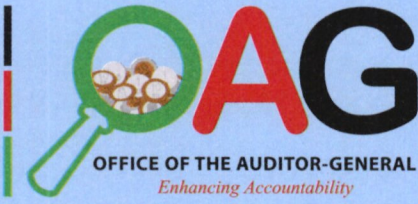


REPUBLIC OF KENYA



**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**TURKANA COUNTY WATER  
SERVICES FUND**

**FOR THE YEAR ENDED**

**30 JUNE, 2025**

| PAPERS LAID        |                |
|--------------------|----------------|
| DATE               | 27/11/2025     |
| TABLED BY          | SM L           |
| COMMITTEE          | -              |
| CLERK AT THE TABLE | Mrs. Nabalayo. |



**TURKANA COUNTY WATER SERVICES FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2025**

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

**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**1. Acronyms and Definition of Key Terms**

**A. Acronyms**

|       |  |
|-------|--|
| BOM   | Board of Management                                |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards   |
| PFM   | Public Finance Management                          |
| PSASB | Public Sector Accounting Standards Board           |
| Kshs  | Kenya Shillings                                    |
| Fund  | Turkana County Water Services Fund.                |

**B. Definition of Key Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organization.

**Comparative Year-** Means the prior period.

**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**2. Key Entity Information and Management**

**a) Background information**

Turkana County Water Services Fund is established by and derives its authority and accountability from Turkana County Water Act 2019 on 27<sup>th</sup> May, 2019. The Fund is wholly owned by the County Government of Turkana and is domiciled in Kenya.

The fund's objective is to

(a) A comprehensive legal framework to establish and regulate water supply, sewerage and sanitation services in the county including —

(i) An effective administration of water supply, sanitation and sewerage services;

(ii) The holding of water works and water service provision assets on behalf of the County;

(iii) The regulation of water use rights;

(b) The co-ordination of the activities of institutional stakeholders in water services provision in the County;

(c) The promotion of public participation in the water services regulation in the County;

(d) The management of public private partnerships for water services in the County;

(e) The coordination of waterworks development in the county; and

(f) Matters relating to water and sanitation service provision in the County.

**(b)Principal Activities**

i. Supporting water services delivery;

ii. Supporting the Activities of the County institutional stakeholder's forum, Ward Institutional Stakeholders Forums;

iii. Development of water infrastructure;

iv. Payment of compensation and liability arising from duties performed under the Water Act;

v. Optimal, sustainable and equitable development and use of water resources in the County; and,

vi. Improving planning, coordination and management of the water sector.

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

**Key Entity and Management (Continued)**

**a) Fund Administration Committee**

| <b>Ref</b> | <b>Name</b>       | <b>Position</b> |
|------------|-------------------|-----------------|
| 1          | Emily Ariong      | Chairperson     |
| 2          | James Illikwel    | Member          |
| 3          | Paul Lotum        | Member          |
| 4          | Rebecca Lomalia   | Member          |
| 5          | Peter Lopelem     | Member          |
| 6          | Eng. Mark Achilla | Member          |

**b) Key Management team**

| <b>Ref</b> | <b>Name</b>       | <b>Position</b>                     |
|------------|-------------------|-------------------------------------|
| 1          | Eng. Mark Achilla | County Chief Officer Water Services |
| 2          | CPA Edward Eregae | Fund Accountant                     |
| 3          | Lopelem Peter     | Fund Administrator                  |
| 4          | Paul Lotum        | Director Water Services             |

**c) Fiduciary Oversight Arrangements**

| <b>SN</b> | <b>Position</b>            | <b>Name</b>        |
|-----------|----------------------------|--------------------|
| 1         | Directorate Internal Audit | Jeremiah Ngachekio |

**d) Registered Offices**

Ministry of Water Services Headquarters.  
P.O. Box 11-30500  
Kanamkemer Highway-Lodwar

**e) Fund Contacts**

Mobile: + 254725 111 878  
Email: [lopelemekai@gmail.com](mailto:lopelemekai@gmail.com)  
Website: [www.turkana.go.ke](http://www.turkana.go.ke)

**f) Fund Bankers**

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

**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Key Entity and Management (Continued)**

2. Kenya Commercial Bank  
Telephone: (054)2221082/221083  
Mobile: 254)700881391  
E-mail: [info@kcb.co.ke](mailto:info@kcb.co.ke)  
Website: [www.kcb.co.m](http://www.kcb.co.m)

**g) Independent Auditors**

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

**h) Principal Legal Adviser**

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

**i) County Attorney**



Office of the County Attorney  
Telephone: (254) 720845703  
Website: [www.turkana.go.ke](http://www.turkana.go.ke)

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

**3. Fund Administration Committee**





| Name   | Details of qualifications and experience   |
|--|--|
|  <p><b>Mrs. Elim Emilly Ariong</b><br/><b>Chairperson</b></p>                     | <p>Mrs. Emilly is a career teacher by profession and is aged 36years. She has a vast experience working as a Teacher, Senior Teacher, Deputy Head teacher and finally Head teacher. She also worked with NGCDF as a female youth adult and secretary to the NGCDF Committee. She holds a certificate in P1. She is an independent director.</p>  |
|  <p><b>Mr. Cyrus James Illikwel</b><br/><b>County Chief Officer Finance</b></p>   | <p>Mr. Cyrus is aged 46 years and has over 14 years of working experience serving in various capacities in the public sector including senior management, policy and decision-making positions.</p> <p>He holds a Master's degree in Business Administration; Accounting option, Bachelor degree in commerce accounting option coupled with CPA part II certification from KASNEB. He is an executive director</p>                   |
|  <p><b>Eng. Mark Achilla</b><br/><b>County Chief Officer-Water Services</b></p> | <p>Eng. Mark is 49-year-old and he holds a Master of science degree in Mechanical engineering, bachelor of industrial technology and a Diploma in mechanical engineering (plant option).</p> <p>He has over 13 years of extensive working experience in the field of Engineering coupled with managerial responsibilities. He is also the Vice-Chairpesron</p>   |
|  <p><b>Mr. Lopelem Peter Ekai</b><br/><b>Fund Administrator</b></p>             | <p>Mr. Lopelem is a career accountant born on 17<sup>th</sup> July 1989 with over 10years working in both the private and public sector. He is a member of Institute of Certified Public Accountant of Kenya (ICPAK) and in good standing. He holds a Bachelor's degree in Commerce-Finance Option, CPA-K, CS-K, and CIFA Part 1 from Kenya Accountants and Secretarial National Examination Board. He is an executive director.</p> |

