000	294,000,000
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

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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

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

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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: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1.0 (1.1)	<p>Lack of Approved Budget. Included in the financial statements of the fund is the figure of expenses of Kshs.414,637,840 for year ended 30 June, 2020. However, the management did not provide the approved budget contrary to Section 149(2)(h) of the Public Finance Management Act that requires the accounting officer to prepare estimates of the expenditure of the entity in conformity with strategic plan and section 149(2)(i) which requires the accounting officer to submit the estimates of an entity which is not a county corporation to county Executive Committee member for Finance.</p> <p>The management of the Fund is in breach of the law and the propriety of the total payments of Kshs.414,637,840 for the year ended</p>	<p><i>The accounting officer for turkana county education and skill devt fund prepared and submitted approved budget estimate by secretariat committee to respective bodies mentioned in the queries. The estimate was provided to the auditor for examination as required.</i></p>	RESOLVED	

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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)
	30 June, 2020 could not be confirmed.			
1.0 (1.1)	<p>1.0 General Expenses</p> <p>1.1 Other Expenses-Fees Subsidies</p> <p>The statement of financial performance for the year ended 30 June, 2020 reflect general expenses figure of Kshs.414,637,840 out of which Kshs.392,112,470 relate to fees subsidies as disclosed in note 8 to the financial statement. A review of records availed, it was noted that documents such as death certificates in case of total or partial orphans and terminal report forms for continuing students were not attached to application forms. Further, reasons for award were not duly completed and signed in the application forms by the chairperson and secretary to the ward appraisal committee. Also, the minutes of ward appraisal</p>	<p><i>Sorting, Verification, determination of successful beneficiaries and allocation is publically conducted at ward level, some wards using the administrator offices. This exercise happen in presence of all committee members, in attendance were; the members of the public, area county assembly member. Forms containing details of beneficiary, amount allocated and reason for allocation dully signed by the secretary and chairperson, the committees of each ward uses the ward administrator notice board to notify beneficiary, minutes of the committee meeting and dully</i></p>	RESOLVED	

**Turkana County Education and Skills Development Fund
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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)
	<p>committee do not show how all applicants were vetted to come up with the final list of beneficiaries.</p> <p>In addition, there was no evidence that the ward appraisal committee held meetings in public in the presence of the members of the public as required by Section 22(b) of Turkana County Education and Skills Development Act, 2014. Moreover, there was no evidence that successful applicants were notified through a gazette notice as well as written communication.</p> <p>In the circumstances, it was not possible to confirm whether the fees subsidies were awarded in a manner that was fair, transparent and equitable.</p>	<p><i>authorised list of successful beneficiaries were provided to auditors for review and examination.</i></p>		
1.2	<p>Disbursements of Fees Subsidies during the COVID-19 Pandemic Period</p>	<p><i>Despite covid 19 pandemic, institution especially higher learning and anumber of secondary schools adopted online</i></p>	RESOLVED	

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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)
	<p>The statement of financial performance for the year ended 30 June, 2020 reflect general expenses figure of Kshs.414,637,840 out of which Kshs.392,112,470 relate to fees subsidies as disclosed in note 8 to the financial statement. Out of this balance, an amount of Kshs.96,900,200 was disbursed in the months of May and June, 2020. The management of the Fund has not explained why the funds were disbursed to schools yet the schools had been closed due to the COVID - 19 pandemic that has adversely affected the academic programmes country wide. Further, there is no evidence of acknowledgement of receipt of the funds by the respective schools. In addition, there was no evidence that the fees subsidies were approved by the ward appraisal committees.</p> <p>Consequently, the validity and propriety of disbursements of fees subsidies amounting to Kshs.96,900,200 in the months of</p>	<p><i>studies. this prompted the office to conduct the disbursement. Furthermore, the office adopted secretariat committee resolution to conduct the process. This allocation was paid and delivered to institution, cheques dispatch register dully signd by the institution and File containing acknowledgment letter, ward appraisal committee minutes sigend by the chairperson and secretary, lists of successful beneficiaries was provided to the auditors for review.</i></p>		

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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)
	May and June,2020 for the period ended 30 June, 2020 could not be confirmed.			
2.0	<p>Non-Compliance to Public Finance Management (County Government) Regulations, 2015</p> <p>Included in the expenses of Kshs.414,637,840 reflected in the statement of financial performance for the year ended 30 June, 2020 is fund administrative expenses of Kshs.22,525,338 which was 7% of the actual income of Kshs.294,000,000 contrary to Section 197(1)(d) of Public Finance Management (County Government) Regulations, 2015 which requires that fund administration costs of county public Fund to be at a maximum of three (3%) percent of the approved budget of the Fund.</p>	<p><i>County secretariat having reviewed the budget estimate and activities, found it right to request budget reallocation of kshs. 8,800,500 form the CEC finance. the request was approved as per PFM ACT SECTION 154 (2) (limited power of accounting officer to reallocated funds). The correspondence was provided the auditors for examination.</i></p>	RESOLVED	

