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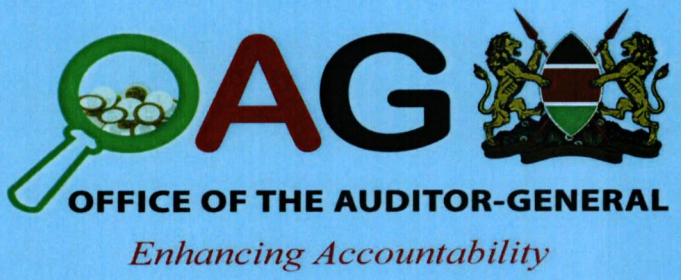

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REPORT

OF

THE AUDITOR-GENERAL

ON

TURKANA COUNTY EMERGENCY FUND

FOR THE YEAR ENDED 30 JUNE, 2021

OFFICE OF THE AUDITOR GENERAL
NORTH RIFT REGIONAL OFFICE
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TURKANA COUNTY EMERGENCY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2021

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

16. APPENDIX I: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the County Executive of Turkana Government			
	FY 2020/2021			
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Emergency Fund	01.07.2021	136,000,000	FY20/21
	Emergency Fund	20.05.2021	100,000,000	FY20/21
		Total	**236,000,000**	

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

Fund Administrator
Emergency Fund

Sign----------

Head of County Treasury at
Turkana County Government

Sign----------

	2016 which states that the County Executive Committee member shall administer the County Government Emergency fund for the county government in accordance with a framework and criteria approved by County Assembly. Further, The County Executive Committee Member has not put in place regulations for the better carrying out of the provisions of this Act in accordance with Section 12 of Turkana County Emergency Fund Act, 2016.	Government Act 2012, which provides for establishment of County Fund and its operationalization.		
9.0	**Failure to Prepare an Operational Budget** The statement of comparison of budget and actual amounts for the year ended 30 June 2020 indicates approved budget figure of Kshs.296,000,000. However, the Management did not provide the approved budget contrary to Section 149(2)(h) of the Public Finance Management Act,2012 that requires the accounting officer to prepare estimates of the expenditure of the entity in conformity with strategic plan and Section 149(2)(i) which requires the accounting officer to submit the estimates of an entity which is not a county corporation to County Executive Committee member for Finance.	An operational budget is in place and ready for review	Resolved	

		its operations needs and payment obligations should be met at the lowest possible cost in the market that is consistent with a prudent degree of risk. In the case of executive we have not engaged in the market borrowing or lending but instead looked within the executive funds available and for which their utilization has not matured owing to the prolonged project implementation period. This borrowing meant that, the executive would meet its immediate cash management needs and organized for its repayments before the anticipated maturity period. In the above case, the executive borrowing does not attract any interest nor any securities as of the case of commercial loans. The internal borrowing process is usually duly authorized, and approval sought before funds are drawn from the respective accounts. Repayment procedures are also in place to ensure these funds are returned/refunded.		
8.0	**Administration of the Fund** A review of the administration of the Fund revealed that there is no framework and criteria approved by County Assembly as stipulated in Section 6(3) of Turkana County Emergency Fund Act,	The framework for management of the emergency fund is clearly spells out in the Turkana County Disaster Management Act 2016. The law provides for criteria used in accessing the funds in cases of emergencies. The Act is an extension of the County	Resolved	

7.0	**Irregular Transfer of Funds** The statement of financial position as at 30 June, 2020 reflects Current portion of long-term receivables from exchange transactions amounting to Kshs.37,359,749 which represent outstanding borrowings by the Ministry of Finance and Economic Planning. However, review of the records provided for audit indicated that during the year a total of Kshs. 156,957,712 was transferred to Turkana County Government Finance and Planning imprest account number 1157497373 for purposes that were not emergency in nature.	PFM Act 2012 section 142(1) (2) (3) provides county government the authority to borrow for purposes of cash management to address cash/liquidity bottlenecks inherent during low seasons to support Government operations. Section 140(1) vests the authority to approve/raise a loan /borrowing on behalf of the County Government to the County Executive Committee Member responsible for finance who in exercise of this power ensures subsections (a), (b), (c), (d) are fully addressed and put into perspective; this includes and not limited to adhering to the fiscal responsibility principle and fiscal objectives of the County Government, Debt management of the County Government over medium term. The Act giving County Government the powers to borrow/loan envisages a situation whereby; the County Government does not have any other optional funding window for its operations and the only window is the commercial window necessitating the execution of the loan guarantee. This is however not the case for the borrowing cited above. Section 141 (1) is instructive that should a County Government go into borrowing, this should be done to finance		

