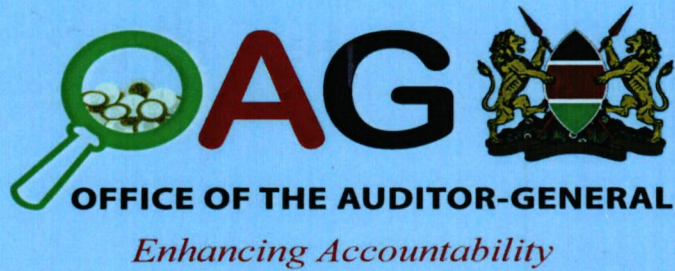


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REPUBLIC OF KENYA



REPORT

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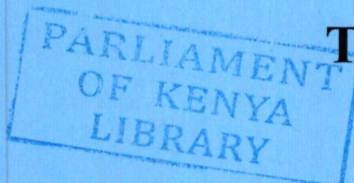
OF

THE AUDITOR-GENERAL

ON

TURKANA COUNTY BIASHARA FUND

FOR THE YEAR ENDED
30 JUNE, 2021





THE TURKANA COUNTY BIASHARA FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2021

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Turkana County Biashara Fund was established by and derives its authority and accountability from Turkana county Biashara Fund Act, 2015 Via Turkana County gazette Supplement No.19 (Act 11). The Fund is wholly owned by the County Government of Turkana and is domiciled in Kenya.

The fund's objective is to;

- i. Facilitate the improvement of business development and self-reliance by boosting the growth of micro entrepreneurs in the County.
- ii. Provide affordable and competitive credit to both formal and informal traders involved in production and trade in good and service within Turkana County.
- iii. Provide an Opportunity to Small scale Entrepreneurs to gain commercial experience to enable them play their part in industrial and Commercial development of the county.

b) Principal Activities

- i. To facilitate the improvement of business development and self-Reliance by boosting the growth of micro entrepreneurs in the County.
- ii. To provide affordable and competitive credit to both formal and informal traders involved in production and trade in good and service within Turkana County.

c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
1	Chairlady of the Board	Mrs. Sarah Loyanae
2	Fund Administrator	Mr. James Lokwale
3	Board Member	Mr. Abraham Losinyen
4	Board Member representing Chamber of Commerce	Mr. Pius Ewoton
5	Board Member representing PLWDS	Mrs. Mary Asto
6	Board Member representing the Youth	Mrs. Peninah Lotaruk
7	Board member representing women	Mrs. Christine Sire
8	Fund Accountant	CPA Grace Ewoi

d) Key Management

Ref	Position	Name
1	Fund Patron	Mr. Charles Ewoi
2	Fund Manager/ Administrator	Mr. James Lokwale
3	Fund Accountant	CPA Grace Ewoi

e) Fiduciary Oversight Arrangements

Turkana County Audit Committee

Ref	Position	Name
1	Secretary	CPA. Michael Ekadeli
2	Member	CPA. Emmanuel Lochor
3	Member	Miss. Shemmy Ebulon
4	Member	Mrs. Selina Lokope
5	Member	Mr. Columbus Lokwei
6	Member	Mr. Edwin Omino

f) Registered Offices

Trade, Gender & Youth Affairs Offices,

Cooperative Building,

Next to Turkana County Assembly

P.O. Box 11-30500

Lodwar, KENYA.

