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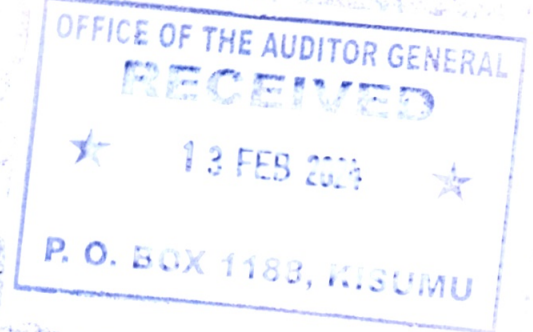
THE AUDITOR-GENERAL

ON

VIHIGA COUNTY EDUCATION FUND

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

PAPERS LAID	
DATE	26.3.24
TABLED BY	Maj. Leader
COMMITTEE	C.P.I.C
CLERK AT THE TABLE	



COUNTY GOVERNMENT OF VIHIGA

VIHIGA COUNTY EDUCATION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2023

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

**Vihiga County Education Fund
Annual Report and Financial Statements
For the year ended 30 June, 2023**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Vihiga County Education Fund was formed after extensive consultations between the County Executive and the members of the Vihiga County Assembly vide the Public Finance Management Act 2012, (Vihiga County Education Fund Act 2014 and The Vihiga County Education Fund (Amendment) Bill, 2018.

The fund's objective is to provide supplementary education grants or bursaries to eligible Students, Granting Scholarship in accordance with criteria established under the Act, Meeting any expenditure related to administration of the fund.

The beneficiaries of the program comprises of eligible students from Vihiga County enrolled in various levels of education across the country.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide funds for financial assistance to bright and needy students from the county pursuing education in various institutions.

c) Fund Administration Committee

Ref	Name	Position
1.	Albert Ingati	Chairperson
2.	Dr Ruth Agesa	CECM Education
3.	Dr Noel Malanda	Chief Officer Education
4.	Jahonga Benard	Student Network Representative
5.	Roselidah Marende	Vihiga County PWD
6.	Samuel Kiplagat	Minority representative
7.	Felix Mugalitsi	Fund Administrator
8	Lynett Odida	Director Social Services
9	Jacintar Mung'aya	National Youth Council
10	Sammy Chahayo	CO Finance and Economic planning Representative
11.	Wilberforce Agesa	Director, ACCA

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d) Key Management

Ref	Name	Position
1.	Felix Mugalitsi	Fund Administrator
2.	Isabelah Pili	Fund Accountant
3.	Dr. Noel Malanda	Chief Officer
4.	Bonventure Asembeka	Clerk
5.	Brenda Vugutsa	Clerk

e) Registered Offices

Vihiga County Government,
Department of Education, Science, Technical and Vocational Training,
P.O Box 344-50300,
Maragoli, Kenya.
Offices located at the county headquarters, Mbale.

f) Fund Bankers

KCB Bank Kenya Limited,
KCB Mbale 4119
Maragoli.

g) Independent Auditors




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

h) Principal Legal Adviser





The County Attorney
P.O Box 344-50300,
Maragoli, Kenya.

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2. Fund Administration Committee

Name	Details of qualifications and experience
<p>1. Mr. Albert E Ingatia – Chairperson</p> 	<p>A graduate in the University of Nairobi with Bachelor of Education (Graduated in 1980). Served as a teacher, principal for 15 years, Senior Assistant Director of Education for 5 years and Director of Technical Programmes at UNESCO for 5 years. Currently is an Education Consultant.</p>
<p>2. Dr Ruth Agesa, Cecm Education</p> 	<p>A career Civil Servant with over Thirty (30) years in public service working for the Government of Kenya with diligence and excellence in the implementation of Government policies and promotion of national values. Masinde Muliro University of Science and Technology, Doctor of Philosophy Peace and conflict Studies. Kenyatta University, Bachelor of Music, Kagumo Teachers Training College Dip. Ed Music, Mosoriot Teachers Training School, P1. Currently CECM Education Vihiga County.</p>
<p>3. Dr Noel Malanda Co Education</p> 	<p>A post graduate of Maseno university, PHD in Education psychology, MED in Education psychology and Degree on Education and Economics. Has worked in Education sector including Special , Technical and University Education for over 20yrs. Currently working as the Chief Officer Education Vihiga County.</p>