6.0	**Non-Approval of Expenditure by the County Assembly** The statement of financial performance for the year ended 30 June, 2020 reflects total expenses figure of Kshs. 163,873,629. However, no documentary evidence has been made available to show that the expenditure was approved by the County Assembly. Further, there was no evidence that the County Executive Committee member for Finance and Planning initiated the process of appropriation of the bill to be introduced into the County Assembly for appropriation of the money paid and for replenishment of the same, contrary to Section 114(1) Public Finance Management Act, 2012, which states that the County Executive Committee member for finance shall seek approval of the county assembly within two months after payment is made from the Emergency Fund.	The management would wish to confirm that the approval for payments emanating from the Turkana Emergency Fund was sought from the County Assembly of Turkana in a letter written by the CECM for Finance on June 9th ,2020, which was received by the County Assembly Clerk on June 15th 2020. This is therefore to confirm that indeed we complied with the Turkana County Emergency Fund Act 2016 on statutory reporting and in keeping with timelines.		

	of Public Finance Management (County Government) Regulations, 2015 which requires that fund administration costs of county public Fund to be at a maximum of three (3%) percent of the approved budgets of the Fund.			
5.0	The statement of financial performance for the year ended 30 June, 2020 reflects total expenses figure of Kshs.163,873,629. However, no declaration has been made in accordance with Section 11(2)(d)(e) and (f) of Turkana County Emergency Fund Act, 2016 to confirm whether the person to whom the payment was made spent the money for that purpose and a statement made to that effect or if the person to whom the payment has been made has not spent the money for that purpose, a statement specifying the reasons for not having done so.	Declaration made and done in compliance with the Act	Resolved	

3.0	**Procurement of Personal Protective Equipment (PPEs)** Included in the balance of Kshs.155,563,561 for general expenses as disclosed under Note 8 to the financial statements is an amount of Kshs.11,477,000 that was paid to a firm in respect of procurement of personal protective equipment. However, the payment was not supported with quotations, tender opening minutes, copies of stores ledgers indicating receipt and issues and signed distribution lists of beneficiaries. This was contrary to regulation 104 of the Public Finance Management (County Government) Regulations,2015 which stipulates that payments should be supported by payment vouchers, authority and documentation.	Documents for the procurement of PPEs have been submitted to auditors for review.		
4.0	**Fund Administration Expenses** Included in the total expenses of Kshs.163,873,629 reflected in the statement of financial performance for the year ended 30 June, 2020 is fund administration expenses of Kshs.8,310,949 which was 5% of the approved budgets of Kshs.163,873,629contrary to Section 197(1)(d)			

2.0	**Proposed Completion of Intensive Care Unit (ICU) at Lodwar County and Referral Hospital (LCRH)** Included in the balance of Kshs.155,563,561 for general expenses as disclosed under Note 8 to the financial statements is an amount of Kshs.8,200,000 paid to a construction company in respect of completion of LCRH HDU/ICU. However, the payment was not supported with tender documents, tender opening minutes, and minutes of site meetings. This was contrary to regulation 104 of the Public Finance Management (County Government) Regulations,2015 which stipulates that payments should be supported by payment vouchers, authority and documentation.	Documents related to the completion of LCRHHDU/ICU have been availed to the audit for as requested.	Not resolved	