g) Fund Contacts

E-mail: tcg@yahoo.com

Website: www.tcg.go.ke

h) Fund Bankers

1. Kenya Commercial Bank

Lodwar Branch

i) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

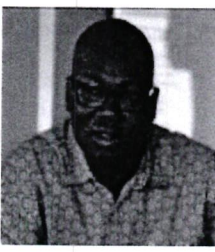
The County Attorney

Off Nawoitorong Road

P.O. Box 11-30500

Lodwar, Kenya

2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience
1. Mrs.Sarah Loyanae 	Sarah is currently the board Chair. Prior to her current appointment she served as a director of KNCCI Turkana. She also served as a senior HR and Finance Officer at UNICEF Operation Line Sudan and later in Juba South Sudan as International Staff. She is also an executive committee of Echami Aito a social support body focused on girl child empowerment. She holds a degree in Business Management and attended a wide range of certified courses during her 25 years in the UN service and operations in Financial administration, accountancy, general logistics and grants administration.
2. Mr. Charles Ewoi 	He the current County executive committee member for Trade, Gender and Youth Affairs. He is the fund Patron. He holds a bachelor's degree in Arts (Education). He has held various public positions especially in TSC and the County government.
3. Mr. James Lokwale 	He is the Acting Chief Officer and Fund Administrator for the Fund. James holds a master of Business Administration (Strategic Management) from Moi University and a bachelor's degree in Finance and Banking from the same university. He has a diploma in SMEs Entrepreneurship and Innovative management from the Galilee International Management Institute in Israel. He has also undertaken various other trainings including strategic leadership development, result based monitoring and banking credit course. He has over twenty (20) years extensive knowledge and experience in areas of banking, entrepreneurship, community engagements, humanitarian response and public sector. He has formerly worked for KCB Bank in various capacities including as operations manager and in the county government as a director and KIPPRRA.

4. Mrs Peninah Lotaruk 	She is the chair of the Youth Council. She is a board member. She holds a bachelor's degree in Purchasing and Supply Chain management from St. Paul University. She is highly experienced procurement officer with a 4-year experience in purchasing and supply chain management with ability to formulate and drive a consistent approach towards sourcing, purchasing and tendering. She currently works for Refugee Affairs Secretariat as a procurement officer and formerly worked for PCEA Kikuyu Hospital in the same capacity.
5. Mr. Pius Ewoton 	Pius is the vice chairperson to the board while also representing the business community. He is the current Chairman of Kenya National Chamber of Commerce and Industry, Turkana. He holds a bachelor's of Education degree from Moi University and he is a seasoned Social Economic Professional with vast experience in community work and development. He also served as a board member with the Kenya National Transport and Safety Authority (NTSA), chairman UNICEF GoK observatory team and District Co-ordinator Constitution of Kenya Review Commission. Pius also served as a Project Officer with UNICEF Life Line Sudan and later joined SNV Netherlands as an Economic advisor working with Messo Level Organization. He has been key in providing strategic leadership and linkages to development partners in Turkana County.
6. Mrs.Christine Sire 	Christine is a seasoned business lady from Loima with over twenty (20) years in business. Her main line of business is agribusiness especially honey value addition. She is a board member representing women. She represents women in business and acts as a role model in the community especially to other local women in start-ups. She also engages in various community activities.
7. Miss.Mollen Onderi 	Mollen is the Deputy Director for the directorate of Gender and Youth Affairs. She holds a bachelors in Social Work and Administration. She is a board member. She is the Deputy Director for the directorate of Gender and Youth Affairs. She holds a bachelor's degree in Social Work and Social Administration from Makerere University Kampala, Uganda. Mollen has a five-year experience in the banking industry (Equity Banking Group)

	which has equipped her with skills in financial management, resource mobilization, community engagement, entrepreneurship and socio-economic development. She has been engaged with the county government for the past nine years in various capacities including youth skills development, youth empowerment and promotion of gender issues among the community. She is the secretary to the Board.
8. CPA Grace Ewoi 	Grace has over Eleven (11) years' working experience in Public and Non-Governmental Organizations in areas of accounting and financial Management. She holds a Master of Science degree in International Oil and Gas Management from University of Dundee, UK and a Bachelors' degree in Business Management (Finance and Banking Option) from Moi University. She is a Certified Public Accountant (CPA) graduate with KASNEB Examining Body and an investment analyst. She also possesses expertise in Energy and Natural Resources management and policy formulation, Extractive industries financial modelling and analysis and experience in streamlining financial systems in humanitarian emergency responses. Grace is the fund accountant.