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<p>4. Mr Felix Mugalitsi. Fund Administrator</p> 	<p>Mr. Mugalitsi is a holder of BBM (Accounting Option) from Masinde Muliro University of Science and Technology (2011) and he is CPA II. Felix has previously served as the Fund Administrator of the Vihiga County Trade and Enterprise Fund and he is the current Fund Administrator of the Vihiga County Education fund. Prior to joining the Public Service, he served as an Accounts Assistant at Sameer Africa Plc.</p>
<p>5. Benard Jahonga. Students Representative</p> 	<p>Holder of degree in Bsc of Arts Development Studies with IT. Served internship at the County Government of Vihiga.</p>
<p>6. Roselyne Osome Marende. Special Interest Group</p> 	<p>She is a dress-maker, Secretary of Emuhaya Group of Disabled and secretary of Emuhaya Talented Women with Disabilities.</p>
<p>7. Jacinta Mungasia Kadasya-Youth Representative</p> 	<p>Diploma in Procurement at University of Nairobi, Diploma in Managerial Skill at KIMS, pursuing Degree in Procurement</p>
<p>8. Samuel Chelongong Kiplagat. Minority Representative</p>	<p>Academics O level. Diploma in Clearing forwarding. Worked on the field of clearing for 20 yrs. Currently</p>

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	a businessman.
9. Sammy Chahayo-Member	Mr. Chahayo is the Internal Audit manager and a member of the Committee. He is a holder of Bcom and MBA. He is a CPAK
10. Dr. Linet Odida- Representative from Social Services	Dr. Odida is the Director Social Services
11. Wilberforce Agesa- Member 	Mr. Agesa is the Director Public Service and Administration.

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3. FUND CHAIRPERSON'S REPORT

I am pleased to present the Vihiga County Education Fund Report on Bursaries for the FY 2022/2023. Section 167 of the PFM Act, 2012 require administrator of a County Public Fund established by the constitution, an Act of Parliament or County Legislation to prepare Financial Statement for the fund for each Financial Year in a form prescribed by PSASB.

This comprised of kshs. 2,750,000 for administration cost expenses, kshs. 83,375,267 to cater fee to respective Wards Ksh 33,884,612 for scholarship fees programme that benefited 94 who graduated in form four students, 364 continuing and 154 fifth cohort students. Expenditure relating to Scholarship administration were Kshs. 9,428,825 relating to the termly shopping issued to students and 3,719,915 relating to students mentorship programme and scholarship students' recruitment expenses.

In the FY 2022/2023, there were no liquidity disruptions due to the fact that the Fund received all her monies as per the budgetary allocation from the County.

We look forward to a good year where we shall ensure we meet the objective of the Fund in accordance with the general provisions of law and integrity.

I take this opportunity to thank the board of trustees for their support. I would also want to thank all staff whom we have worked hand in hand to ensure that Vihiga County Executive Car loan and Mortgage Scheme Fund achieves its mission.



Samuel Chelongong

AG. CHAIRPERSON- VIHIGA COUNTY EDUCATION FUND

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4. REPORT OF THE FUND ADMINISTRATOR

I am pleased to present the un-audited financial report and statement for the Vihiga County Education Fund FY 2022/23. To this end Kshs. 137,500,710 was approved and disbursed for scholarships and other educational grants during the financial year under review. This comprised of kshs. 2,750,000 for administration cost expenses, kshs. 83,375,267 to cater fee to respective Wards Ksh 33,884,612 for scholarship fees programme that benefited 94 who graduated in form four students, 364 continuing and 154 fifth cohort students.

The County Government has prioritized the programme since direct and associated education costs have been an issue prohibiting needy and bright students from accessing education. This is one of the efforts among other that the county Government implements towards Goal 4 of Sustainable Goals (SDGs) of Ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all. User costs remain a significant barrier to education access.

These costs often affect lower income families and learners hence having negative bearing in access and quality education. There is therefore need to continuously enhance budgetary allocation towards the programme as the needs of the residents have not been adequately addressed. In this regard support towards the initiative to be expanded towards improving access to scholarships.



Felix Mugalitsi

Fund Administrator

5. CORPORATE GOVERNANCE STATEMENT

THE BOARD

The Vihiga County Education Fund is The Vihiga County Education Fund was formed after extensive consultations between the County Executive and the members of the Vihiga County Assembly vide the Public Finance Management Act 2012, (Vihiga County Education Fund Act 2014 and The Vihiga County Education Fund (Amendment) Bill, 2018. The main objective of the Fund is to advance aid to students as they pursue their academic ambition.

Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the Fund Oversight Committee at its apex. The operations of the fund are governed by the Vihiga County Education Act 2015 and Regulations 2018. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

THE BOARD OF TRUSTEES

The regulations provide that the board of trustees shall be made up of eleven members, including the chairman, and shall consist of a chairperson and ten other members identified for appointment. The Oversight Committee exercises leadership, enterprise, integrity and judgment in directing the Fund.

The trustees are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the Fund Administrator but the board of trustees is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support.

The trustees are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the board, its committees,

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individual trustees and the Fund Administrator are evaluated by an independent Office of the Auditor General.

BOARD MEETINGS

The board meets quarterly or as required in order to implement the fund's strategic objective. The board of trustees also plays an oversight role over all other financial and operational issues. The trustees held five board meetings during the year under review.

STATEMENT OF COMPLIANCE

The Oversight Committee confirms that the fund has complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL

The trustees are responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis.

Risk Management

The risk management is coordinated by the head of internal audit, who reviews all the risks in the fund. This ensures that all new and emerging risks are appropriately evaluated and any further actions identified.

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Management Team

The management team headed by the Fund Administrator implements the board decisions. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Auditor-General.

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6. STATEMENT OF PERFORMANCE AGAINST ENTITY'S PREDETERMINED OBJECTIVES

The key objective of the Vihiga County Education Fund is to provide bursary and scholarship grant to the bright needy students in Vihiga County.

Program	Objective	Outcome	Indicator	Performance
Bursary	To support bright needy students to access quality education	Increased number of students accessing education in the County	Percentage of students retained in school and colleges	Increased bursary access for students
Scholarship	To support bright needy students to access quality high school education	Increased number of students accessing quality education by joining respective schools in which they were called	Increased number of students who transitioned to the next level institution	Increased number of Scholarship students

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7. CORPORATE GOVERNANCE STATEMENT

The Fund conveyed four meetings during the year under review.

The committee members are appointed by the respective CECM. The members are remunerated by way of sitting allowance that is paid out to them once they convene meetings.

The role of the committee is as stipulated in the Act and regulations governing the Fund.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The fund's activities expose it to a variety of financial risks mainly liquidity risks which arises due to delayed disbursement of funds to the entity. The Fund's overall risk management programme focuses on unpredictability of changes in the operating 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.

The management has ensured that we comply with statutory requirements relating to the functions of the fund. The County Government has prioritized the programme since direct and associated education costs have been an issue prohibiting needy and bright students from accessing education.

Conclusion

We appreciate the unrelenting support from the Oversight Committee, management, staff, the County Government and all the key stakeholders. We look forward to continued partnerships and cooperation in areas of mutual interest in the FY 2023/2024.

9. ENVIROMENTAL AND SUSTAINABILITY REPORTING

Corporate social responsibility is an integral part of our culture. As a responsible organisation, we respect the interests of our stakeholders – our employees, customers, suppliers and the wider community and we actively seek opportunities both to improve the environment and to contribute to the well-being of the communities around us.

During the financial year 2022/2023, the Fund did not carry out any CSR activity.

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10. REPORT OF THE TRUSTEES

The Trustees submit their report together with the un-audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to offer financial assistance to the bright and needy student in the county pursuing their education, provision of necessary legal framework for administration of the fund and other related activities.

Trustees

The members of the Board of Trustees who served during the year under review are as detailed on page vi and vii.

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.

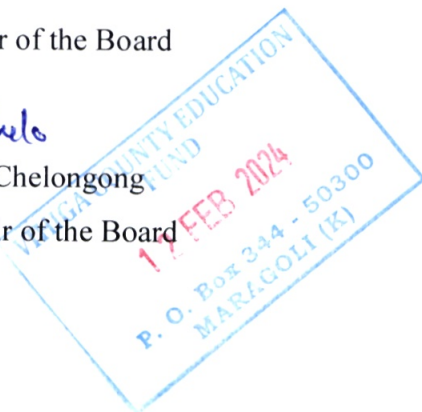
By Order of the Board



Samuel Chelongong

Ag. Chair of the Board

Date:



11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund 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 year ended June 30, 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 County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the year ended June 30, 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.