1.0	**Procurement of Beans** Included in the balance of Kshs.155,563,561 for general expenses as disclosed under Note 8 to the financial statements is an amount of Kshs.11,500,000 paid to a company for supply of beans during the year. However, the payment was not supported with quotations, tender opening minutes, copies of stores ledgers indicating receipt and issues and signed distribution lists of beneficiaries. This was contrary to regulation 104 of the Public Finance Management (County Government) Regulations,2015 which stipulates that payments should be supported by payment vouchers, authority and documentation. In addition, the payment was not supported with a contract document as required by Section 135 of the Public Procurement and Asset Disposal Act,2015. Further, the Management did not provide evidence that the procurement was done through the E-procurement module as required by Treasury Circular No. 24/2015 dated 21 December, 2015 that gives guidelines on the use of E-Procurement in the County Governments.	Documents related to the payment of Kes. 129,395,680 have been availed to Audit for review as requested	Not resolved	

3.0	**Trade and Other Payables from Exchange Transactions** The statement of financial position as at 30 June, 2020 reflects a nil balance in respect of trade and other payables from exchange transactions. A review of information made available however revealed retention monies of Kshs.820,000under certificate No. 1 for proposed completion of Intensive Care Unit (ICU) at County referral hospital, Turkana County has not been included in the payables. Further, the Fund was supplied with 15,353 bags of white maize worth Kshs.19,653,120 by the National Cereals and Produce Board on diverse date between 31 October, 2019 and 19 November, 2019 ordered vide local purchase order number 742763. No evidence of payment for the deliveries has been provided for audit review and the amount does not appear on the list of payables as at the end of the financial year.	The financial statements have been amended and corrected accordingly. Retention monies are deducted and deposited into central deposit account. Upon expiry of liability period, contractors are free to claim their monies and payments are made from the retention account hence no need for the monies to be budgeted under trade and other payment.	Resolved	

	and actual amounts for the period ended 30 June, 2020 shows a balance of Kshs.163,873,629 resulting to unexplained/unreconciled variance of Kshs.3,873,629.	required under the outlined subsections and this will be availed immediately.		
2.0	**Transfers from the County Government** The statement of financial performance reflects transfers from the County Government amounting to Kshs. 160,000,000. A review of transfers by the County Government as indicated in the County executive of Turkana financial statements indicate that Kshs.296,000,000 was transferred to Emergency fund resulting into unexplained/unreconciled variance of Kshs.136,000,000.	In the above case, the executive borrowing does not attract any interest nor any securities as of the case of commercial loans. The internal borrowing process is usually duly authorized and approval sought before funds are drawn from the respective accounts. Repayment procedures are also in place to ensure these funds are returned/ refunded.	Resolved.	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status :	Timeframe
1.0	**Presentation of Financial Statements** A review of the financial statements for the year ended 30 June, 2020 revealed that the statements did not include; corporate governance statement, management discussion and analysis, corporate social responsibility statement/sustainability reporting and report of the trustees. Further, the statement of comparison of budget and actual amounts for the period ended 30 June,2020 reflects a nil surplus/deficit balance while the statement of the financial performance for the year ended30 June, 2020 shows a deficit of Kshs.3,873,629 resulting in unexplained variance of Kshs.3,873,629.In addition, the statement of financial performance for the year ended 30 June, 2020 reflects transfers from County Government figure of Kshs.160,000,000 while the statement of comparison of budget	The management would like to point out that the Financial Statement for the Turkana Emergency Fund was prepared and submitted as per the required statutory timelines of September 30th. Its however regrettable that the other requirements under the subsections (2) (d) (e) and (f) were not shared with Auditor-General. The omission arose after reshuffle of staff at the accounts and procurement departments was done in the first quarter of the new financial year. The officer who was in charge of the fund at the time was abruptly moved to another county department. His replacement was new in the management of the fund and was yet to be properly handed over besides being inducted on the management of the fund and on other fund related issues. In conforming to the ACT, we have prepared the report of information as	Not resolved	

d) Due from related parties

	2020/2021	2019/2020
	KShs	KShs
Due from parent Ministry	144,054,008	37,359,749
Due from County Government	0	0
Due from County Assembly	0	0
Total	**144,054,008**	**37,359,749**

e) Due to related parties

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

23. Contingent assets and contingent liabilities

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

22. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties'-County Executive	100,000,000	160,000,000
Transfers to related parties	0	0

c) Key management remuneration

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

20. Employee benefit obligations

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

21. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	**196,978,676**	**(3,873,629)**
Adjusted for:		
Depreciation	0	0
Amortisation	0	0
Gains/ losses on disposal of assets	0	0
Interest income	0	0
Finance cost	0	0
Working Capital adjustments		
Increase in inventory	0	0
Increase in receivables	0	0
Increase in payables	0	0
Net cash flow from operating activities	**196,978,676**	**(3,873,629)**

