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THE AUDITOR-GENERAL

ON

**THARAKA-NITHI COUNTY BURSARY
DEVELOPMENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**

REPUBLIC OF KENYA



THARAKA NITHI COUNTY BURSARY DEVELOPMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

COUNTY GOVERNMENT OF THARAKA NITHI
COUNTY TREASURY



Telephone: 0800720370

Email: treasury@tharakanithi.go.ke

REF: TNCG/ACC/VOL.II/26



P. O. BOX 10-60406

KATHWANA

Date: 12th July, 2023

The Auditor General
Office of the Auditor General
Embu Hub
P.O Box 113- 60100
EMBU

RE: THARAKA NITHI COUNTY BURSARY DEVELOPMENT FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS FY 2022/23

In accordance to Public Financial Management Act 2012, Section 167, we hereby submit Tharaka Nithi County Bursary Development Fund Annual Report and Financial Statements for the financial year ended 30th June 2023.

Kindly find enclosed copy of the report for your necessary action

Thank you

Lawrence K. Ileri Rweria

CECM- Finance and Economic Planning

cc

- The Clerk, County Assembly of Tharaka Nithi
- The Director General, Accounting Services and Quality Assurance
- The Commission on Revenue Allocation
- The Controller of Budget

**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

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**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
CECM	County Executive Committee Member
ICPAK	Institute of Certified Public Accountants of Kenya
CPA	Certified Public Accountant
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Ksh.	Kenya Shilling

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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**Tharaka Nithi County Bursary Development Fund
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For the Year Ended 30 June, 2023**

2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Tharaka Nithi County Bursary Development Fund is established by and derives its authority and accountability from Tharaka Nithi County Bursaries Fund Act, 2014. The Fund is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide assistance to needy and bright students in payment of school fees.

c) The Bursaries Management Board

Ref	Name	Position
1	Gibson Kithinji	Chairman
2	Dickson Kinyua Nyaga	Member
3	John Mwiricia Kiruja	Member
4	Grace Karegi	Member
5	Joseph Mutegi	Co-opted Member
6	Jonathan Mwiti Nyaga	Fund Administrator

d) Key Management

Ref	Name	Position
1	Jonathan Mwiti Nyaga	CO Education / Administrator
2	Dorothy I.K Naivasha	CEC Education and Vocational Training
3	Stephen Mitugo	Director Education
4	CPA Nduati E.K.	Director Accounting Services

e) Fiduciary Oversight Arrangement

Ref	Name	Position
1	Susan Agevi	Head of Internal Audit
2	Obed Kibaged Chweya	Chairman - Internal Audit Committee
3	Amos Kiangwe Sikweya	Clerk - County Assembly of Tharaka Nithi

f) Registered Offices and Contacts

Tharaka Nithi County Bursary Development Fund
County Headquarters Building
Kathwana Town
P.O. Box 10-60406
KATHWANA

**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

g) Tharaka Nithi County Bursary Development Fund Contacts

Telephone: 0723 806556

E-mail treasury@tharakanithi.go.ke

Website: www.tharakanithicounty.go.ke

h) Tharaka Nithi County Bursary Development Fund Bankers

Family Bank

Chuka Branch

P.O. Box 60000 - 00400

CHUKA

i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

NAIROBI, KENYA

k) County Attorney

The County Attorney







County Government of Tharaka Nithi

P.O. Box 10 - 60406

KATHWANA


**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

3. THE BURSARY FUND MANAGEMENT BOARD

	<p>Gibson Kithinji Chairman DOB – 1955 2012 – 2013 : Mt. Kenya University (Masters in Governance and Ethics) 1978 – 1981 : UON Bachelor of Education (Science)</p>
	<p>Jonathan Mwiti Secretary DOB – 1992 Bachelor of Education with IT. Maseno University Chief Officer Education since December 2022</p>
	<p>Rev. John Mwirichia Kiruja Member DOB - 4th April, 1949 2001 : Master degree in Theology (Korea) 1985 – 1989: Certificate in religious studies Nairobi University</p>
	<p>Dickson Kinyua Nyaga Member 1984 -1991 -Kenya Army 1981 – 1992 – A level 1977 – 1980 – Secondary Education</p>
	<p>CLLR Grace Karegi Member DOB – 25TH October, 1974 Course; Diploma in computer studies High school; Magundu Secondary</p>
	<p>Joseph Mutegi Coopted Member Academic qualifications 2003 to 2006-diploma in special education 2007 to 2012- Bed arts Other professional qualifications 2015-Disaster risk management</p>