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Reports and Financial Statements
For the year ended June 30, 2021**

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)
3.0	<p>Allocation for the Fund</p> <p>The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 disclose Transfers from County Government final budget of Kshs.294,000,000 which is approximately 2% of the County Budget for the year of Kshs.14,482,631,145 contrary to section 23(b) of Turkana County Education and Skill Development Act, 2014 that requires the Fund's budget to be at least 3% of the total County Government yearly Budget.</p> <p>Therefore, the Management of the County executive is in breach of the law and the objectives of the Fund may not be attained with a limited budget.</p>	<p><i>The query was directed to the county assembly and adopted. Budget was increased in the in current financial year from 279,000,000 to 374,000,000 as per the Turkana County Education and Skill Development Act, 2014 requirement.</i></p>	RESOLVED	
4.0	<p>Representatives to the Secretariat</p> <p>Key entity information includes members of the secretariat which include a female and male</p>	<p><i>For an appointment to be made, background check of an individual is conducted and there is no reason of</i></p>	RESOLVED	

**Turkana County Education and Skills Development Fund
Reports and Financial Statements
For the year ended June 30, 2021**

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)
	<p>representative. However, there was no evidence to confirm that the appointment of the female and male representative to the secretariat was approved by the County assembly. Further there was no evidence to confirm that the female and male representative were of high integrity as stipulated in section 8(2) of the Turkana County Education and Skills Development (Amendment) Act, 2016) which requires that the female and male representatives appointed by the County Executive Committee member for Education with the approval of the Member of the County Assembly must be persons of high integrity, good moral standings and have wide experience in management of education in the County.</p>	<p><i>appointing an individual of questionable character to the management. Therefore, appointment of secretariat committee conducted by the CEC education, sport and social protection was done as per Turkana County Education and Skill Development Act, 2014 requirement. Personal files of secretariat committee was provided to the auditors.</i></p>		
4.0	<p>Management of the Fund Included in the general expenses figure of Kshs.414,637,840 reflected in Note 8 to the financial statement is</p>	<p><i>The office provide and delivers Reports and financial statements to all respective bodies as per the</i></p>	RESOLVED	

**Turkana County Education and Skills Development Fund
Reports and Financial Statements
For the year ended June 30, 2021**

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)
	<p>general expenses-fees subsidies of Kshs.392,112,470 paid to various institutions. However, there is no evidence to show that the Management Committee periodically produced and shared disbursement reports with the Governor and the County Assembly. Further, there is no evidence that the successful applicants were notified through the county gazette notice as well as written communication.</p> <p>In addition, there is no evidence from the application forms to show that the applicants were resident of the ward for which fee support is being sought, or they were total or partial orphan with no financially stable guardian and of good academic standing and moral character.</p> <p>Under the circumstances, the validity and propriety of Kshs.392,112,470 expenditure on fees subsidies for the year ended 30 June, 2020 could not be confirmed.</p>	<p><i>requirement. Relevant Copies of received cover letter on delivery to report to county assembly and office of the governor, Forms containing details of beneficiary dully filled by applicant, amount allocated and reason for allocation dully signed by the secretary and chairperson, the committees of each ward uses the ward administrator notice board to notify beneficiary, minutes of the committee meeting and dully authorised list of successful beneficiaries were provided to auditors for review and examination.</i></p>		

Turkana County Education and Skills Development Fund
Reports and Financial Statements
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>

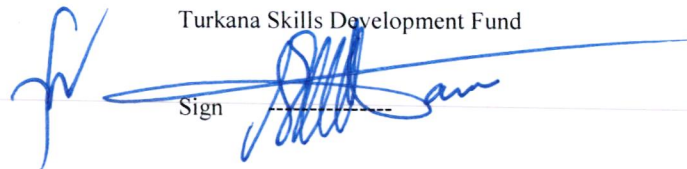
**Turkana County Education and Skills Development Fund
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16. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the County Executive of xxx County Government				
FY 2020/2021				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Dec,2020	279,000,000	FY 2020/2021
			0	
			0	
		Total	279,000,000	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	

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

Finance Manager
Turkana Skills Development Fund

Sign 

Head of County Treasury at
Turkana County Government

Sign 

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