19. Borrowings

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

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

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

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

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

16. Intangible assets-software

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

17. Trade and other payables from exchange transactions

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

18. Provisions

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

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**
At 30th June 2020	0	0	0	0	0
At 30th June 2021	0	0	0	0	0

15. Property, plant and equipment

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

13. Prepayments

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

14. Inventories

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

11. Receivables from exchange transactions

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

Additional disclosure on interest receivable

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

12. Receivable from Non-Exchange transaction

Description	2020/2021	2019/2020
	KShs	KShs
Transfer to County Treasury	144,054,008	37,359,749
	0	0
Total receivables from non-exchange transactions	**144,054,008**	**37,359,749**

8. Finance costs

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

9. Gain/(loss) on disposal of assets

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

10. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Turkana County Emergency Fund Account	157,806,896	67,522,479
Total cash and cash equivalents	**157,806,896**	**67,522,479**

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

		2020/2021	2019/2020
Financial institution	**Account number**	**KShs**	**KShs**
a) Current account			
Kenya Commercial bank	1163710075	157,806,896	67,522,479
Grand total		**157,806,896**	**67,522,479**

6. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 6a)	0	0
Loan processing costs	0	0
Professional services costs	0	0
Administration fees	7,175,900	8,310,068
Total	**7,175,900**	**8,310,068**

6A. Staff costs

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

7. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Consumables	0	0
Electricity and water expenses	0	0
Fuel and oil costs	0	0
Insurance costs	0	0
Postage	0	0
Printing and stationery	0	0
Rental costs	0	0
Security costs	0	0
Telecommunication	0	0
Bank Charges	7,507	4,881
Hospitality	0	0
Depreciation and amortization costs	0	0
Other expenses –Emergency supplies	31,837,917	155,558,680
Total	**31,845,424**	**155,563,561**

14. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

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

2. Transfers from County Government

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	236,000,000	160,000,000
Payments by County on behalf of the entity	0	0
Total	**236,000,000**	**160,000,000**

3. Fines, penalties and other levies

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

4. Interest income

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

5. Other income

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

deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Ksh 00 (2021: Ksh 00). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Ksh 00 (2020– Ksh 00)

f) Capital risk management

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

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	470,252	470,252
Accumulated surplus	301,390,652	104,411,976
Total funds	301,860,904	104,882,228
Total borrowings	144,054,008	37,359,749
Less: cash and bank balances	(157,806,896)	(67,522,479)
Net debt/(excess cash and cash equivalents)	0	0
Gearing	48%	36%

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2021			
Financial assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ receivables	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	**0**	**0**	**0**

The Fund manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Foreign currency sensitivity analysis

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

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

e) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank

c) Market risk

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

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

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

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

d) Foreign currency risk

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

The 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.

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	144,054,008	144,054,008	0	0
Bank balances	157,806,896	157,806,896	0	0
Total	**301,860,877**	**301,860,877**	**0**	**0**
At 30 June 2020				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	37,359,749	37,359,749	0	0
Bank balances	67,522,479	67,522,479	0	0
Total	**104,882,228**	**104,882,228**	**0**	**0**

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

control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

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

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

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 18.
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.

18. Financial risk management

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

13. Comparative figures

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

14. Events after the reporting period

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

15. Ultimate and Holding Entity

The entity is a County Public Fund established by Turkana County Emergency Act, 2016 Department of Finance and Economic Planning. Its ultimate parent is the County Government of Turkana.

16. Currency

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

17. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameter 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

9. 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.

10. 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.

11. Related parties

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

12. 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.

Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

6. Nature and purpose of reserves

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

7. Changes in accounting policies and estimates

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

8. 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.

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

5. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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

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

b) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

4. Inventories

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

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

3. Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial

actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 22 of these financial statements.