**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
 <p>Dorothy I.K Naivasha</p>	<p>Madam Dorothy is the County CEC Member for Education and Vocational Training.</p> <p>She holds a Degree in Economics from Kenyatta University and Diploma in Tax Administration from Kenya School of Revenue Administration.</p> <p>He has over 10 years experience in banking and public sector financial management.</p> <p>Date of Birth. 1988</p>
 <p>Jonathan Mwiti Nyaga</p>	<p>Mr. Mwiti is the County Chief Officer in charge of Education, and also the Bursary Fund Administrator</p> <p>He holds Bachelor of Education (Maseno University)</p> <p>He has over 5 years' experience in private and public sector administration having worked as NG Constituency Development Fund Manager 2018-2022</p> <p>Date of birth. 1992</p>
 <p>CPA, CS Nduati E.K.</p>	<p>CPA, CS Nduati (PhD) is the County Director - Accounting Services.</p> <p>He is professional Accountant and member of ICPAK (No. 6720) and Certified Secretary ICPSK (No. 2253)</p> <p>He holds Master's Degree in Finance (UoN) and B.A. Econ (UoN)</p> <p>He has over 12 years' experience working with Public Sector in Finance Management</p> <p>Date of birth 1980</p>

**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

5. REPORT OF BURSARY COMMITTEE CHAIRPERSON

During the financial year 2022/23 Tharaka Nithi County Government has allocated amount of Ksh. **20,560,000** (Twenty Million Five Hundred Sixty Thousand) as grants to Tharaka Nithi County Bursary Development Fund. The amount was received in full as at **30th June 2023**

The Fund did invite applicants for bursaries with total number of 4,594 students benefiting from award of Ksh. **19,407,056**

During the year under review, the new board was inaugurated and held its first meeting in March 2023. Similarly, there was changes in the Management Committee following changes in the office of the Fund Administrator and CECM in charge of Education

I take this opportunity to thank His Excellency Governor Muthomi Njuki, Members of County Assembly, County employees and all stakeholders for the support accorded to Tharaka Nithi County Bursary Fund in its execution of its mandate.

Thank you very much and God bless Tharaka Nithi County



Gibson Kithinji
Chairman– Bursary Management Board

**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

6. REPORT OF THE FUND ADMINISTRATOR

The Fund was formed pursuant to Tharaka Nithi County Bursaries Fund Act, 2014, to provide for resources to support needy and bright children in paying of school fees in secondary school and tertiary institutions.

The County Government of Tharaka Nithi has set aside Ksh. 20,560,000 (Twenty Million Five Hundred Sixty Thousand) for allocation to Tharaka Nithi County Bursary Fund during the financial year 2022/2023.

The performance of the Fund during the year was as follows;

a. Income

Description	Budget Ksh	Actual Ksh.	Variance Ksh
Unspent Balance Brought Forward	472,135	472,135	-
Grant from County Government	20,560,000	20,560,000	-
Total Income	21,032,135	21,032,135	-

b. Expenditure

Particulars	Budget Ksh.	Actual Ksh.	Variance Ksh
School Bursaries	19,560,000	19,407,056	(152,944)
Use of Goods and Services	1,472,135	1,395,264	(76,871)
Total	21,032,135	20,802,320	(229,815)

The Fund proposes to supplement grant from the County Government by approaching several stakeholders such as business community, financial institutions and civil society to extend financial support in order to enable the Fund offer more financial support to more needy cases.

I take this opportunity to appreciate H.E. The Governor, Members of County Assembly, Bursary Fund Committee, Management Team and ward committees for your commitment and immense support accorded to the fund.

Signed: 
Jonathan Mwit Nyaga
Fund Administrator

**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

7. STATEMENT OF PERFORMANCE AGAINST THE FUND'S PREDETERMINED OBJECTIVES

During the financial year 2022/23 Tharaka Nithi County Government has allocated amount of Ksh. 20,560,000 (Twenty Million Five Hundred Sixty Thousand) as grants to Tharaka Nithi County Bursary Development Fund.