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

Introduction

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

The key development objectives of Turkana County Biashara Fund's 2018-2022 plan are to:

- i. Facilitate the improvement of business development and self-reliance by boosting the growth of micro entrepreneurs in the County.
- ii. To provide affordable and competitive Credit to both formal and informal traders involved in production and trade in good and Service within Turkana County

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Trade Development	Facilitate the improvement of business development and self-reliance by boosting the growth of micro	Increased access to business loan	No. of business awarded loans	During the FY 2020/2021 the Fund received a total of Kshs.20,325,320 which is yet to be disbursed to

	entrepreneurs in the County.			businesses across the County.
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4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Mr. Charles Ewoi 	He the current County executive committee member for Trade, Gender and Youth Affairs. He is the fund Patron. He holds a bachelor's degree in Arts (Education). He has held various public positions especially in TSC and the County government. He has over.
2. Mr. James Lokwale 	He is the Acting Chief Officer and Fund Administrator for the Fund. James holds a master of Business Administration (Strategic Management) from Moi University and a bachelor's degree in Finance and Banking from the same university. He has a diploma in SMEs Entrepreneurship and Innovative management from the Galilee International Management Institute in Israel. He has also undertaken various other trainings including strategic leadership development, result based monitoring and banking credit course. He has over twenty (20) years extensive knowledge and experience in areas of banking, entrepreneurship, community engagements, humanitarian response and public sector. He has formerly worked for KCB Bank in various capacities including as operations manager and in the county government as a director and KIPPRA.
3. Mr. Abraham Losinyen 	He is the Chief Officer, department of Finance. He holds a PhD in Development Studies. He is a board member. He possesses over 15 years' experience in both humanitarian emergency response programmes and in the public sector financial management.

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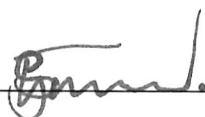
5. BOARD CHAIRPERSON'S REPORT

The Turkana County Biashara fund's board was appointed. The fund received a total of Kshs. **20,325,320**. An amount of **Kshs. 609,000** was projected to be utilized for fund administration cost and general expenses while **Kshs. 19,716,320** projected for utilization for business loans which in turn increases the revolving fund. A total of Kshs. **868,500** was utilized on administration cost. The management intends to disburse phase one loans to business enterprises within the first quarter of FY2021/2022 due to a delay in refund of the previous year's borrowings and the late appointment of the board.

The second phase of biashara loans is anticipated to be initiated as soon as the current allocation is disbursed. This will cushion businesses against the effects of the pandemic. It is our hope that these funds will be utilized by the beneficiary businesses for the intended purpose.

In the same spirit the management will ensure that beneficiaries receive the requisite training before accessing the funds. The management anticipates to obtain a loan management system that will ease the management and monitoring of the disbursed funds/loans.

Signed: _____



Sarah Loyanae
Fund Chairperson.

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

The fund received a total of Kshs. **20,325,320** out of which **Kshs 609,000 (3%)** was a budget for Administration cost and **Kshs 19,716,320 (97%)** for business loans/revolving fund. The actual utilization for administration cost is Kshs. **868,500** while general expenses amounted to **Kshs. 2,392,607** comprising of **Kshs.7,029** and **Kshs.2,385,578** motor vehicle depreciation.

The financial performance deficit for the period summed up to **Kshs.2,652,107** which is attributed to a non-monetary charge of motor vehicle depreciation. The management intends to disburse phase one loans to business enterprises within the first quarter of FY 2021/2022 due to a delay in refund of the previous year's borrowings.

The second phase of biashara loans is anticipated to be initiated as soon as the current proposed allocation of **Kshs.140,000,000** is received from the County Revenue Fund Account. From the aforementioned, a total of **kshs.4,200,000** will be utilized in respect of administration cost while **Kshs.135,200,000** will cater for business loans.