5. Property, plant and equipment

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

2. Intangible assets

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

c) Early adoption of standards

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

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2020/2021was approved by the County Assembly on April 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and

Standard	Effective date and impact:
Benefits	The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2022:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social	**Applicable: 1st January 2022**

2. Adoption of new and revised standards

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

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

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTSFOR THE PERIOD ENDED 30thJUNE 2021.

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilization
	2021	2021	2021	2021	2021
Revenue	**KShs**	**KShs**	**KShs**	**KShs**	
Public contributions and donations	0	(0)	0	0	
Transfers from County Govt.	100,000,000.00	136,000,000	236,000,000	236,000,000	100%
Interest income	0	0	0	0	
Other income	0	0	0	0	
Total income	**100,000,000**	**136,000,000**	**236,000,000**	**236,000,000**	**100%**
Expenses					
Fund administration expenses	3,000,000	4,080,000	7,080,000	7,175,900	101%
General expenses	97,000,000	131,920,000	228,920,000	31,845,424	13%
Finance cost	0	(0)	0	0	
Total expenditure	**100,000,000**	**136,000,000**	**236,000,000**	**39,021,324**	**17%**
Surplus for the period	**0**	**0**	**0**	**196,978,676**	**83%**

13.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	0	0
Transfers from the County Government	2	236,000,000	160,000,000
Interest received		0	0
Receipts from other operating activities		0	0
Total Receipts		**236,000,000**	**160,000,000**
Payments			
Fund administration expenses	6	7,175,900	8,310,068
General expenses	7	31,845,424	155,563,561
Finance cost	8	0	0
Total Payments		**39,021,324**	**163,873,629**
Net cash flows from operating activities		**196,978,676**	**(3,873,629)**
Increase in current portion of short-term receivables from non-exchange transactions			**31,937,921**
Cash flows from investing activities			
Purchase of property, plant, equipment, and intangible assets		(0)	(0)
Proceeds from sale of property, plant, and equipment		0	0
Proceeds from loan principal repayments		0	0
Loan disbursements paid out		0	0
Net cash flows used in investing activities		**0**	**0**
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	0
Additional borrowings		(298,770,823)	0
Repayment of borrowings		192,076,564	(0)
Net cash flows used in financing activities		**106,694,259**	**0**
Net increase/(decrease)in cash and cash equivalents		**90,284,417**	**(35,811,550)**
Cash and cash equivalents at 1 JULY 2020	10	67,522,479	103,334,029
Cash and cash equivalents at 30 JUNE 2021	10	**157,806,896**	**67,522,479**

13.3 STATEMENT OF CHANGES IN NET ASSETSAS AT 30TH JUNE 2021

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	KShs	KShs	KShs	KShs
Balance as at 1 July 2019	470,252	0	108,285,605	108,755,857
Surplus/(deficit) for the period	0	0	(3,873,629)	(3,873,629)
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balanceasat30 June 2020	**470,252**	**0**	**104,411,976**	**104,882,228**
Balance as at 1 July 2020	**470,252**	**0**	**104,411,976**	**104,882,228**
Surplus/(deficit) for the period	0	0	196,978,676	196,978,676
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2021	**470,252**	**0**	**301,390,652**	**301,860,904**

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 10/11 2021and signed by:

Fund Administrator

Name: Joseph Emathe Namuar

Fund Accountant

Name: Joyce Asibitar

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current Assets			
Cash and cash equivalents	10	157,806,896	67,522,479
Current portion of long- term receivables from exchange transactions	11	0	0
Receivables from Non- exchange transactions	12	144,054,008	37,359,749
Prepayments	13	0	0
Inventories	14	0	0
Total Current Assets		**301,860,904**	**104,882,228**
Non-current Assets			
Long term receivables from exchange transactions	11	0	0
Property, plant and equipment	15	0	0
Intangible assets	16	0	0
Total Non-current Assets		**0**	**0**
Total Assets		**301,860,904**	**104,882,228**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	0	0
Provisions	18	0	0
Current portion of borrowings	19	0	0
Employee benefit obligations	20	0	0
Total Current Liabilities		**0**	**0**
Non-current liabilities			
Long term portion of borrowings	19	0	0
Non-current employee benefit obligation	20	0	0
Total Non-current Liabilities		**0**	**0**
Net Assets		**301,860,904**	**104,882,228**
Revolving Fund		470,252	470,252
Reserves		0	0
Accumulated surplus		301,390,652	104,411,976
Total Net Assets and Liabilities		**301,860,904**	**104,882,228**