The Fund is developing a strategy to support more needy students in the coming years. The proposal is to move from bursary system but provide full scholarship for needy students both at secondary and university level.

To Fund has ensured the process of application, evaluation and award of bursaries is done in an open and transparent manner that gives all needy students equal opportunity, without any discrimination. The amount awarded is determined by availability of funds and student's school fees balance.

The Fund intends to collaborate with other religious based and Non-governmental organization to support the effort by the county government on supporting the huge number of needy cases that are not adequately catered for by the Fund.

During the year under review, total number of 4,611 students benefited from Ksh. 19,407,056 bursaries paid by the County.

The Fund targets to support at least 10,000 bright and needy students in both secondary and tertiary institutions.

**Tharaka Nithi County Bursary Development Fund
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8. CORPORATE GOVERNANCE STATEMENT

The Fund strategic leadership led by Bursaries Management Board established in accordance to Tharaka Nithi County Bursaries Act, 2014 Section 7, while the Management Team helps in coordinating the activities of the Fund.

The Bursaries Management Board consist of the following persons appointed by the Governor with the approval of the County Assembly-

- Chairman;
- Administrator / Chief Officer; and
- such other persons not more than three

The members of the Board other than the Secretary and persons appointed under subsection 1(c) members shall hold office for a period of three consecutive years and may be eligible for re-appointment for another term.

Meetings of the Board

The Chairman shall preside at all the meetings of the Board unless he is absent from a particular meeting in which case the members present shall elect one of themselves to preside at that particular meeting or part thereof.

The Board shall meet at least, three times per year but the Chairman shall, upon requisition in writing by at least four members, convene a special meeting of the Board at any time.

During the year under review, the Bursary Fund Committee held five (5) meetings.

Establishment of Committees

There is established Ward Bursaries Committee in each Ward

Members of the Committee

The Committee shall consist of-

- Ward Administrator who shall be the Chairperson;
- A person representing religious community;
- Additional three members of the community, bearing into consideration gender balance, representation of the youth and persons with disability.

The persons under subsection (1) (b) –(d) shall be appointed by the Governor and with the approval of the County Assembly.

The members of the Committee shall hold office for a period of three consecutive year and may be eligible for re-appointment for another one term.

**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

Application for Bursaries

Every student wishing to be considered for the grant of bursary shall make an application to the Committee in a prescribed form to be prepared by the Bursaries Management Board.

The Committee may accept or reject any application for a bursary. If the Committee accepts the application, it shall recommend to the Board to grant bursary to the eligible student.

If the Committee rejects the application, it shall notify the applicant such rejection in writing and the reasons thereof within two weeks upon making the decision.

Appeal to the Board

Any applicant aggrieved by the decision of the Committee may appeal to the Board within thirty days of the Committee's decision and the Board shall deliver a determination on the same within twenty one (21) days.

**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

9. MANAGEMENT DISCUSSION AND ANALYSIS

The Fund was formed pursuant to Tharaka Nithi County Bursaries Fund Act, 2014, to provide for resources to support needy and bright children in paying of school fees in secondary school and tertiary institutions.

The County Government of Tharaka Nithi had set aside Ksh. 20,560,000 (Twenty Million Five Hundred Sixty) for allocation to Tharaka Nithi County Bursary Fund during the financial year 2022/2023.

The fund targets to offer financial support to all those coming from poor families in line with national government policy of 100% transition from primary to secondary education.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Tharaka Nithi County Bursary Development 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 five pillars: putting the customer/Citizen first, supporting needy students, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile -

The Fund management has put plans for fund sustainability through support of needy and bright student in paying of school fees

2. Environmental Performance

To ensure environmental sustainability, the fund has endeavoured to apply eco-friendly operations that minimise harmful effect on the environment. The Fund has in its policy to conserve the environment through use of electronic documents rather than printed copies.

3. Employee Welfare

The Fund has not hired its own staff but obtain necessary human resources from the County Executive. The Fund has ensured the employees seconded by the County Executive are adequately facilitated and provided with conducive working environment.