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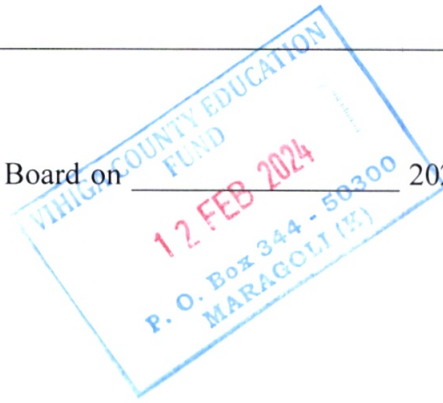
Approval of the financial statements

The Fund's financial statements were approved by the Board on _____ 2024 and signed on its behalf by:



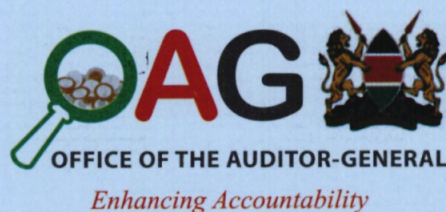
Felix Mugalitsi

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

An unmodified opinion 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

Adverse Opinion

I have audited the accompanying financial statements of Vihiga County Education Fund set out on pages 1 to 19, which comprise of the statement of financial position as at

30 June, 2023, and the statement of financial performance, statement of changes in 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Vihiga County Education 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 do not comply with the County Government Act, 2012 and the Public Finance Management Act 2012.

Basis for Adverse Opinion

1. Unsupported Scholarship Expenses

The statement of financial performance reflects scholarship expenses amounting to Kshs.13,148,740 which comprises of scholarship shopping amount of Kshs.9,428,825 and scholarship administration amount of Kshs.3,719,915 as disclosed in Note 2(b) to the financial statements. However, review of the payment vouchers revealed that an amount of Kshs.7,785,000 was used in shopping while another amount of Kshs.5,180,485 was used in administrative matters making up to about 39% of the total expenditure. No reason was provided for the very high expenditure. Further, review of records revealed that girls got scholarships at the rate of Kshs.7,000 while the boys at Kshs.6,000 whose justification was not provided for audit.

In the circumstances, the accuracy and completeness of the expenditure on scholarship expenses amounting to Kshs.13,148,740 could not be confirmed.

2. Unsupported Scholarship Fees

The statement of financial performance and as disclosed in Note 2(c) to the financial statements reflects an amount of Kshs.33,884,612 relating to scholarship fees. However, the expenditure was not supported by applications, minutes of approval and acknowledgement receipts from the learning institutions.

In the circumstances, the accuracy and completeness of the tuition fees totaling Kshs.33,884,612 could not be confirmed.

3. Unsupported Bursary Disbursements

The statement of financial performance and as disclosed in Note 2(d) to the financial statements reflects transfers to wards amount of Kshs.86,125,267 comprised of ward administration costs of Kshs.2,750,000 and bursaries of Kshs.83,375,267 respectively. However, the bursary disbursements of Kshs.83,375,267 were not supported by acknowledgement receipts from the beneficiary learning Institutions. Further, all the

twenty-five (25) wards received an equal disbursement of Kshs.3,335,010 and administration fees of Kshs.110,000 each as disclosed in Note 6(d) to the financial statements. However, Management did not provide explanation as to why the wards got equal amounts considering the unique demographic, economic and other social factors that determine grant of bursaries.

In the circumstances, the propriety, completeness and accuracy of the bursary disbursement grants amount of Kshs.83,375,250 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Vihiga County Education 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 adverse 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 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 has not resolved the issues or given any explanation for failure to do so, as part of the contents provided for in the reporting format prescribed by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Irregular Advances to the Department of Education

The statement of financial position reflects receivables from exchange transactions of Kshs.1,504,130 as disclosed in Note 4 to the financial statements. Review of documents

provided for audit showed that the amount was an advance to the Department of Education of the County Government of Vihiga. This is contrary to the main objective of the Fund, which is to assist needy and bright children to advance higher education. Further, the departmental request for financing and approval by the Fund Management Oversight Committee specifying the terms and conditions were not provided for audit.