This will be a considerable chunk of funds that will cushion businesses against the effects of the pandemic hence reviving the economy. It is our hope that these funds will be utilized by the beneficiary businesses for the intended purpose. In the same spirit the management will ensure that beneficiaries receive the requisite training before accessing the funds.

Signed: _____

James Lokwale.

Ag. Chief Officer

Ministry of Trade, Gender and Youth Affairs

7. CORPORATE GOVERNANCE STATEMENT

The Fund management board is comprised of eight members. During the period under review the Fund management board participated in an induction and planning meeting as stipulated in the regulations governing the Fund.

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

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

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

8. MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the fund received a total of Kshs. **20,325,320** out of which **Kshs 609,000 (3%)** was a budget for Administration cost and **Kshs 19,716,320 (97%)** for business loans/revolving fund.

A total of Kshs. **868,500** was utilized on administration cost. The management intends to disburse phase one loans to business enterprises within the first quarter of FY 2021/2022 due to a delay in the refund of the borrowed funds and late appointment of the board members.

In FY 2021/2022 the fund anticipates to receive an allocation of **Kshs.140,000,000** from the County Revenue Fund Account. From the aforementioned, a total of **kshs.4,200,000** will be utilized in respect of administration costs while **Kshs.135,200,000** will cater for business loans.

From the financial statements the total general expenditure amounts to **Kshs. 3,261,107** which comprises of **Kshs.2,385,578** depreciation cost accrued from the Fund's Vehicle and **Kshs.868,500** administration expenses.

9. 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;

- i. To facilitate the improvement of business development and self-Reliance by boosting the growth of micro entrepreneurs in the County.
- ii. To provide affordable and competitive credit to both formal and informal traders involved in production and trade in good and service within Turkana County.

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page **1 to 41**.

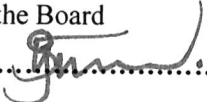
10.3 Trustees

The members of the Board who served during the year are shown on page **ii**.

10.4 Auditors

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

By Order of the Board

Signature.....

Name: Sarah Loyanae

Chair of the Board

Date: 04/10/2021

10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

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

The Fund Administrator accepts responsibility for the Turkana Biashara Fund's financial statements, which have been prepared on the accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (Accrual Basis). The Fund Administrator is of the opinion that the fund financial statements give a true and fair view of the state of the funds transactions during the financial year ended June 30, 2021, and of its financial position as at that date.

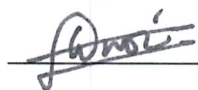
The Fund Administrator further confirms the completeness of the accounting records maintained for the fund which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the County

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

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 04/10/ 2021 and signed on its behalf by:

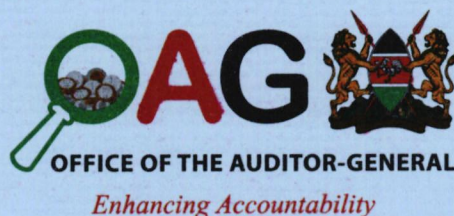


Grace Ewoi

Fund Administrator.

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

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

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Turkana County Biashara Fund set out on pages 1 to 40, which comprise of the statement of financial position as at

Report of the Auditor-General on Turkana County Biashara Fund for the year ended 30 June, 2021

30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Turkana County Biashara 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 the Turkana County Biashara Fund Act, 2015.

Basis for Qualified Opinion

1. Undisclosed Loans

The statement of financial position and as disclosed in Note 12 of the financial statements reflects nil balance on receivables from non-exchange transactions. As previously reported, the nil balance excludes loans receivables of Kshs.12,298,014 which was explained to have been inherited from Defunct Local Authorities that has been outstanding for over eight (8) years. There was no evidence provided of any strategies that management has put in place to recover the amount. Further, the handing over report on the loans was not provided for audit review.

In the circumstances, the accuracy and completeness of receivables from non-exchange transactions could not be confirmed.