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

|  |  |
|--|--|
|  <p><b>Mr. Paul Ngikenya Lotum</b><br/><b>Director Water Services</b></p> | <p>Mr. Lotum Ngikenya is aged 41 years and is a holder of Bachelor’s degree in Earth Science with IT (Hydrology and Water Resources Mgt. Option). He also holds a master’s degree in Water and Environmental Engineering, University of Surrey, Guildford, UK. He has worked in the public sector for over 5 years. He is the current Director of Water services.<br/>He is an executive director</p>  |
|  <p><b>Mrs. Rebecca Lomalia</b><br/><b>Member</b></p>                    | <p>Mrs. Rebecca is a consultant focusing on Capacity building, Governance, Resource Mobilization, Community management &amp; Political participation, bringing experience from previous roles at Tear fund UK, Help Age International, Oxfam International, world vision and UNHCR. She is aged 45 years. Rebecca currently pursues a Masters in M&amp;E and holds a Bachelor’s degree on gender &amp; development studies along with a diploma in Human resource Management from Kenyatta University besides other professional certifications. With robust skills, she contributes valuable insights into the industry. Passionate and values bringing plus insights to all humanitarian needs for a just society. She is an independent director.</p> |

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

**4. Management Team**

| Name  | Details of qualifications and experience   |
|---|--|
|  <p><b>Eng. Mark Achilla</b><br/>County Chief Officer-Ministry of Water Services</p> | <p>Eng. Mark holds a Master of science degree in Mechanical engineering, bachelor of industrial technology and a Diploma in mechanical engineering (plant option).</p> <p>He has over 13 years of extensive working experience in the field of Engineering coupled with managerial responsibilities</p>    |
|  <p><b>Mr. Lopelem Peter</b><br/>Fund administrator</p>                              | <p>Mr. Lopelem is a career accountant with over 10years working in both the private and public sector. He is a member of Institute of Certified Public Accountant of Kenya (ICPAK) and in good standing. He holds a Bachelor degree in Commerce, CPAK, CS K, and CIFA Part 1 from Kasneb.</p>              |
|  <p><b>CPA Edward Eregae</b><br/>Fund Accountant</p>                               | <p>CPA Edward is a holder of Bachelors of Commerce (Finance option) from JKUAT, Certificate in Project Management, Diploma in Bible &amp; Theology and CPAK from Strathmore University. He is a member of ICPAK. He is responsible for the day to day financial management for the fund.</p>               |
|  <p><b>Mr. Paul Ngikeny Lotum</b><br/>Director Water Services</p>                  | <p>Mr. Lotum Ngikeny is a holder of Bachelor's degree in Earth Science with IT (Hydrology and Water Resources Mgt. Option). He also holds a master's degree in Water and Environmental Engineering, University of Surrey, Guildford, United Kingdom. He is responsible in providing technical support.</p> |

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

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5. Chairperson's Report

On behalf of the fund management board of the Turkana Water Services Fund, I am pleased to present the annual report and financial statements for the year ended 30<sup>th</sup> June, 2025.

Turkana County Water Services Fund is established by and derives its authority and accountability from Turkana County Water Act 2019 on 27<sup>th</sup> May, 2019. The Fund is wholly owned by the County Government of Turkana and is domiciled in Kenya.

During the year, the Fund experienced minimal activities unlike the previous year. This was due to late disbursement of funds to help steer the activities and objectives of the fund.

During the financial year 2024-2025, the fund management board experienced some changes where the former Chief Officer Water Services Mr. Simon Ekai Etom was transferred to the Ministry of Roads and Eng. Mark Achilla brought on board.

The fund was allocated kshs 10,000,000 in the year and was received on 23<sup>rd</sup> May, 2025. Further, an allocation of Kshs.23,157,696 for FY 2023-2024 had not been disbursed to the Fund as at June 2025 and was received on 14<sup>th</sup> July, 2025. The fund made a surplus of kshs 7,861,302 with an overall performance of 20%. Despite the challenges the fund shall endeavor to realize its objectives in coming financial years.

Name ELIM EMILLY ARIONG Date 28/10/2025 Signature [Signature]

Chairperson of the Fund Administration.



**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

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**6. Report of the Fund Administrator**

The constitution of Kenya 2010 recognizes water and sanitation services as a basic right. Water and sanitation services is provided for in Chapter Four (Bill of Rights) of the Constitution of Kenya 2010. Section 43 (1d) of the constitution of Kenya states that “every person has the right to clean and safe water in adequate quantities”. In addition, section 22 gives provision to individual(s) to institute legal proceedings if the right is denied, infringed, violated or threatened.


During the financial 2024-2025 the fund was allocated Kshs.10,000,000 and was received on 23rd May, 2025 resulting to 100% budget utilization. Further an allocation of Kshs 23,157,696 for the financial year 2023/2024 had not been disbursed to the fund as at June 2025 and this negatively affected the fund activities and programmes due to lack of funds.

Further, the fund had a total recurrent expenditure budget of Kshs.10,645,729 and actual expenditure was Kshs.2,156,124 resulting to budget utilization of 20%.The low utilization of funds was due to the fact that the allocation of Kshs.10,000,000 for 2024-2025 and was received on 23rd May, 2025 and a receivable of Kshs. 23,157,696 for the financial year 2023/2024 had not been disbursed to the fund as at June 2025

The financial year was challenging in view of lack of funds to implement the workplan.The funding of Kshs.10,000,000 was received at the tail end of the financial year. However, it is going to boost water services delivery to the people of Turkana in the subsequent year.

The fund will prioritize development of water infrastructure governance of the newly formed Urban, Rural water companies and Kakumalopurletea (KALWASCO) Water Companies.