4. Market Place Practices-

The Fund being a Public funded entity is governed by The Public Procurement and Disposal Act, 2015. The Fund has endeavoured to adhere to the requirement of the law in the process of procurement of goods and services.

The Fund does not condone any unethical and corrupt practices in dealing with its suppliers. The highest level of integrity is mandatory among its employees. The supplies are paid within stipulated time including the remittance of tax to Kenya Revenue Authority.

The advertisement for supply of goods and services is done through public notices and widely circulated local newspaper. All bidders are given equal opportunity whereas certain category of goods and services is reserved for Youth, Women and People with Disabilities.

5. Community Engagements-

The Fund has a robust engagement with the community through offering of school bursaries to needy and bright students.

The Fund in its entirety has its principal objective of providing school bursary to needy and bright students. Over 10,000 students have benefited from the Fund.

**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

11. REPORT OF THE BURSARY FUND MANAGEMENT COMMITTEE

The Bursaries Management Committee hereby submit annual Report and Financial Statements for the year ended **30th June 2023**.

10.1 Principal activities

The principal activity/mission/ mandate of the Fund is to provide assistance to needy and bright students in payment of school tuition fees

10.2 Performance

The results of the Fund for the year ended **30th June 2023** are set out on pages 1-5 of the Financial Statements.

10.3 Trustees

The members of the Bursaries Management Committee who served during the year are shown on page iv (*refer to the key entity information and management page*). There were no changes in the Committee during the year under review.

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 Board



Gibson Kithinji
Chairman– Bursary Management Committee

Date: 12th July, 2023

**Tharaka Nithi County Bursary Development Fund
Annual Report and Financial Statements
For the Year Ended 30 June, 2023**

12. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

The Administrator of Tharaka Nithi County Bursary Development 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 **30th June, 2023**. 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 Tharaka Nithi County Bursary Development Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Tharaka Nithi County Bursary Development Fund Act, 2014. 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 **30th June, 2023**, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of Tharaka Nithi County Bursary Development 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 Bursary Fund's financial statements were approved by the Board on **12th July, 2023** and signed on its behalf by:



Jonathan Mwiti Nyaga
Fund Administrator

REPUBLIC OF KENYA



Enhancing Accountability

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THARAKA-NITHI COUNTY BURSARY DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2023

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

An unmodified opinion 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 the Tharaka-Nithi County Bursary Development Fund set out on pages 1 to 27, which comprise the statement of

Report of the Auditor-General on Tharaka-Nithi County Bursary Development Fund for the year ended 30 June, 2023

financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cashflows 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 Tharaka-Nithi County Bursary Development Fund as at 30 June, 2023 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 Tharaka-Nithi County Bursaries Fund Act, 2014.

Basis for Qualified Opinion

1.0 Unsupported School Bursaries

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects school bursaries amount of Kshs.19,407,056. However, the Management did not provide the criteria used in awarding bursaries. It was therefore not possible to determine how the ward bursaries committees received and considered bursary applications and whether the Board granted bursaries to only eligible students upon the recommendations from the respective ward committees.

Further, analysis of data in respect to bursaries applications and award from eight (8) wards namely Karingani, Marimanti, Chogoria, Chiakariga, Ganga, Mwimbi, Magumoni and Mariani wards shows that various candidates were awarded bursary amounting to Kshs.265,066 yet they were not on the applicants lists. Management did not provide an explanation on why ineligible candidates were beneficiaries of the funds, yet there were candidates who complied with all the rules and regulations but were unsuccessful.

In the circumstances, the regularity, accuracy and completeness of school bursaries amounting to Kshs.19,407,056 could not be confirmed.

2.0 Unsupported Committee Allowances and Administrative Expenses

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects use of goods and services amount of Kshs.1,395,264 which includes expenditure of Kshs.355,000 in respect of payments for ward bursary committee allowances which has not been supported by listing signed by the respective members of the committee to acknowledge receipt of the allowances.

Further, administrative expenses of Kshs.138,450 paid for procurement of goods, works and services through direct shopping was not supported by electronic tax receipts,

details of the calendar of events, bursary vetting reports from the Board and Ward Committees to justify the expenditure.