In the circumstances, the value for money on the advanced funds to the Department of Education amounting to Kshs.1,504,130 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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 control, risk management and 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 sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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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 which 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 on whether, in all material respects, 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, 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.

which 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 which would be material in relation to the financial statements

being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which 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 which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 March, 2024

**Vihiga County Education Fund
Annual Report and Financial Statements
For the year ended 30 June, 2023**

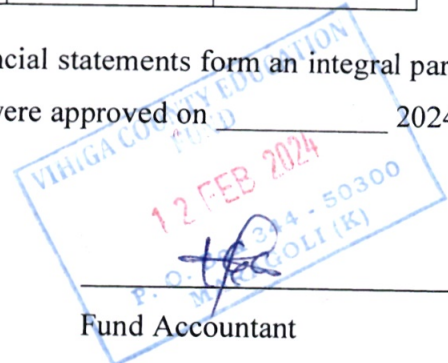
13. Statement of Financial Performance For The Year Ended 30th June 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers from the County Government	1	137,500,710	107,000,000
Total Revenue		137,500,710	107,000,000
Expenses			
Fund Administration Expenses	2(a)	4,021,115	997,220
Scholarship Expenses	2(b)	13,148,740	16,963,210
Scholarship Fees	2 (c)	33,884,612	25,289,475
Total Bursary Grant	2 (d)	83,375,267	73,650,000
Total Expenses		134,429,734	116,897,905
Surplus for the period		3,070,976	(9,897,905)

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 _____ 2024 and signed by:



Administrator of the Fund
Name: Felix Mugalitsi



Fund Accountant
Name: Isabelah Pili
ICPAK NO. 30116

**Vihiga County Education Fund
Annual Report and Financial Statements
For the year ended June 30, 2023**

14. Statement of Financial Position As At 30 June 2023

	Note	2022/23	2021/2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	3 (a)	14,860,696	13,293,850
Accounts Receivable	4	1,504,130	1,478,900
Total Assets		16,364,826	14,772,750
Financed By:			
Surplus for the period	1 (b)	3,070,976	(9,897,905)
Bal b/f		13,293,850	24,670,655
Total Equity		16,364,826	14,772,750

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 _____ 2024 and signed by:



Administrator of the Fund
Name: Felix Mugalitsi



Fund Accountant
Name: Isabelah Pili
ICPAK NO. 30116

**Vihiga County Education Fund
Annual Report and Financial Statements
For the year ended 30 June, 2023**

15. Statement Of Changes in Net Assets for the year ended 30th June 2023

	Sinking Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1st July 2021	-	13,293,850	13,293,850
Surplus/(deficit) for the period	-	-	-
Funds received during the year	-	-	-
Revaluation gain	-	-	-
Balance as at 30th June 2022	-	<u>13,293,850</u>	<u>13,293,850</u>
Balance as at 1 July 2022	13,293,850	-	13,293,850
Surplus/(deficit) for the period	-	3,070,976	3,070,976
Funds received during the year	-	-	-
Revaluation gain	-	-	-
<u>Balance as at 30 June 2023</u>	<u>13,293,850</u>	<u>3,070,976</u>	<u>16,364,826</u>

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 _____ 2024 and signed by:



Administrator of the Fund
Name: Felix Mugalitsi



Fund Accountant
Name: Isabelah Pili
ICPAK NO. 30116

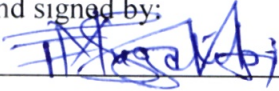
**Vihiga County Education Fund
Annual Report and Financial Statements
For the year ended 30 June, 2023**