Name..... *LOPEL* ..... Date..... *22/10/2025* ..... Signature..... *[Signature]*  
Fund Administrator



## Turkana County Water Services Fund

### Annual Report and Financial Statements for the year ended June 30, 2025

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

##### Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government 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 fund's objective is to

- (a) a comprehensive legal framework to establish and regulate water supply, sewerage and sanitation services in the County including — (i) an effective administration of water supply, sanitation and sewerage services; (ii) the holding of water works and water service provision assets on behalf of the County; (iii) the regulation of water use rights;
- (b) The co-ordination of the activities of institutional stakeholders in water services provision in the County;
- (c) The promotion of public participation in the water services regulation in the County;
- (d) The management of public private partnerships for water services in the County;
- (e) The coordination of waterworks development in the county; and
- (f) Matters relating to water and sanitation service provision in the County

##### Progress on attainment of Strategic development objectives

| Strategic Objective  | Sub-Program                        | Planned Activities 01 July 2024 to June 30th 2025            | Performance Indicator  | Target | Funds Distribution                             | Performance   |
|--|------------------------------------|--|------------------------|--------|--|---|
| 1. Enabling Environment for the operationalization of the fund | General administration of the fund | Conducting Training and Meeting of the board and Ward forums | Operational Board      | 1      | Board administration                           | Training, Ward forums and Board meetings not conducted due to Lack of funds |
| 2. Supporting the Activities of the County institutional       | County and Ward forums             | Conducting ward and County                                   | No of forums Conducted | 30     | Ward & County institutional stakeholders Forum | Ward and County Institutional forums not                                    |

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

|   |   |                                   |                          |   |   |
|---|---|-----------------------------------|--------------------------|---|---|
| <b>stakeholders<br/>forum, Ward<br/>Institutional<br/>Stakeholders<br/>Forums;</b>                                    | <b>Institutional<br/>forums</b>                                       |                                   |                          | <b>conducted<br/>due to lack<br/>of funds</b>                       |   |
| <b>3. Payment of<br/>compensation and<br/>liability arising<br/>from duties<br/>performed under<br/>the Water Act</b> | <b>Support to<br/>Lodwar water<br/>and sanitation<br/>Company ltd</b> | <b>Payment of<br/>Liabilities</b> | <b>Expenses<br/>paid</b> | <b>Support to<br/>Turkana Urban<br/>Water and<br/>Sewerage plc.</b> | <b>No support<br/>that was<br/>given to the<br/>water<br/>company</b> |

**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**8. Corporate Governance Statement**

The Chairperson was appointed by H. E the Governor Hon. Jeremiah Lomurukai vide gazette notice no 14738 of 2023 and subsequently vetted by the County assembly of Turkana.

The other members were appointed by CECM Finance and Economic Planning Dr. Michael Eregae vides gazette notice no.14878 of 2023. The term of the members is three (3) years

The functions of the Board are

- (a) To consider and recommend the estimates of revenue to and expenditure from the Fund to the County Executive Committee Member for Finance for approval;
- (b) To approve disbursements from the Fund;
- (c) to receive, review and approve reports on the performance of the Fund;
- (d) to oversee the monitoring and evaluation of the programs and activities under the Fund;
- (e) to approve the financial statements of the Fund prepared in accordance with the Act;
- (f) to consult with the County Executive Committee Member on matters relating to the administration of the Fund;
- (g) in liaison with the Fund Administrator, prepare a framework for receiving and evaluating project proposals and publish the eligibility criteria for formulation and selection of such projects by the Board; and
- (h) to perform any other functions that shall be assigned by the County Executive Committee Member.

The meetings of the Turkana County Water Services Management board were conducted on need basis in which the quorum was two-thirds of the membership.

A resolution required an affirmative vote of more than one half of the members present at a meeting.

The Turkana County Water Services Management board has not developed a charter and its remuneration is determined by salaries and remuneration commission.

**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**9. Management Discussion and Analysis**

The performance of the fund is as detailed in the table below;

| Description   | 2024-2025         | 2023-2024         |
|---|-------------------|-------------------|
|   | Kshs              | Kshs              |
| Revenue From Non-Exchange Transactions                      |                   |                   |
| <b>Transfers From the County Government</b>                 | 10,000,000        | 94,334,986        |
| <b>Other Receipts</b>                                       | 19,600            |                   |
| Total Revenue   | <b>10,019,600</b> | <b>94,334,986</b> |
| Expenses  |                   |                   |
| <b>Use of goods and services</b>                            | 2,158,298         | 33,185,203        |
| <b>Payments on behalf of other County Government Entity</b> |                   | 34,900,077        |
| Total Expenses  | <b>2,158,298</b>  | <b>68,085,280</b> |
| <b>Surplus For The Period</b>                               | <b>7,861,302</b>  | <b>26,249,706</b> |

Transfers for the period reduced due to a reduced allocation from the Ministry of Water Services hence a reduction in expenditure.

Late disbursement of funds resulted in the reduction of use of goods and services costs.

The Turkana County Water Services fund made a surplus of kshs. 7,861,302 during the year.

**10. Environmental and Sustainability Reporting**

**i) Sustainability strategy and profile**

The fund recognizes the fact that the way in which it conducts its activities financially has a bearing on those with interest in its work. It recognizes its obligations to act responsibly, ethically and with integrity in its dealings with staff, customers, neighbors and the environment as a whole. We remain firmly committed to courses that positively impact our society and influence sustainability of our fund.

**ii) Environmental performance**

The fund exists to transform and enhance quality of life through activities that are environmentally friendly.

**iii) Employee welfare**

The fund is guided by Human resource policies and procedures manual whose tenets include stakeholder's engagement, training of staff and Compliance with labour laws of Kenya.

**iv) Market place practices-**

**a) Responsible competition practice.**

The fund strictly follows the Public procurement and Assets Disposal act with its regulations.

**b) Responsible Supply chain and supplier relations**

The fund follows the tenets of Public procurement and assets and disposal act together with Public Finance Management Act, 2012. Suppliers relations is guaranteed by prompt payments in the case of availability of funds

**c) Responsible marketing and advertisement or Responsible engagement with the citizens.**

The fund shall involve itself with fair marketing and advertisement as outlined in PPDA, 2015 through accredited media house, systems and platforms i.e. County Website

**d) Product stewardship or Awareness creation**

The fund honors its obligations to both parties and customer charter outlining clear service levels. All this is geared towards safeguarding consumer rights and interests.

**v) Corporate Social Responsibility / Community Engagements**

The Fund recognizes its obligations to act responsibly, ethically and with integrity in its dealings with staff, customers, neighbors and the environment as a whole. We remain firmly committed to courses that positively impact our society and influence sustainability of our business.

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

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**11. Report of the Trustees**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Fund affairs.

**Principal activities**

The principal activities of the Fund are to support water services delivery to the people of Turkana, Supporting the Activities of the County institutional stakeholder's forum Ward Institutional Stakeholders Forums; development of water infrastructure; Payment of compensation and liabilities arising from the duties performed under the Turkana County Water act,2019.