2. Inaccuracy in the Statement of Comparison of Budget and Actual Amounts

During the year under review, the Fund received from County Executive Kshs.609,000 or 3% and Kshs.19,716,320 or 97% for fund expenses and disbursements to formal and informal respectively both totaling Kshs.20,325,320. However, the Kshs.19,716,320 has not been disclosed in the statement of comparison of budget and actual amounts.

Further, the Fund spent on general expenses amounting to Kshs.2,392,607 against a budget of Kshs.10,000, resulting to unauthorized expenditure of Kshs.2,382,607. This is contrary to Regulation 39 (5) of Public Finance Management (County Governments) Regulations, 2015 that requires Accounting Officers to seek supplementary budget if the expenditure cannot be met by budget reallocation under section 154 of the Act.

In the circumstances, the accuracy and regularity of the statement of comparison of budget and actual amounts could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management had not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: No. AG. 4/16/2 Vol.3 (72) of 30 June, 2021.

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

Non-Disbursement of Loans

The statement of financial position and as disclosed in Note 10 reflects cash and cash equivalents of Kshs. 51,516,308 which includes Kshs.19,716,320 received from County Executive for loans disbursement to eligible business groups. However, the Fund Management did not disburse any loan during the year under review. This is contrary to Section 6(1) of Turkana County Biashara Fund Act, 2015 that mandates the Fund to provide affordable and competitive credit to both formal and informal traders involved in production and trade in goods and services within Turkana County.

In the circumstances, the value for money of Kshs. 19,716,320 received for loans disbursements could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Risk Management Policy

The Fund operated without a Risk Management Policy during the year ended 30 June, 2021 contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government Entity to develop risk management strategies and a system of risk management.

In the circumstances, it was not possible to confirm the effectiveness of the Fund's risk management.

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 the Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 September, 2022

12. FINANCIAL STATEMENTS

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

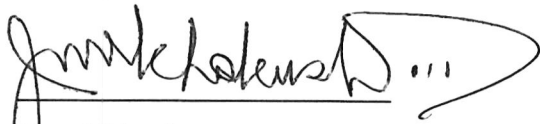
	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	0	0
Transfers from the County Government	2	609,000	0
Fines, penalties and other levies	3	0	0
Total revenue from non-exchange transactions		609,000	0
Revenue from exchange transactions			
Interest income	4	0	0
Other income	5	0	31,400
Total revenue from exchange transactions		0	31,400
Total revenue		609,000	31,400
Expenses			
Fund administration expenses	6	868,500	0
General expenses	7	2,392,607	2,393,232
Finance costs	8	0	0
Total expenses		3,261,107	2,393,232
Other gains/losses			
Gain/loss on disposal of assets	9	0	0
Surplus/(deficit) for the period		(2,652,107)	(2,361,832)

The notes set out on pages 24 to 36 form an integral part of these Financial Statements.

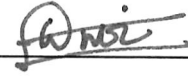
13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021.

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	51,516,308	66,517
Current portion of long- term receivables from exchange transactions	11	0	0
Receivables from Non- exchange transactions	12	0	32,000,000
Prepayments	13	0	0
Inventories	14	0	0
Total Current Assets		51,516,308	32,066,517
Non-current assets			
Long term receivables from exchange transactions	11	0	0
Property, plant and equipment	15	2,385,579	4,771,156
Intangible assets	16	0	0
Total Non-Current Assets		2,385,579	4,771,156
Total assets		53,901,887	36,837,673
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	0	0
Provisions	18	0	0
Current portion of borrowings	19	0	0
Employee benefit obligations	20	0	0
Total Current Liabilities		0	0
Non-current liabilities			
Long term portion of borrowings	19	0	0
Non-current employee benefit obligation	20	0	0
Total Non-Current Liabilities		0	0
Total liabilities		0	0
Net assets		53,901,887	36,837,673
Revolving Fund		66,323,825	46,607,504
Reserves		0	0
Accumulated surplus		(12,421,938)	(9,769,831)
Total net assets and liabilities		53,901,887	36,837,674