In the circumstances, the accuracy and regularity of the expenditure amounting to Kshs.1,395,264 could not be confirmed.

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 Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although the Management has indicated that the issues have been responded to, the matters have remained unresolved as the County Assembly has not deliberated on the same.

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 of Conclusion

Failure to Develop Regulations for the Fund

As previously reported, the Board did not develop regulations in respect to the Fund. This is contrary to Section 10 of the Tharaka-Nithi County Bursaries Fund Act, 2014 which states that the functions of the Board shall include formulating sound policies for regulating the Management of the Fund, raising and soliciting for funds and other assistance to promote the functions of the Board and to set the criteria and conditions governing the granting of bursaries.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Information Communication Technology (ICT) Policy

The Management did not have an approved IT policy to provide guidelines in data processing, security, disaster recovery plans, back up, retention strategy and handling.

In addition, the Fund did not have policies and procedures in place to cover environmental controls risks including fire suppression systems, air conditioning systems especially in the computer room, humidity and temperature control systems.

In the circumstances, risk management, development of strategies and controls on ICT could not be confirmed to be in place.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal 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 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 overall governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 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 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 Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 January, 2024

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**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th
JUNE, 2023**

	Note	2022/2023	2021/2022
		Ksh	Ksh
Revenue from Non-Exchange Transactions			
Transfers from the County Government	1	20,560,000	20,000,000
Other Income	2	-	336,000
Total Revenue		20,560,000	20,336,000
Expenses			
School Bursaries	3	19,407,056	29,184,579
Use of Goods and Services	4	1,395,264	2,664,548
Total Expenses		20,802,320	31,849,127
Surplus/(Deficit) for the Year		(242,320)	(11,513,127)

The notes set out on page 16 -22 form an integral part of these Financial Statements



Jonathan Mwiti Nyaga
Fund Administrator



CPA Nduati E.K
Director Accounting Services
ICPAK No. 6720

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14. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE, 2023

	Note	2022/2023	2021/2022
		Ksh	Ksh
Assets:			
Current Assets			
Cash and Cash Equivalents	5	229,815	472,135
Total Current Assets		229,815	472,135
Net Assets		229,815	472,135
Financing:			
Accumulated Surplus and Reserves		472,135	11,985,262
Surplus / (Deficit) for the Year		(242,320)	(11,513,127)
Total Net Assets and Liabilities		229,815	472,135

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Tharaka Nithi County Bursary Development Fund Financial Statements were approved on **12th July 2023** and signed by:



Jonathan Mwiti Nyaga
Fund Administrator



CPA Nduati E.K
Director Accounting Services
ICPAK No. 6720

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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30th JUNE, 2023

	Accumulated Surplus	Total
	Ksh.	Ksh.
Balance as at 01st July 2021	11,985,262	11,985,262
Surplus / (Deficit) for the Year	(11,513,127)	(11,513,127)
Funds Received During the Year	-	-
Balance as at 30th June 2022	472,135	472,135
Balance as at 01st July 2022	472,135	472,135
Surplus / (Deficit) for the Year	(242,320)	(242,320)
Funds Received During the Year	-	-
Balance as at 30th June 2023	229,815	229,815

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Tharaka Nithi County Bursary Development Fund Financial Statements were approved on 12th July 2023 and signed by:



Jonathan Mwiti Nyaga
Fund Administrator



CPA Nduati E.K
Director Accounting Services
ICPAK No. 6720

**Tharaka Nithi County Bursary Development Fund
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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE, 2023

	Note	2022/2023	2021/2022
		Ksh	Ksh
Cash Flows from Operating Activities			
Receipts			
Transfers from the County Government	1	20,560,000	20,000,000
Receipts from other Operating Activities	2	-	336,000
Total Receipts		20,560,000	20,336,000
Payments			
School Bursaries	3	19,407,056	29,184,579
Use of Goods and Services	4	1,395,264	2,664,548
Total Payments		20,802,320	31,849,127
Adjusted for:			
Decrease / (Increase) in Accounts Receivable		-	-
Increase / (Decrease) in Accounts Payable		-	-
Net Cash Flows from Operating Activities		(242,320)	(11,513,127)
Net Increase / (Decrease) in Cash and Cash Equivalents		(242,320)	(11,513,127)
Cash and Cash Equivalents at Beginning of the Year		472,135	11,985,262
Cash and Cash Equivalents as at End of the Year		229,815	472,135