**Results**

The results of the Fund for the year ended June 30, 2025 are set out on page 1-5

**Trustees**

The members of the Fund Administration Committee who served during the year are shown on page vi to vii and below are the changes in the Committee during the year;

| No | Name            | Designation                         | Appointment /Exited                 |
|----|-----------------|-------------------------------------|-------------------------------------|
| 1  | Simon Ekai Etom | Chief officer Water Services-Member | Exited 20 <sup>th</sup> May,2025    |
| 2. | Mark Achila     | Chief officer Water Services-Member | Appointed 20 <sup>th</sup> May,2025 |

**Auditors**

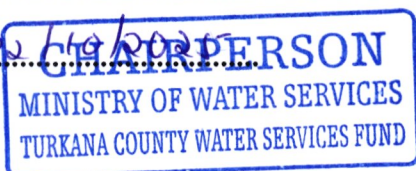
The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

..... ELIM EMILLY ARIONG

**Chair of the Fund Administration Committee**

Date: .....



**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**12. Statement of Management’s Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of Turkana County Water Services Fund established by the Turkana County Water Services Act, 2019 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Turkana County Water Services Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Turkana County Water Services Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Turkana County Water Services Act, 2019. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2025, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

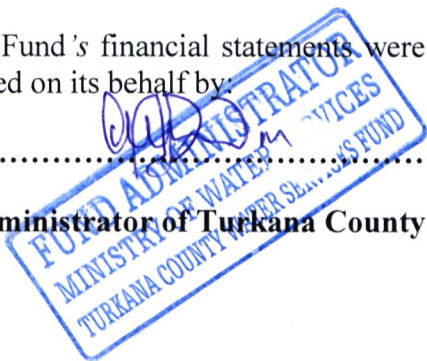
In preparing the financial statements, the Administrator of the Turkana County Water Services Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

**Approval of the financial statements**

The Fund’s financial statements were approved by the Board on 22.10. 2025 and signed on its behalf by:

.....

**Administrator of Turkana County Water Services Fund.**



# REPUBLIC OF KENYA



Telephone: +254-(20) 3214000  
Email: 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 WATER SERVICES FUND FOR THE YEAR ENDED 30 JUNE, 2025

---

### 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Turkana County Water Services Fund set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Turkana County Water Services Fund as at 30 June, 2025 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 Water Services Fund Act, 2021 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amount of Kshs.33,875,907 and Kshs.10,718,210 respectively, resulting in underfunding of Kshs.23,157,697 or 68% of the budget. Similarly, the Fund spent Kshs.2,156,124 against actual receipts of Kshs.10,718,210 resulting into an under-expenditure of Kshs.8,562,086 or 80% of the actual receipts.

The underfunding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, 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 Matters**

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness

of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Fund in 2024/2025 revealed that the following matters remained unresolved.

|   | <b>Financial Year</b> | <b>Audit Issue</b>                                |
|---|-----------------------|---|
| 1 | 2023/2024             | Incomplete Composition of the Board of Management |
| 2 | 2023/2024             | Contravention of Bank signatories Requirements    |
| 3 | 2023/2024             | Failure to carry out Internal audit               |

### **Other Information**

The Management is responsible for the Other Information set out on page iii to xviii which comprises of Key Entity Information and Management, the Board of Trustees, Management Team, Chairman’s Statement, Report of the Fund Administrator, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees, Statement of Trustees’ Responsibilities, Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund’s financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

#### **Basis for Conclusion**

##### **1. Delays in Refund of Internally Borrowed Funds**

The statement of financial position reflects receivables from non-exchange transactions of Kshs.24,110,896 as disclosed in Note 11 to the financial statements. Included in the balance is Kshs.953,200 which relates to an internal short-term borrowing by Ministry of Water Services under the County Executive. However, there was no evidence of County

Assembly and Board's approval of the lending contrary to Section 142(1) of the Public Finance Management Act, 2012 which requires County Government entities to seek the authority of the County Assembly to borrow cash on short term basis for cash management purposes only.

Further there was no evidence that the lent amount was repaid within one (1) year as required by Section 142(3) of the Public Finance Management Act, 2012 which stipulates that a County Government entity that has any such borrowing shall ensure that the money borrowed is repaid within a year from the date it is borrowed.

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

## **2. Contravention of Bank Signatories Requirements**

Examination of documents relating to opening and operation of the Fund's account at a commercial bank revealed that the authority to open the bank account was given on 19 June, 2023 where it specified three (3) signatories. However, a letter to change the signatories dated 16 November, 2023 assigned the Chief Officer-Water Services as the mandatory signatory contrary to Regulation 16(4) of the Public Finance Management (Turkana County Water Services Fund) Regulations, 2023 which states that all the cheques for administrative expenses shall be signed by any two of the signatories, whereas cheques for projects shall be signed by all the signatories; provided that the Fund Administrator shall sign all cheques issued by the Fund.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The Standards require 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Failure to Conduct Internal Audit**

During the year under review, the Fund was yet to constitute an audit committee. Further, internal audit was not undertaken on the operations of the Fund contrary to the

requirements of Section 155(1) of the Public Finance Management Act, 2012 which requires that every county government entity shall have appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the Fund did not benefit from the oversight role and advice from the audit committee and the internal audit function.

## **2. Incomplete Composition of the Board of Management**

Review of the Fund's board composition revealed that the board had six (6) members instead of seven (7) members. This was occasioned by the demise of one member in March, 2024 and who had not been replaced to comply with the provisions of Regulation 9(4) of the Public Finance Management (Turkana County Water Services Fund) Regulations, 2023 which requires a member to be replaced within thirty (30) days.

In the circumstances, the Board of Management is not properly constituted and the effectiveness of internal controls, risk management and overall governance of the Fund could not be confirmed.