13. FINANCIAL STATEMENTS

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

	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	0	0
Transfers from the County Government	2	236,000,000	160,000,000
Fines, penalties and other levies	3	0	0
Total revenue from non-exchange transactions		**236,000,000**	**160,000,000**
Revenue from exchange transactions			
Interest income	4	0	0
Other income	5	0	0
Total revenue from exchange transactions		**0**	**0**
Total revenue		**0**	**0**
Expenses			
Fund administration expenses	6	7,175,900	8,310,068
General expenses	7	31,845,424	155,563,561
Finance costs	8	0	0
Total expenses		**39,021,324**	**163,873,629**
Other gains/losses			
Gain/loss on disposal of assets	9	**0**	**0**
Surplus/(deficit)for the period		**196,978,676**	**(3,873,629)**

The notes set out on pages **41 to 52** form an integral part of these Financial Statements.

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 August, 2022

to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unapproved Internal Borrowings

The statement of financial position and corresponding Note 12 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.144,054,008 being outstanding loans balance lent out to the Turkana County Executive. However, the borrowing by the county executive was not supported by County Assembly approval and acknowledgement of funds by County Treasury. This is contrary to Section 142 Sub-section (1) and (3) of the Public Finance Management Act, 2012 which stipulates that the County Assembly may authorize short term borrowing by County Government entities for cash management purposes only and a County Government entity that has any such borrowing shall ensure that the money borrowed is repaid within a year from the date on which it was borrowed.

In the circumstances, the accuracy and the regularity of the Kshs.144,054,008 receivables from non-exchange transactions could not be confirmed.

2. Unapproved Emergency Expenses

The statement of financial performance reflects general expenses of Kshs.31,845,424 comprising of bank charges amount of Kshs.7,507 and emergency supplies amount of Kshs.31,837,917. However, there was no evidence to show that the emergency supplies payments of Kshs.31,837,917 were approved by the County Assembly. Further, there was no evidence that the County Executive Committee (CEC) Finance and Planning initiated the process of appropriation of the bill to be introduced into the County Assembly for appropriation of the money paid for replenishment contrary to Section 114(1) of the of the Public Financial Management Act, 2012 and Section 10(3) of the Turkana County Emergency Fund Act, 2016 which requires that the County Executive Committee member for finance to seek approval of the County Assembly within two months after payment is made from the Emergency Fund.

In the circumstances, the accuracy of the emergency supplies of Kshs.31,837,917 for the year ended 30 June, 2021 could not be confirmed and the Fund was in breach of the law

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

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 Emergency Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act,2012 and Turkana County Emergency Fund Act, 2016.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statements of comparison of budget and actuals amount reflects approved expenditure budget of Kshs.236,000,000 and an actual expenditure Kshs.196,978,676 resulting to under-expenditure of Kshs.39,021,324 or 17 % of the approved budget.

The under-performance may have constrained execution of planned activities and delivery of services to the stakeholders. Therefore, there is need for Management to review the work plans mechanism with a view of improving performance for better service delivery.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements and Lawfulness and Effectiveness in Use of Public Resources. However, although the Management has indicated that the issues have been resolved, their actual status will be confirmed after they are discussed by the legislative.

REPUBLIC OF KENYA

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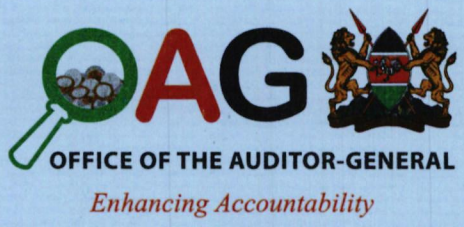

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TURKANA COUNTY EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient, and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution 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 Emergency Fund set out on pages 17 to 63, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net

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

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Fund Administration Committee on 10th Nov. 2021and signed on its behalf by:

Name: Joseph EmatheNamuar

Fund Administrator

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *the Constitution, an Act of Parliament or County Legislation* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the situation of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes:
(i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund; (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)Safeguarding the assets of the fund; (v)Selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. 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, 2021, 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.