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE, 2023

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	Level of Utilisation
	Ksh	Ksh	Ksh	Ksh	Ksh	%
Revenue						
Unspent Balance Brought Forward	472,135	-	472,135	472,135	-	100%
Transfers from County Govt.	18,560,000	2,000,000	20,560,000	20,560,000	-	100%
Total Income	19,032,135	2,000,000	21,032,135	21,032,135	-	100%
Expenses						
School Bursaries	17,560,000	2,000,000	19,560,000	19,407,056	(152,944)	99%
Use of Goods and Services	1,472,135	-	1,472,135	1,395,264	(76,871)	95%
Total Expenditure	19,032,135	2,000,000	21,032,135	20,802,320	(229,815)	99%
Surplus / (Deficit)	-	-	-	229,815	229,815	

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **12th July, 2023** Signed by:



Jonathan Mwititi Nyaga
Fund Administrator



CPA, CS Nduati E.K.
Director Accounting Services
ICPAK Member No. 6720

**Tharaka Nithi County Bursary Development Fund
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18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Information

Tharaka Nithi County Bursary Development Fund is established by and derives its authority and accountability from Tharaka Nithi County Bursary Fund Act, 2014. The Fund is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya. The Fund's principal activity is to provide scholarship and bursary to bright and needy students

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30th June, 2023

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management

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	<p>strategies and the accounting treatment for instruments held as part of the risk management strategy. <i>(The standard has no impact to the Fund)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023 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. <i>(The standard has no impact to the Fund)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023 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. <i>(The standard has no impact to the Fund)</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023 <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <i>(The standard has no impact to the Fund)</i> </p>

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SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and Amended Standards and Interpretations in issue but not effective for the year ended 30th June 2023

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>(The standard has no impact to the Fund)</i></p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>(The standard has no impact to the Fund)</i></p>

c) Early adoption of standards

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

4. 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.

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SIGNIFICANT ACCOUNTING POLICIES (continued)

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 financial year.

Dividends

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

Rental income

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

5. Budget Information

The original budget for FY 2022/2023 was approved by the County Assembly on 16th June 2022. There was one budget revision to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

6. 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.

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SIGNIFICANT ACCOUNTING POLICIES (continued)

7. 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 year in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

8. Investment Property

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

9. Financial Instruments

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

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SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets

Classification of Financial Assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

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SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

d) Inventories

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

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

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

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

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SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

f) Social Benefits

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

g) Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves

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

i) 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.

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SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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 years. 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.

k) 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 year, are recognized as income or expenses in the year in which they arise.

l) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the years 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.

m) Related parties

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

n) 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.

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SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Comparative figures

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

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 year. 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 years.

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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

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19. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM COUNTY GOVERNMENT

Description	2022/2023	2021/2022
	Ksh.	Ksh.
Grant Transfers from County Government	20,560,000	20,000,000
Total	20,560,000	20,000,000

2. OTHER INCOME

Description	2022/2023	2021/2022
	Ksh.	Ksh.
Refund Double Payment	-	336,000
Total	-	336,000

3. SCHOOL BURSARIES

Description	2022/2023	2021/2022
	Ksh.	Ksh.
Student Bursaries	19,407,056	29,184,579
Total	19,407,056	29,184,579

4. USE OF GOODS AND SERVICES

Description	2022/2023	2021/2022
	Ksh.	Ksh.
Committee Allowances	1,370,450	2,178,000
Courier Services	-	43,250
Hospitality and Catering	-	415,800
Bank Charges	24,814	27,498
Total	1,395,264	2,664,548

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. CASH AND CASH EQUIVALENTS

Description	Account Number	2022/2023	2021/2022
		Ksh.	Ksh.
Tharaka Nithi County Bursary Fund A/c	054000007524	229,815	472,135
Total cash and cash equivalents		229,815	472,135

6. CASH GENERATED FROM OPERATIONS

	2022/2023	2021/2022
	Ksh.	Ksh.
Surplus/ (deficit) for the Year	(242,320)	(11,513,127)
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments	-	-
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net Cash Flow from Operating Activities	(242,320)	(11,513,127)