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 controls, 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 the Management and the Board of Management**

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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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


### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The Standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

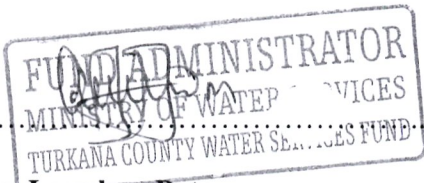
**05 November, 2025**

**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**14. Statement of Financial Performance for the Year Ended 30 June, 2025**

| Description  | Note | 2024-2025         | 2023-2024         |
|--|------|-------------------|-------------------|
|  |      | Kshs              | Kshs              |
| <b>Revenue From Non-Exchange Transactions</b>        |      |                   |                   |
| Transfers From the County Government                 | 6    | 10,000,000        | 94,334,986        |
| Other Receipts                                       | 7    | 19,600            |                   |
| <b>Total Revenue</b>                                 |      | <b>10,019,600</b> | <b>94,334,986</b> |
| <b>Expenses</b>                                      |      |                   |                   |
| Use of goods and services                            | 8    | 2,158,298         | 33,185,203        |
| Payments on behalf of other County Government Entity | 9    |                   | 34,900,077        |
| <b>Total Expenses</b>                                |      | <b>2,158,298</b>  | <b>68,085,280</b> |
| <b>Surplus For The Period</b>                        |      | <b>7,861,302</b>  | <b>26,249,706</b> |

The notes set out on pages 6 to 24 form an integral part of these financial statements



Name: **Lopelem Peter**  
**Administrator of the Fund**

Name: **CPA Edward Eregae**  
**Fund Accountant**  
**ICPAK Member no.ASSOC/3578**

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

**15. Statement of Financial Position as at 30 June 2025**

| Description   | Note | 2024-2025         | 2023-2024         |
|---|------|-------------------|-------------------|
|   |      | Kshs              | Kshs              |
| <b>Assets</b>                                       |      |                   |                   |
| <b>Current Assets</b>                               |      |                   |                   |
| Cash and Cash Equivalents                           | 10   | 10,002,286        | 698,611           |
| Receivable from Non Exchange Transactions           | 11   | 24,110,896        | 25,551,096        |
| <b>Total current assets</b>                         |      | <b>34,113,182</b> | <b>26,249,707</b> |
| <b>Non-Current Assets</b>                           |      |                   |                   |
| Property, Plant and Equipment                       |      | -                 | -                 |
| <b>Total non- current assets</b>                    |      | <b>-</b>          | <b>-</b>          |
| <b>Total Assets (A)</b>                             |      | <b>34,113,182</b> | <b>26,249,707</b> |
| <b>Liabilities</b>                                  |      |                   |                   |
| <b>Current Liabilities</b>                          |      |                   |                   |
| Trade and Other Payables from Exchange Transactions | 12   | 2,173             | -                 |
| <b>Total current liabilities</b>                    |      | <b>2,173</b>      | <b>-</b>          |
| <b>Non-Current Liabilities</b>                      |      |                   |                   |
| Non-Current Provisions                              |      | -                 | -                 |
| <b>Total Liabilities (B)</b>                        |      | <b>2,173</b>      |                   |
| <b>Net Assets (A-B)</b>                             |      | <b>34,111,009</b> | <b>26,249,707</b> |
| <b>Represented By:</b>                              |      |                   |                   |
| Accumulated Surplus                                 |      | 34,111,009        | 26,249,707        |
| <b>Net Assets</b>                                   |      | <b>34,111,009</b> | <b>26,249,707</b> |

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 22.10 2025 and signed by:

.....  
Name: **Lopelem Peter**  
Administrator of the Fund

.....  
Name: **CPA Edward Eregae**  
Fund Accountant  
ICPAK Member no. ASSOC/3578

**Turkana County Water Services Fund**  
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**16. Statement of Changes in Net Assets for the year ended 30 June, 2025**

| Description                       | Accumulated surplus | Total             |
|-----------------------------------|---------------------|-------------------|
|                                   | Kshs                | Kshs              |
| <b>Balance As At 1 July 2023</b>  | -                   | -                 |
| Surplus For the Period            | 26,249,707          | <b>26,249,707</b> |
| <b>Balance As At 30 June 2024</b> |                     | -                 |
|                                   |                     | -                 |
| <b>Balance As At 1 July 2024</b>  | <b>26,249,707</b>   | <b>26,249,707</b> |
| Surplus For the Period            | 7,861,302           | <b>7,861,302</b>  |
| <b>Balance As At 30 June 2025</b> | <b>34,111,009</b>   | <b>34,111,009</b> |

**Turkana County Water Services Fund**

**Annual Report and Financial Statements for the year ended June 30, 2025**

**17. Statement of Cash Flows for the Year Ended 30 June 2025**

| Description   | Note | 2024-2025         | 2023-2024           |
|---|------|-------------------|---------------------|
|   |      | Kshs              | Kshs                |
| <b>Cash flows from operating activities</b>                   |      |                   |                     |
| <b>Receipts</b>   |      |                   |                     |
| Transfers from the county government                          | 6    | 10,000,000        | 71,177,290          |
| Other receipts  | 7    | 19,600            |                     |
| <b>Total receipts</b>   |      | <b>10,019,600</b> | <b>71,177,290</b>   |
| <b>Payments</b>   |      |                   |                     |
| Use of goods and services                                     |      | 2,156,124         | 33,185,203          |
| Payments on behalf of other County Government Entity          |      |                   | 34,900,077          |
| <b>Total Payments</b>   |      | <b>2,156,124</b>  | <b>68,085,280</b>   |
| <b>Net cash flows from operating activities</b>               | 13   | <b>7,863,476</b>  | <b>3,092,010</b>    |
| <b>Cash flows from investing activities</b>                   |      |                   |                     |
| Purchase of property, plant, equipment and Intangible assets  |      | -                 | -                   |
| <b>Net cash flows used in investing activities</b>            |      | <b>-</b>          | <b>-</b>            |
| <b>Cash flows from financing activities</b>                   |      |                   |                     |
| Internal borrowing  |      | 1,440,200         | (2,393,400)         |
| <b>Net cash flows used in financing activities</b>            |      | <b>1,440,200</b>  | <b>( 2,393,400)</b> |
| <b>Net increase/(decrease) in cash &amp; cash Equivalents</b> |      | <b>9,303,676</b>  | <b>698,610</b>      |
| Cash and cash equivalents at 1 July                           |      | 698,610           | -                   |
| <b>Cash and cash equivalents at 30 June</b>                   | 10   | <b>10,002,286</b> | <b>698,610</b>      |