16. Statement Of Cash Flows For The Year Ended 30 June 2023

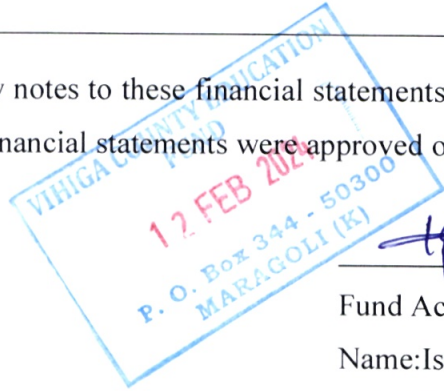
	Note	2022/2023	2021/2022
		Kshs	Kshs
Cashflows From Operating Activities			
Receipts			
Transfers from the County Government	1 (a)	137,500,710	95,000,000
Exchequer release fy 21/22		12,000,000	952,300
Total Receipts		149,500,710	95,952,300
Payments			
Fund administration expenses	2(a)	4,021,115	997,220
Scholarship Expenses	2 (b)	13,148,740	16,963,210
Scholarship fees	2 (c)	33,884,612	25,289,475
Transfer to Wards	2 (d)	83,375,267	73,650,000
Outstanding Accounts Receivable	4	1,504,130	1,476,900
Total Payments		135,933,864	(118,374,805)
Net Cashflows From Operating Activities		13,566,846	(22,422,505)
Cash Flows From Investing Activities			
Cashflows From Financing Activities			
Net Increase/(Decrease) In Cash And Cash Equivalents		13,566,846	(22,422,505)
Cash and cash equivalents at 1 July 2023		1,293,850	23,716,355
<u>Cash and cash equivalents at 30 June 2022</u>		<u>14,860,696</u>	<u>1,293,850</u>


**Vihiga County Education Fund
Annual Report and Financial Statements
For the year ended June 30, 2023**

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 _____ 2024 and signed by:



Administrator of the Fund
Name: Felix Mugalitsi





Fund Accountant
Name: Isabelah Pili
ICPAK NO. 30116

17. Statement Of Comparison Of Budget And Actual Amounts For The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2022/2023	2022/2023	2022/2023	2022/2023	2022/2023	2022/2023
Revenue	KShs	KShs	KShs	KShs	KShs	
Transfers from County Govt.	137,500,710	-	137,500,710	137,500,710	-	100
Total Income	137,500,710	-	137,500,710	137,500,710	-	100
Expenses						
Fund administration expenses	4,125,443	-	4,125,443	4,021,115	104,328	97%
Scholarship Grant	50,000,000	-	50,000,000	47,033,352	2,966,648	94%
Ward Bursary Transfers	83,375,267	-	83,375,267	83,375,267	-	100
Total Expenditure	137,500,710	-	137,500,710	134,429,734	3,070,976	98%
Surplus For The Period	-	-	-	3,070,976	-	

Budget notes

1. The under absorption in the expenditure was as a result of the disrupted school calendar.
2. The changes between original and final budget a result of increased number of students who had joined the program over the years.
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual).

18. Notes to the Financial Statements

1. General Information

Vihiga County Education Fund is established by and derives its authority and accountability from Vihiga County Education Act 2014. The entity is wholly owned by the Vihiga County Government and is domiciled in Kenya. The entity's principal activity is offering education grant to needy students in the County.

2. Statement of compliance and basis of preparation

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

The financial statements have been prepared on the cash basis. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

b) Budget information

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. 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.

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. The Fund did not have any Property, Plant and Equipment.

Summary of Significant Accounting Policies (Continued)

d) 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.

e) 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.

f) 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.

g) 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.

h) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

i) Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Management Act 2012, (Vihiga County Education Fund Act 2014) under the Department of Education, Science and Technical Vocational Training. Its ultimate parent is the County Government of Vihiga.

j) Currency

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

**Vihiga County Education Fund
Reports and Financial Statements
For the year ended June 30, 2023**

6. Notes To The Financial Statements

1. (a) Transfers from County Government

Description	2022/2023	2021/2022
	Kshs	Kshs
1 st Phase	50,000,000	60,000,000
2 nd Phase	50,000,000	35,000,000
3 rd Phase	37,500,710	12,000,000
Total	137,500,710	107,000,000

1. (b) Changes in Fund Balance

Description	2022/2023	2021/2022
	Kshs	Kshs
County Treasury Release	137,500,710	107,000,000
Fund Expenses	(4,021,115)	(997,220)
Scholarship Expenses	(13,148,740)	(16,963,210)
Scholarship Fees	(33,884,612)	(25,287,475)
Ward Bursary Grant/Disbursement	(83,375,375)	(73,650,000)
	3,070,976	14,772,750

2. (a) Fund administration expenses

Description	2022/2023	2021/2022
	Kshs	Kshs.
Bank Charges	21,305	29,170
Board Allowances	217,500	190,000

**Vihiga County Education Fund
Reports and Financial Statements
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Printing and Stationery	58,878	57,250
Refreshment	66,000	12,000
Transport Allowance	215,000	-
Hire of Services	24,000	3,900
Lunches	430,432	211,100
Wards Expenses	2,750,000	1,900,000
Telephone and postages	8,000	-
Daily Subsistence Allowance	230,000	493,800
Total	4,021,115	2,897,220