**Tharaka Nithi County Bursary Development Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. RELATED PARTY BALANCES

a) Nature of related party relationships

Entities and other parties related to the Bursary 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 of Tharaka Nithi
- b) The County Government Ministry of Education, Sports, Youth and Culture
- c) Key management;
- d) Board of Trustees

b) Related party transactions

	2022/2023	2021/2022
	Ksh.	Ksh.
Transfers from County Government of Tharaka Nithi	20,560,000	20,000,000
Total Amount	20,560,000	20,000,000

8. 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:

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 Tharaka Nithi County Bursary Fund's management based on prior experience and their assessment of the current economic environment.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Total amount Ksh.	Fully performing Ksh.	Past due Ksh.	Impaired Ksh.
At 30th June 2022				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	472,135	472,135	-	-
Total	472,135	472,135		
At 30th June 2023				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	229,815	229,815	-	-
Total	229,815	229,815	-	-

Tharaka Nithi County Bursary Development Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

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 Tharaka Nithi County Bursary Development Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Tharaka Nithi County Bursary Development Fund has no significant concentration of credit risk.

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 Tharaka Nithi County Bursary Fund's short, medium and long-term funding and liquidity management requirements. The Tharaka Nithi County Bursary Development Fund 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
	Ksh.	Ksh.	Ksh.	Ksh.
At 30th June 2022				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30th June 2023				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)

c) Market risk

The Management has put in place an internal audit function to assist it in assessing the risk faced by the Tharaka Nithi County Bursary Development Fund 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 Tharaka Nithi County Bursary Development Fund'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 Tharaka Nithi County Bursary Fund's exposure to market risks or the manner in which it manages and measures the risk.

d) Foreign currency risk

Tharaka Nithi County Bursary Development Fund did not have foreign 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.

Tharaka Nithi County Bursary Development Fund did not have foreign currency denominated monetary assets and monetary liabilities at the end of the reporting year:

		Other currencies	Total
	Ksh.	Ksh.	Ksh.
At 30th June 2023			
Financial assets	-	-	-
Investments	-	-	
Cash	-	-	-
Debtors/ receivables			
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (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
	Ksh.	Ksh.	Ksh.
2022			
Euro	10%	-	-
USD	10%	-	-
2023			
Euro	10%	-	-
USD	10%	-	-

e) Interest rate risk

Interest rate risk is the risk that the Tharaka Nithi County Bursary Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Tharaka Nithi County Bursary Fund'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.

The end of the year figures, the sensitivity analysis has no impact on the statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS (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 Tharaka Nithi County Bursary Development Fund capital structure comprises of the following funds:

	2022/2023	2021/2022
	Ksh.	Ksh.
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	229,815	472,135
Total funds	229,815	472,135
Total borrowings	-	-
Less: cash and bank balances	229,815	472,135
Net debt (excess cash and cash equivalents)	-	-
Gearing	0%	0%

8. Events after the reporting period

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

9. Ultimate and Holding Entity

The entity is a County Public Fund established by Tharaka Nithi County Bursary Development Fund Act, 2014 under the docket of Education. Its ultimate parent is the County Government of Tharaka Nithi.

10. Currency

The financial statements are presented in Kenya Shilling (Ksh.).

**Tharaka Nithi County Bursary Development Fund
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20. APPENDICES

I. PROGRESS ON FOLLOW UP OF PRIO YEAR AUDITOR'S RECOMMENDATION

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 as per the Auditor General Report FY 2021/2022

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 Unsupported School Bursaries Grants	<p>The statement of financial performance reflects school bursaries grant of Ksh. 29,184,579 as disclosed in Note 3 to the Financial Statement. However, the Management did not provide a list of all applications forms received and the criteria used in awarding the bursaries. Further Management did not provide minutes and reports in respect to Nkondi and Marimanti wards bursary committees and supporting documentation on whether the Board granted to eligible students.</p> <p>In addition, the list of beneficiaries included ten (10) applicants without admission numbers.</p> <p>In the circumstances, the accuracy and completeness of school bursaries grants Ksh.29,184,579 could not be confirmed.</p>	<p>The Management takes note of incomplete record of school bursary beneficiaries, and Ward Committee reports that may have inadvertently been omitted during audit and will be availed for audit review.</p>	Resolved	30 th June 2023