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

**18. Statement Of Comparison Of Budget And Actual Amounts For The Period June, 2025**

|  | Budget            | Actuals  | Budget               | Actuals           | Performance       | %          |
|--|-------------------|----------|----------------------|-------------------|-------------------|------------|
|  | (Ksh)             | (Ksh)    | (Ksh)                | (Ksh)             | (Ksh)             | (Ksh)      |
|  | a                 | b        | C=(a+b)              | d                 | e=(c-d)           | f=d/c *100 |
| <b>Budget carryovers from the previous year*</b> | 23,856,307        |          | 23,856,307           | 698,610           | 23,157,697        | 3%         |
| <b>Receipts</b>                                  |                   |          |                      |                   | -                 |            |
| Transfers From the County Government             | 10,000,000        |          | 10,000,000           | 10,000,000        | -                 | 100%       |
| Other Receipts                                   | -                 | 19,600   | 19,600               | 19,600            | -                 | 100%       |
| <b>Total Income</b>                              | <b>33,856,307</b> | <b>-</b> | <b>33,875,907</b>    | <b>10,718,210</b> | <b>23,157,697</b> | <b>32%</b> |
| <b>Expenses</b>                                  |                   |          | -                    |                   | -                 |            |
| Use of goods and services                        | 10,645,729        |          | 10,645,729           | 2,156,124         | 8,489,605         | 20%        |
| <b>Total Recurrent Expenditure</b>               | <b>10,645,729</b> | <b>-</b> | <b>10,645,729</b>    | <b>2,156,124</b>  | <b>8,489,605</b>  | <b>20%</b> |
| <b>Capital expenditure</b>                       | <b>23,210,578</b> | <b>-</b> | <b>23,210,578.30</b> | <b>-</b>          | <b>23,210,578</b> | <b>0%</b>  |
| <b>Total Expenditure</b>                         | <b>33,856,307</b> | <b>-</b> | <b>33,856,307</b>    | <b>2,156,124</b>  | <b>31,700,183</b> | <b>-</b>   |
| <b>Surplus For the Period</b>                    | <b>-</b>          | <b>-</b> | <b>-</b>             | <b>8,562,086</b>  |                   |            |

**Budget notes**

Use of goods is underutilized due to late disbursement of funds from the County Treasury. The Kshs.10,000,000 was received on 23rd May,2025.The fund had a budget carry overs of Kshs. 23,856,307consisting of an allocation for the financial year 2023/2024 of Kshs. 23,157,696 and opening bank balance of Kshs. 698,611.

The adjustment of Kshs. 19,600 was occasioned by other receipts received during the financial year.

**Budget Reconciliation**

|  | Amount in Kshs    |
|--|-------------------|
| 1 Actual Surplus Amounts as per the statement of Budget                    | 8,562,086         |
| 2 Proceeds from Internall borrowings                                       | 1,440,200         |
| <b>Closing Cash and Cash Equivalent as per the statement of Cash flows</b> | <b>10,002,286</b> |

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

**19. Notes to the Financial Statements**

**Significant Accounting Policies**

**1. General Information**

Turkana County Water Services Fund is established by and derives its authority and accountability from Turkana County Water Act, 2019. The entity is wholly owned by the Turkana County Government and is domiciled in Kenya. The entity's principal activity is supporting provision of water services.

**2. Statement of compliance and basis of preparation**

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**3. Adoption of new and revised standards**

**(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025**

There were no new and amended standards issued in the financial year.

**(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.**

| <b>Standard</b>                              | <b>Effective date and impact:</b>   |
|--|---|
| IPSAS 43:<br>Leases                          | <b>Applicable 1<sup>st</sup> January 2025</b><br>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.<br>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. |
| IPSAS 44:<br>Non- Current<br>Assets Held for | <b>Applicable 1<sup>st</sup> January 2025</b><br>The Standard requires,   |

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

|  |  |
|--|--|
| Sale and Discontinued Operations       | <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>  |
| IPSAS 45: Property Plant and Equipment | <p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> |
| IPSAS 46: Measurement                  | <p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>  |
| IPSAS 47: Revenue                      | <p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>  |

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

|  |   |
|--|---|
| <p>IPSAS 48:<br/>Transfer<br/>Expenses</p>   | <p><b>Applicable 1<sup>st</sup> January 2026</b><br/>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>   |
| <p>IPSAS 49:<br/>Retirement<br/>Benefit Plans</p>                                      | <p><b>Applicable 1<sup>st</sup> January 2026</b><br/>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>  |
| <p>IPSAS 50:<br/>Exploration For<br/>&amp; Evaluation of<br/>Mineral<br/>Resources</p> | <p><b>Applicable 1<sup>st</sup> January 2027</b><br/>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul> |

**(i) Early adoption of standards**

The Fund did not early adopt any new or amended standards in the financial year.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii. Revenue from exchange transactions**

**Interest income**

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

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for FY 2024/2025 was approved by the County Assembly on 26<sup>th</sup> June, 2024. 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 did not record additional appropriations on the FY 2024/2025 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.

**Turkana County Water Services Fund**  
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**Summary of Significant Accounting Policies (Continued)**

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

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

**c) Property, plant and equipment**

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

**a) 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.

**b) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

**Turkana County Water Services Fund**  
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**Summary of Significant Accounting Policies (Continued)**

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**c) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

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**Summary of Significant Accounting Policies (Continued)**

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**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
**Summary of Significant Accounting Policies (Continued)**

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**Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**d) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**e) 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.

**f) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
**Summary of Significant Accounting Policies (Continued)**

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**g) 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.

**h) Nature and purpose of reserves**

The Entity does not create and maintain reserves in terms of specific requirements. Changes in accounting policies and estimates

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

**i) Employee benefits – Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
**Summary of Significant Accounting Policies (Continued)**

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**j) 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.

**k) 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.

**l) Related parties**

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

**m) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**n) Comparative figures**

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

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**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Summary of Significant Accounting Policies (Continued)**

**5. Significant judgments and sources of estimation uncertainty**

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

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

**a) Estimates and assumptions –**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes To the Financial Statements Continued**

**6. Transfers from County Government**

| Description                             | 2024-2025         | 2023-2024         |
|---|-------------------|-------------------|
|   | Kshs              | Kshs              |
| Transfers From County Govt. –Operations | 10,000,000        | 94,334,986        |
| <b>Total</b>                            | <b>10,000,000</b> | <b>94,334,986</b> |

**7. Other Income**

| Description    | 2024-2025     | 2023-2024 |
|----------------|---------------|-----------|
|                | Kshs          | Kshs      |
| Other Receipts | 19,600        |           |
| <b>Total</b>   | <b>19,600</b> |           |