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 24/10/2021 2021 and signed by:



Board Member
James Lokwale



Fund Accountant
CPA Grace Ewoi
ICPAK Member No.25932

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	46,607,504	0	(7,407,999)	39,199,506
Surplus/(deficit) for the period	0	0	(2,361,832)	(2,361,832)
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2020	46,607,504	0	(9,769,831)	36,837,674
Balance as at 1 July 2020	46,607,504	0	(9,769,831)	36,837,674
Surplus/(deficit) for the period		0	(2,652,107)	(2,652,107)
Funds received during the year	19,716,320	0	0	19,716,320
Revaluation gain	0	0	0	0
Balance as at 30 June 2021	66,323,825	0	(12,421,938)	53,901,887

13.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Cashflows from operating activities			
Receipts			
Public contributions and donations		0	0
Transfers from the County Government		609,000	0
Interest received		0	0
Receipts from other operating activities		0	31,400
Total Receipts		609,000	31,400
Payments			
Fund administration expenses		868,500	0
General expenses		7,029	7,653
Finance cost		0	0
Total Payments		875,529	7,653
Net cashflows from operating activities		(266,529)	23,747
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	15	0	0
Proceeds from sale of property, plant and equipment	15	0	0
Proceeds from loan principal repayments		0	0
Loan disbursements paid out		0	0
Net cashflows used in investing activities		0	0
Cashflows from financing activities			
Proceeds from revolving fund receipts		19,716,320	0
Additional borrowings		0	0
Repayment of borrowings-County Treasury		32,000,000	0
Net cashflows used in financing activities		51,716,320	0
Net increase/(decrease)in cash and cash equivalents		51,449,791	23,747
Cash and cash equivalents at 1 JULY	10	66,517	42,770
Cash and cash equivalents at 30 JUNE	10	51,516,308	66,517

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilization
	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	
Revenue					
Public contributions and donations	0	0	0	0	0%
Transfers from County Govt.	609,000	0	609,000	609,000	100%
Interest income	0	0	0	0	0%
Other Income	0	0	0	0	100%
Total income	609,000	0	609,000	609,000	100%
Expenses					
Fund administration expenses	599,000	0	599,000	868,500	145%
General expenses	10,000	0	10,000	2,392,607	2396%
Finance cost	0	0	0	0	0%
Total expenditure	609,000	0	609,000	3,261,107	535%
Surplus for the period	0	0	0	(2,652,107)	98%

Budget Notes:

The fund administration expenses exceeded budget due to an increase in the total amount of the fund receipts as a result of opening balance and refund from the county treasury. In addition, the general expenses exceeded budget amount due to non-cash depreciation charge of Kshs. 2,385,578 that is not included in the budget.

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

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

Standard/ Amendments : Applicable: 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.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	<i>There is no impact on the Entity.</i>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standard	Effective date and impact:
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. <i>There is no impact to the entity</i>
IPSAS 42: Social Benefits	Applicable: 1st January 2022 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;

Standard	Effective date and impact:
	(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. <i>The entity does not provide any social benefits to employees.</i>
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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 24th June, 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record any additional appropriations during the year.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 22 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. The county employs the rate of 25% for depreciation of motor vehicles.

2. Intangible assets

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments

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 of 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)

a) 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Inventories

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

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

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

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

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

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

5. Provisions

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent liabilities

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

Contingent assets

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

6. Changes in accounting policies and estimates

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

7. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

8. Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Related parties

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

10. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at commercial banks at the end of the financial year.

11. Comparative figures

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

12. Events after the reporting period

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

13. Ultimate and Holding Entity

Turkana County Biashara Fund was established by and derives its authority and accountability from Turkana county Biashara Fund Act, 2015 Via Turkana County gazette Supplement No.19 (Act 11). The Fund is wholly owned by the County Government of Turkana and is domiciled in Kenya.

14. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to 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:

	Total amount	Fully performing	Past due	Impaired
	KShs	KShs	KShs	KShs
At 30 June 2021				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	51,516,308	51,516,308	0	0
Total	51,516,308	51,516,308	0	0

The Turkana County Biashara Fund
Reports and Financial Statements
For the year ended June 30, 2021

At 30 June 2020				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	32,000,000	0	0
Bank balances	66,517	66,517	0	0
Total	66,517	32,066,517	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 recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while 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.

d) Foreign currency risk

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

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

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

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Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

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

e) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Capital risk management

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

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	66,323,825	46,607,504
Accumulated surplus	(12,421,938)	(9,769,831)
Total funds	53,901,887	36,837,673
Total borrowings	0	0
Less: cash and bank balances	51,516,308	66,517
Net debt/(excess cash and cash equivalents)	(51,516,308)	36,771,156
Gearing	0%	0%

13. 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	609,000	0
Payments by County on behalf of the entity	0	0
Total	609,000	0

3. Fines, penalties and other levies

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

4. Interest income

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

5. Other income

Description	2020/2021	2019/2020
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender documents	0	0
Miscellaneous income-Loan Repayment	0	31,400
Total other income	0	31,400

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	868,500	0
Total	868,500	0

6A. Staff costs

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Consumables	0	0
Electricity and water expenses	0	0
Fuel and oil costs	0	0
Insurance costs	0	0
Postage	0	0
Printing and stationery	0	0
Rental costs	0	0
Security costs	0	0
Telecommunication	0	0
Bank Charges	7,029	7,653
Hospitality	0	0
Depreciation and amortization costs	2,385,578	2,385,579
Other expenses	0	0
Total	2,392,607	2,393,232

8. Finance costs

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

9. Gain/(loss) on disposal of assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Turkana County Biashara Fund A/C	51,516,308	66,517
County mortgage account	0	0
Fixed deposits account	0	0
On – call deposits	0	0
Current account	0	0
Others	0	0
Total cash and cash equivalents	51,516,308	66,517

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		0	0
Equity Bank		0	0
Sub- total		0	0
b) On - call deposits			
Kenya Commercial bank		0	0
Equity Bank		0	0
Sub- total		0	0
c) Current account			
Kenya Commercial bank	1107590884	51,516,308	66,517
Bank B		0	0
Sub- total		51,516,308	66,517
d) Others(specify)			
Cash in transit		0	0
Cash in hand		0	0
Mobile Money		0	0
Sub- total		0	0
Grand total		51,516,308	66,517

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

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

Additional disclosure on interest receivable

Description	2020/2021	2019/2020
	KShs	KShs
Interest receivable	0	0
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Receivables from Non-Exchange transaction

Description	2020/2021	2019/2020
	KShs	KShs
Transfer from County Executive	0	32,000,000
Transfer from Fund	0	0
Total receivables from non-exchange transactions	0	32,000,000

12. 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

13. Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Property, plant and equipment

	Land	Buildings	Furniture and fittings	Computers and Office Equipment	Motor Vehicles	Total
Cost/Valuation	KShs	KShs	KShs	KShs		KShs
Bal as at 30 June 2019	0	0	0	0	9,542,314	9,542,314
Bal as at 1 July 2019					9,542,314	9,542,314
Additions	0	0	0	0	0	-
Disposals	0	0	0	0	0	-
Donation	0	0	0	0	0	
Transfers/adjustments	0	0	0	0	0	-
Revaluations during the year	0	0	0	0	0	-
Bal as at 30th June 2020	0	0	0	0	9,542,314	9,542,314
Bal as at 1st July 2020	0	0	0	0	9,542,314	9,542,314
Additions	0	0	0	0	0	-
Disposals	0	0	0	0	0	-
Donation	0	0	0	0	0	
Transfer/adjustments	0	0	0	0	0	-
Revaluations during the year	0	0	0	0	0	-
Bal as at 30th June 2021	0	0	0	0	9,542,314	9,542,314
Depreciation and impairment						-
Accumulates as at 30 June 2019	0	0	0	0	2,385,579	2,385,579
Bal as at 1 July 2019	0	0	0	0	2,385,579	2,385,579
Depreciation charged-19/20	0	0	0	0	2,385,579	2,385,579