10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

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

10.1 Principal activities

The principal activities of the Fund are responding to unforeseen emergencies.

Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 17.

10.3 Trustees

The members of the Board of Trustee /Administration Committee who served during the year are shown on page 5. There were not changes in the Fund Administration Committee other than for one member who left employment.

10.4 Auditors

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

By Order of the Fund Administration Committee

Sign:

Name: Joseph EmatheNamuar

Fund *Administrator*

Date: 15/11/2021

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Emergency Fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Emergency Fund pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

1. Sustainability strategy and profile

The Fund was created by the Turkana County Emergency Fund Act 2016, and it is anticipated to be a going concern because of the cyclical emergency nature of the County.

The Fund doesn't have employees, but it is run on a voluntary basis by the Turkana County Staff seconded to run it. The Fund is not a commercial and therefore not for profit purposes, but it was created for emergencies purposes to respond to public humanitarian occurrences.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The fund was allocated KShs **236,000,000** during the year under review. This money was entirely requisitioned and received into the Funds Bank account. **KShs 39,021,324** was utilised to majorly respond to the Kapedo humanitarian crisis caused by insecurity incident. The fund didn't generally experience numerous or prolonged emergencies experienced in preceding years. The Fund complied with all its financial obligations including payment of taxes. During the year under review the County Government operations were disrupted by the delayed approval and disbursements of its equitable share from the Exchequer. This resulted into the short-term borrowing of **KShs 144,054,008** from the fund's account to address cash flow challenges experienced by the County Government. The County Government will refund this cash immediately in the subsequent year.

7. CORPORATE GOVERNANCE STATEMENT

The Fund is domiciled within Finance department and is managed and run by the Fund Administration committee. The committee meets on a need basis to approve expenditure and financial statements. During the year under review the fund administration held 3 meetings during the year. All members were in attendance. The Fund administration committee members work voluntarily are not therefore remunerated or paid.

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

Turkana County Emergency Fund is established by and derives its authority and accountability from Turkana County Emergency Fund Act, 2016. The Fund is wholly owned by the County Government of Turkana and is domiciled in Kenya.

The fund's objective is to enable payments to be made in respect of a county when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority

The supplementary budget allocation for the fund is **KShs 100, 000,000**. All was disbursed as at 30th June, 2021

The Fund absorbed cumulatively **KShs 39,021,324** on General expenses for the period ended 30th June, 2021 compared to **KShs 163,873,629** incurred in the year ended 30th June, 2020.

Signed: _____

Fund Administrator

5. FUND ADMINISTRATOR REPORT

The fund has been operational for the last 5years, the cash flows have not been trickling well due to competing needs in the budget making process, however, in the year under review the fund was allocated **Ksh 236,000,000** to cater for unforeseen emergencies and other disasters which keep occurring each and every day, Ksh **39,021,324** for both General and Administration expenses were utilised during the period under review. The County Government is committed to increasing the resources in future purposely to boost the revenue basket of the fund and also to address the erratic cyclical emergencies. During the year one of the Fund's administration committee member, Francis Esimit left and joined another Government Entity.

Signed: _____

Joseph Emathe Namuar

Fund Administrator

4. MANAGEMENT TEAM

The key management team consists of County Executive Member for Finance and Economic Planning, Chief Officer Finance and Chief Accountant.

Name	Details of qualifications and experience
 EMATHE NAMUAR –CECM FINANCE AND ECONOMIC PLANNING	Holder of master of Arts (Development Studies) Nairobi university and Bachelor of Arts (Development Studies) from University of South Africa and also Bachelor of Business Management (Human Resource Option) from Moi University. He has a 16 years' experience in management from various institutions.
 ABRAHAM LOSINYEN EKAI- CHIEF OFFICER FINANCE- FUND ADMINISTRATOR	Holds a Masters of International Development Policy from Dukes University and Bachelor of Commerce Business Administration and Management from Daystar University. He has a cumulative 16 years' experience in senior management position with various institutions. Currently is the fund administrator of the fund.