**8. Use of Goods and Services**

| Description                                    | 2024-2025        | 2023-2024         |
|--|------------------|-------------------|
|  | Kshs.            | Kshs.             |
| Advertising, Awareness and Publicity Campaigns |                  | 2,876,700         |
| Board Expenses                                 | 55,000           | 1,256,600         |
| Bank Charges                                   | 3,898            | 23,303            |
| Training                                       | 84,000           | 2,769,100         |
| Domestic Travel and Subsistence allowances     | 1,889,400        | 18,747,100        |
| Hospitality                                    | 126,000          | 384,500           |
| Contracted Professional services               |                  | 304,000           |
| Office Operations                              |                  | 4,991,400         |
| Fuel and Oil Costs                             | -                | 362,500           |
| Committee Allowances                           | -                | 1,470,000         |
| <b>Total</b>                                   | <b>2,158,298</b> | <b>33,185,203</b> |

**9. Payments on behalf of other County Government Entity**

| Description                            | 2024-2025 | 2023-2024         |
|--|-----------|-------------------|
|  | Kshs      | Kshs              |
| Support to LOWASCO                     |           | 34,900,077        |
| <b>Total Cash and Cash Equivalents</b> |           | <b>34,900,077</b> |

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes to the Financial Statements Continued**

**10. Cash and cash equivalents**

| Description                            | 2024-2025         | 2023-2024      |
|--|-------------------|----------------|
|  | Kshs              | Kshs           |
| KCB Account 1316254151                 | 2,286             | 698,611        |
| CBK Account 1000762338                 | 10,000,000        |                |
| <b>Total Cash and Cash Equivalents</b> | <b>10,002,286</b> | <b>698,611</b> |

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

| Financial Institution     | Account number | 2024-2025         | 2023-2024      |
|---------------------------|----------------|-------------------|----------------|
|                           |                | Kshs              | Kshs           |
| <b>a) Current Account</b> |                |                   |                |
| Kenya Commercial Bank     | 1316254151     | 2,286             | 698,611        |
| Central Bank of Kenya     | 1000762338     | 10,000,000        |                |
| <b>Grand Total</b>        |                | <b>10,002,286</b> | <b>698,611</b> |

**11.Receivables from Non exchange transactions**

| Description   | 2024-2025         | 2023-2024         |
|---|-------------------|-------------------|
|   | Kshs              | Kshs              |
| <b>Current Receivables</b>                              |                   |                   |
| Receivables from County government                      | 24,110,896        | 25,551,096        |
| <b>Total Receivables from Non Exchange Transactions</b> | <b>24,110,896</b> | <b>25,551,096</b> |

**12. Trade and other payables from exchange transactions**

| Description                                       | 2024-2025        |                       | 2023-2024        |
|---|------------------|-----------------------|------------------|
|   | Kshs             |                       |                  |
| Accrued Expenses                                  | 2,173            |                       |                  |
| <b>Total Trade and Other Payables</b>             | <b>2,173</b>     |                       | <b>-</b>         |
| <b>Ageing analysis (Trade and other payables)</b> | <b>2024-2025</b> | <b>% of the Total</b> | <b>2023-2024</b> |
| Under one year                                    | 2,173            | 100%                  | - %              |
| 1-2 years   |                  | 0%                    | - %              |
| <b>Total (tie to above total)</b>                 | <b>2,173</b>     | <b>100%</b>           | <b>-</b>         |

**Turkana County Water Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Notes to the Financial Statements Continued**

**13. Cash generated from operations.**

| Description   | 2024-2025        | 2023-2024         |
|---|------------------|-------------------|
|   | Kshs             |                   |
| <b>Surplus/ (Deficit) For the period Before Tax</b> | <b>7,861,302</b> | <b>26,249,707</b> |
| <b>Adjusted For:</b>                                |                  |                   |
| Less Accrued Income                                 |                  | 23,157,696        |
| add back Accrued Expenses                           | 2,174            |                   |
| <b>Net Cash Flow From Operating Activities</b>      | <b>7,863,476</b> | <b>3,092,011</b>  |

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Annual Report and Financial Statements for the year ended June 30, 2025**

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**14. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

| Description                               | 2024-2025         | 2023-2024         |
|---|-------------------|-------------------|
|   | Kshs              | Kshs              |
| Transfers From Ministry of Water Services | 10,000,000        | <b>71,177,290</b> |
| <b>Total</b>                              | <b>10,000,000</b> | <b>71,177,290</b> |

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**15. 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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

| Description                                | Total amount<br>Kshs | Fully performing<br>Kshs | Past due<br>Kshs     |
|--|----------------------|--------------------------|----------------------|
| <b>At 30 June 2025</b>                     |                      |                          |                      |
| Receivables From Non-Exchange Transactions | 24,110,896.00        |                          | 24,110,896.00        |
| Bank Balances                              | 10,002,286.00        |                          | 10,002,286.00        |
| <b>Total</b>                               | <b>34,113,182.00</b> | <b>-</b>                 | <b>34,113,182.00</b> |
| <b>At 30 June 2024</b>                     |                      |                          |                      |
| Receivables From Non-Exchange Transactions | 25,551,096.00        |                          | 25,551,096.00        |
| Bank Balances                              | 698,611.00           |                          | 698,611.00           |
| <b>Total</b>                               | <b>26,249,707.00</b> |                          | <b>26,249,707.00</b> |

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 entity has significant concentration of credit risk on amounts due from Ministry of water services.

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

**b) Liquidity risk management**

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

| Description            | Less than 1 month | Between 1-3 months | Over 5 months | Total        |
|------------------------|-------------------|--------------------|---------------|--------------|
|                        | Kshs              | Kshs               | Kshs          | Kshs         |
| <b>At 30 June 2025</b> |                   |                    |               |              |
| Trade Payables         |                   |                    | 2,173         | 2,173        |
| <b>Total</b>           | -                 | -                  | <b>2,173</b>  | <b>2,173</b> |
| <b>At 30 June 2024</b> |                   |                    |               |              |
| Trade Payables         |                   |                    |               |              |
| <b>Total</b>           |                   |                    |               |              |

**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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

**i. Foreign currency risk**

The entity has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices

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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:

**ii. 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 endeavored to bank with institutions that offer favorable 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.