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	Land	Buildings	Furniture and fittings	Computers and Office Equipment	Motor Vehicles	Total
Cost/Valuation	KShs	KShs	KShs	KShs		KShs
Impairment	0	0	0	0	0	-
Accumulated as at 30th June 2020	0	0	0	0	4,771,157	4,771,157
As at 1 July 2020	0	0	0	0	4,771,157	4,771,157
Depreciation charged-20/21	0	0	0	0	2,385,579	2,385,579
Disposals	0	0	0	0	0	-
Impairment	0	0	0	0	0	-
Transfer/adjustment	0	0	0	0	0	-
Accumulates as at 30th June 2021	0	0	0	0	7,156,736	7,156,736
NBV as at 30th June 2020	0	0	0	0	4,771,157	4,771,157
NBV as at 30th June 2021	0	0	0	0	2,385,579	2,385,579

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Intangible assets-software

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

16. 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

17.Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Borrowings

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. 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

20. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	(2,652,107)	(2,361,832)
Adjusted for:		
Depreciation	2,385,578	2,385,579
Amortization	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	(266,529)	23,747

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. 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'	20,325,320	0
Transfers to related parties	0	0

c) Key management remuneration

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

d) Due from related parties

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

e) Due to related parties

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

22. 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

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Presentation of financial statements	An amended financial statement for the fund was submitted effecting all the amendments in line with the reporting template	Resolved	Dec.2020
2.0	Other Income-Loan Repayment	The management has submitted a proposal to the intergovernmental relations technical committee to handover the loans. The board intends to use auctioneers to recover the loans	Not resolved	January,2022
3.0	Lack of asset register	The management has prepared an asset register for the fund assets	Resolved	August,2021
4.0	Loans inherited from the defunct local authorities	The management has submitted a proposal to the intergovernmental relations	Not resolved	January,2022

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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)
		technical committee to handover the loans. The board intends to use auctioneers to recover the loans		
	Lack of approved budget for the fund	During the financial year 2019/20, we were not able to facilitate the Biashara Fund Board to sit and approve the annual budget because the Controller of Budget declined release of funds owing to anomalies in some sections of the Biashara Fund Act which were found to be contravening the PFM Act. These provisions have since been amended in June 2020. This delayed the entire process with the board members contracts too coming to an end in February, 2020.	Not resolved	July, 2020

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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)
1.1	Outstanding borrowed funds- County Executive of Turkana	These funds have already been reimbursed by the County Treasury as reflected in the financial statements of FY 20-21.	Resolved	March,2021
2.0	Irregular composition of the board	According to Section 8(3) of the Turkana County Biashara Fund (Amendment) Act, 2019 the board comprises of Eight members. The annual financial report indicates the same number as stipulated in the Act.	Resolved	July,2020
3.0	Implementation of Oversight Bodies recommendations	The management submitted the Financial statements to the County Assembly together with the responses from the previous years' audits as attached herewith.	Resolves	June-July 2021
4.0	Unresolved prior year audit matters	The management has attempted to resolve all the outstanding	Resolved	July,2020

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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)
		prior year audit matters as evident in the current financial reports and statements		

15. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the County Executive of Turkana County Government				
FY 2020/2021				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
b.	Development Grants			
		January, 2021	20,325,320	FY 2020/2021
			0	
			0	
		Total	20,325,320	

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

Finance Administrator
Turkana County Biashara Fund

Head of County Treasury at
Turkana County

Sign 

Sign 