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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)
2.0 Unsupported Committee Allowances	The statement of financial performance and as disclosed in Note 4 to the financial statements reflects K.shs.2,664,548 in respect to use of goods and services which includes K.shs.2,178,000 in respect to committee allowances. However, the committee allowances were not supported by invitations to the meetings, attendance registers, Board and ward committee minutes, calendar of events and bursary vetting reports from ward committees to justify the allowances.	The Management takes note of Ward Committee allowances records that may have inadvertently been omitted during audit and we will avail the necessary documents for audit review.	Resolved	30 th June 2022
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES				
1.0 Failure to Develop Regulations in respect to the Fund	The Management did not develop regulations in respect to Tharaka Nithi County Bursaries Development Fund as envisaged in Section 10 of Tharaka Nithi County Bursaries Fund Act, 2014. Which states that the functions of the Board shall include formulation sound policies for regulating the Management of the Fund, raising and soliciting for funds and other assistance to promote the functions of the Board and to set the criteria and conditions governing the granting of bursaries. In absence of the regulations and specific guidelines, it was not possible to determine the	The Management takes note of the audit finding on failure to prepare Bursary Fund Regulations. However, there has been no legal requirement to enact Regulations since the Act is sufficient and can be implemented without a Regulation.	Resolved	30 th June 2023

**Tharaka Nithi County Bursary Development Fund
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.0 Operating without Board and Ward Committee	<p>criteria applied in receiving, processing and approval of applications for bursary grants.</p> <p>In the circumstances, the management was in the breach of the law.</p> <p>The Fund has operated without a Board and Ward Committees as from 10 December, 2021 following the lapse of the Board and Committee that was appointed for three (3) year term on 11th December 2018. This is contrary to Section 13 and 14 of Tharaka Nithi County Bursaries Fund Act, 2014 which requires establishment of Ward Bursaries Committee</p> <p>In the circumstances, the Management is in breach law.</p>	<p>The Management confirms that new Fund Board Committee and Bursary Ward Committee members is have been appointed</p>	Resolved	30 th June 2023
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE				
1.0 Lack of ICT Policy	<p>The Management did not have an approved IT policy to provide guidelines on data processing, security, disaster recovery plans, back up, retention strategy and handling.</p> <p>In the circumstances risk management, development of strategies and controls on ICT could not be confirmed to be in place.</p>	<p>The Fund being a County public entity has adopted ICT policy developed by the County Government of Tharaka Nithi Executive</p>	Resolved	30 th June 20223

**Tharaka Nithi County Bursary Development Fund
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Guidance Notes:

- a) *Use the same reference numbers as contained in the external audit report;*
- b) *Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;*
- c) *Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;*
- d) *Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.*

Sign: _____

Jonathan Mwiti Nyaga

Fund Administrator

Tharaka Nithi Bursary Development Fund Administrator

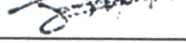
Date: 12th July 2023


**Tharaka Nithi County Bursary Development Fund
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II. INTER – ENTITY TRANSFERS

ENTITY NAME:		THARAKA NITHI COUNTY BURSARY DEVELOPMENT FUND		
Break down of Transfers from the County Executive of Tharaka Nithi County Government				
FY 2022/2023				
a.	<u>Recurrent Grants</u>	<u>Bank Statement Date</u>	<u>Amount (Ksh)</u>	<u>Relate to FY</u>
		Total		
B	<u>Direct Payments</u>	<u>Bank Statement Date</u>	<u>Amount (Ksh)</u>	<u>Relate to FY</u>
		18 th May 2023	560,000	2022/2023
		18 th May 2023	10,000,000	2022/2023
		18 th May 2023	10,000,000	2022/2023
		Total	20,560,000	

The above amounts have been communicated to and reconciled with the County Government of Tharaka Nithi

Sign: 
Jonathan Mwiti Nyaga
Fund Administrator
Bursary Fund

Sign: 
Humphrey Gitonga Kinyua
Director Finance
County Government of Tharaka Nithi

Date: 12th July 2023

Date: 12th July 2023