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

The budgetary allocation for the Fund during the year under review was **Ksh 236,000,000** out of which **Ksh 39,021,324 or 17%** of the total budget was spent on general expenses for the Fund including administration expenses. The fund during the year didn't experience any major emergency safe for the Kapedo insecurity which resulted into loss of properties and lives causing humanitarian catastrophe.

The key development objectives of the Turkana County Emergency Fund are to improve capacity to respond to emergencies.

Progress on attainment of Strategic development objectives (***Adopted from Turkana County strategic plan***

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Accounting service-Emergency Fund	To improve capacity to respond to emergencies	Increased efficient transportation of people, goods and services	% of emergencies responded	In FY 20/21, about17% of the emergencies were responded to more particularly those that arose as result of drought.

2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience
 EMATHE NAMUAR –CECM FINANCE AND ECONOMIC PLANNING	Holder of master of arts (development studies) Nairobi University, he also holds a bachelor of arts (development studies) degree from the university of South Africa and also a bachelor of Business Management (Human Resource Option) and Degree from Moi University. He has a 16 years' experience in management from various institutions.
 ABRAHAM LOSINYEN EKAI- CHIEF OFFICER FINANCE- FUND ADMINISTRATOR	Holds a master of International Development Policy Degree from the Dukes University and Bachelor of Commerce Business Administration and Management and Degree from Daystar University. He has cumulatively 16 years' experience in senior management position with various institutions.
 FRANCIS ESIMIT –DIRECTOR PROCUREMENT	Holder of Bachelor of Business Management (Purchasing option) Degree. He is a member of Kenya institute of Supplies Management, He has 10 years' experience in Supplies Management.

5	Member	CPA Columbus Lokwei
6	Member	CPA Edwin Omindo

f) Registered Offices

P.O. Box 11-30500
County Treasury Building
Nawoitorong Road
Lodwar, Kenya.

g) Fund Contacts

Telephone:(254) 000
E-mail: tcg@gmail.com
Website: www.tcg.go.ke

h) Fund Banker

Kenya Commercial Bank Ltd
Lodwar Branch.

i) Independent Auditors

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

j) Principal Legal Adviser

County Attorney
P.O. Box 11-30500
Lodwar, Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to enable Payments to be made in respect of a county when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority.

c) Board of Trustees/Fund Administration Committee

The fund does not have a board but it is managed by the Fund Administration committee specified hereunder:

Ref	Position	Name
1	County Executive Committee Member-Finance and Economic Planning	Mr. Joseph EmatheNamuar
2	Chief Officer finance	Mr. Abraham Losinyen Ekai
3	Director Procurement	Mr. Francis Esimit
4	Chief Accountant	Ms. Joyce Asibitar

d) Key Management

Ref	Position	Name
1	Fund Manager/Fund Administrator	Mr. Joseph EmatheNamuar
2	Fund Manager/Fund Administrator	Mr. Abraham Losinyen Ekai
3	Fund Accountant	Ms. Joyce Asibitar

e) Fiduciary Oversight Arrangements

We have the Turkana County Assembly and the Internal Audit Committee responsible for the general oversight of the Fund. Here below is a list of the internal audit committee

Ref	Position	Name
1	Secretary	CPA Michael Ekadeli
2	Member	CPA Emmanuel Lochor
3	Member	Ms. Shemmy Ebulon
4	Member	Ms. Selina Lokope

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Turkana county Emergency Fund is established by and derives its authority and accountability from Turkana County Emergency Fund Act, 2016. The Fund is wholly owned by the County Government of Turkana and is domiciled in Kenya.

The fund's objective is to enable Payments to be made in respect of a county when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority.

The budgetary allocation for the fund for the year was**KShs100, 000,000 and** the entire amount was requisitioned and received into the Fund's operational account with the Commercial Bank, further the Fund received **KShs136, 000,000** from the previous year 2019-2020 allocation on 1.7.2021 which then formed part of the total revenue for the year 2020-2021 Comparatively the fund had an operational budget of **KShs 160,000,000** the previous financial year. During the year under review, the Fund absorbed cumulatively **KShs 39,021,324** representing**17%** of the budget on General expenses for the period ended 30th June, 2021 as compared to **KShs 163,873,629** incurred in the year ended 30th June, 2020.

Signed: _____

Fund Administrator

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