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**d) Capital risk management.**

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

| Description  | 2024-2025          | 2023-2024            |
|--|--------------------|----------------------|
|  | Kshs               | Kshs                 |
| Accumulated surplus                                | 7,861,302          | 26,249,706           |
| <b>Total funds</b>                                 | <b>7,861,302</b>   | <b>26,249,706</b>    |
|  |                    |                      |
| Less: cash and bank balances                       | 10,002,286         | 3,092,011            |
| <b>Net debt/(excess cash and cash equivalents)</b> | <b>(2,140,984)</b> | <b>23,157,695.00</b> |

**16.Events after the reporting period**

The receivable of Kshs.23,157,696 was received on 14<sup>th</sup> July,2025

**17.Ultimate and Holding Entity**

The entity is a Turkana County Water Services Fund established by Turkana County Water Act,2019 is under the Ministry of Water Services. Its ultimate parent is the County Government of Turkana.

**18. Currency**

The financial statements are presented in Kenya Shillings (Kshs)

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**20. Annexes**

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

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

| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments   | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|-----------------------------------|--|
|  | <p><b>Budgetary Control and Performance</b></p> <p>The statement of comparison of budget and actual amounts reflects the final revenue budget of Kshs.94, 334,986 against actual revenue of Kshs.71, 177,290 resulting to underfunding of Kshs.23, 157,696.00 or 25% of the budget. Similarly, the statement shows actual receipts of Kshs.71, 177,290 against the actual expenditure of Kshs.68, 085,280 resulting in an underutilization of Kshs.3, 092,010 or 4% of the total receipts.</p> <p>The underfunding and underutilization of the budget affected the planned activities and may have impacted negatively on service delivery to the public.</p> | <p>i. The underfunding of kshs 23,157,696.00 is the amount budgeted in FY 2023-2024 and not disbursed in the year under review.it was received on 14<sup>th</sup> July,2025</p> <p>ii. The underutilization of ksh 3,092,010 was due to an internal borrowing from the Ministry of Water Services for Devolution conference kshs 951,000 &amp; Water UNICEF project Ksh 1,442,400.Kshs 1,440,200 was refunded by Unicef project account on 17<sup>th</sup> September,2024</p> | Resolved                          |  |
| 1  | <p><b>Non-compliance with the Public Sector Accounting Standards Board Approved Reporting Template</b></p> <p>The financial statements prepared and presented for audit review did not bear Institute of Certified Public</p>   | The management notes the oversight on the dates of birth and experience of the committee members, ICPAK member no and commits to include in subsequent financial statements.  | Resolved.                         |  |

**Turkana County Water Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

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|--|---|---|-----------------------------------|--|
|  | <p>Accountants of Kenya (ICPAK) member number of the preparer accountant. In addition, the Fund administration committee on page vi and Management team on page viii has omitted to disclose the dates of birth and work experience for some of the members as required by the approved template.</p> <p>In the circumstances, the financial statements as presented do not conform to International Public Sector Accounting Standards disclosure requirements and prescribed template by the Public Sector Accounting Standards Board.</p>  |   |                                   |  |
| 2  | <p><b>Composition of the Board of Management</b></p> <p>Review of the Fund's board composition revealed that the board had six (6) members instead of seven (7) members. This was occasioned by the death of one member and who had not been replaced to comply with the provisions of Regulation 9(4) of the Public Finance Management (Turkana County Water Services Fund) Regulations, 2023 which requires a member to be replaced within thirty (30) days. In addition, review of the board members personal files revealed that there were no letters of acceptance in line with the appointment procedures.</p> | <ul style="list-style-type: none"> <li>i. The management notes the demise of one member and shall refer the matter to the appointing authority.</li> <li>ii. The letters of appointment and acceptance is attached.(Refer to annex 3:Appointment letter and acceptance</li> </ul> | Not Resolved                      | 30 <sup>th</sup> June,2025                                       |

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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) |
|---|--|---|-----------------------------------|--|
| <b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b> |  |   |                                   |  |
| 1   | <p><b>Cash Book and Bank Reconciliations Management</b></p> <p>The statement of financial position reflects cash and cash equivalents balance of Kshs.698,611. Examination of the cash book and bank statements revealed that the Fund maintains one (1) current account. However, the transactions in the cash book and bank reconciliation statements were not regularly checked by a senior officer. This resulted into one officer doing the recording without confirmation from senior officer. In addition, the officer who prepares the cash book is the same officer who prepares the monthly bank reconciliation statements.</p> <p>In the circumstance, the reliability of internal controls around cash book management and bank reconciliations could not be confirmed</p> | <p>The management notes the oversight and shall due to be regularly checked by a senior officer.</p>  | Resolved                          |  |
| 2   | <p><b>Bank Signatories</b></p> <p>Examination of documents relating to opening and operation of the Turkana Water Services Fund Account at a commercial bank showed that the authority to open the bank account was given on 19 June, 2023 where it specified three signatories for the bank account. However, a letter to change the</p>  | <p><b>Management Responses.</b></p> <p>The notes the oversight and shall cause the fund administrator to be a mandatory signatory. The fund has opened a special purpose at Central bank to facilitate online payments.</p> | Not Resolved.                     | 30 <sup>th</sup> December,2025.                                  |

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|--|--|--|--------------------------------------|---|
|  | <p>signatories dated 16 November, 2023 assigned the Chief Officer-Water Services as the mandatory signatory contrary to Regulation 16(4) of the Public Finance Management (Turkana County Water Services Fund) Regulations which provides that the Fund Administrator shall sign all cheques issued by the Fund.</p> <p>In the circumstance, Management did not comply with the regulations.</p>   |  |                                      |   |
| 3.   | <p><b>Lack of Internal Audit Function and Reports</b></p> <p>Review of the internal controls of the Fund revealed that there was no internal audit function. In addition, the Fund did not seek the services of the internal auditor from the County Executive as there was no internal audit reports provided for audit review. This is contrary to Regulation 153(1) of the Public Finance Management (County Government) Regulations, 2015 which provides that internal auditors shall review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities, give reasonable assurance through audit committee on state of risk management, control and governance and review effectiveness of the financial and non-financial performance management systems of the entities.</p> | <p>The management notes the oversight and shall cause the books of the fund to be audited by internal audit department</p> | Resolved                             |   |

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|--|--|---------------------|-----------------------------------|--|
|  | In the circumstances, the internal control systems were not checked to ascertain compliance with the strategic plan of the Fund and the County Government. |                     |                                   |  |

  
**Fund administrator**  
 MINISTRY OF WATER SERVICES  
 TURKANA COUNTY WATER SERVICES FUND  
 Date: 22/10/2025