(b) Scholarship Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Scholarship Shopping	9,428,825	15,036,00
Scholarship Administration expenses	3,719,915	1,927,210
Total	13,148,740	16,963,210

(c) Scholarship Fees

Description	2022/2023	2021/2022
	Kshs	Kshs
Tuition fees	33,884,612	25,287,475
Total	33,884,612	25,287,475

**Vihiga County Education Fund
Reports and Financial Statements
For the year ended June 30, 2023**

Notes To The Financial Statements (Continued)

(d) Transfer to Wards

Description	2022/2023	2021/2022
	Kshs	Kshs
Ward admin cost	2,750,000	1,900,000
Bursary	83,375,267	71,750,000
Total	86,125,267	73,650,000

3. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
KCB Bank Balance Main Account	14,860,696	1,293,850
TotalCashAndCashEquivalents	14,860,696	1,293,850

4. Receivables

		2022/2023	2021/2022
		Kshs	Kshs
Accounts Receivables		1,504,130	1,476,900
		1,504,130	1,476,900

5. Related party balances

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:

**Vihiga County Education Fund
Reports and Financial Statements
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- a) The County Government;
- b) The ParentCounty Government Ministry;
- c) Key management;
- d) Board of Trustees; etc

**Vihiga County Education Fund
Reports and Financial Statements
For the year ended June 30, 2023**

6. Other Disclosure

a. Scholarship Fund Allocation Balance

	2022/2023	2021/2022
Financial institution	Kshs	Kshs
Scholarship Receipt	50,000,000	32,000,000
Bal c/f	14,770,750	24,812,891
Scholarship Disbursement	(33,884,612)	(25,287,475)
Scholarship Expenses	(13,148,740)	(16,963,210)
Balance	17,737,398	14,770,750

b. Vihiga County Education Fund Disbursement Schedule To Wards Fy 2022/23

S/ No	Sub- County	Ward	Bursary Fund(Kshs.)	Admin Cost(Kshs)	Total(Kshs)	Bank	Account Number
1.	Hamisi	Shiru	3,335,010	110,000	3,445,010	KCB, Mbale	1224264355
2.		Banja	3,335,010	110,000	3,445,010	KCB, Mbale	1252503423
3.		Gisambai	3,335,010	110,000	3,445,010	Coop, Mbale	01141472688700
4.		Jepkoyai	3,335,010	110,000	3,445,010	KCB, Mbale	1252267924
5.		Muhudu	3,335,010	110,000	3,445,010	KCB, Serem	1224264193
6.		Shamakhokho	3,335,010	110,000	3,445,010	KCB, Mbale	1224264290
7.		Tambua	3,335,010	110,000	3,445,010	Coop, Mbale	01141472692800
8.	Sabatia	Busali	3,335,010	110,000	3,445,010	Coop, Mbale	01141472685000
9.		Chavakali	3,335,010	110,000	3,445,010	Coop, Mbale	01141472685900
10.		Lyadyuwa	3,335,010	110,000	3,445,010	Coop, Mbale	01141472688900
11.		North Maragoli	3,335,010	110,000	3,445,010	Coop, Mbale	01141472688800
12.		Sabatia West	3,335,010	110,000	3,445,010	KCB, Mbale	1252333196
13.		Wodanga	3,335,010	110,000	3,445,010	Coop,	01141472693400

**Vihiga County Education Fund
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						Mbale	
14.	Emuhaya	Central Bunyore	3,335,010	110,000	3,445,010	Coop, Mbale	01141472686100
15.		N.E Bunyore	3,335,010	110,000	3,445,010	Coop, Mbale	01141472692300
16.		West Bunyore	3,335,010	110,000	3,445,010	KCB, Luanda	1269437933
17.	Luanda	Emabungo	3,335,010	110,000	3,445,010	KCB, Luanda	1224273699
18.		Luanda South	3,335,010	110,000	3,445,010	Coop, Mbale	01141472694000
19.		Wemilabi	3,335,010	110,000	3,445,010	KCB, Luanda	1252338465
20.		Luanda township	3,335,010	110,000	3,445,010	KCB, Luanda	1224273664
21.		Mwibona	3,335,010	110,000	3,445,010	KCB, Luanda	1252315945
22.	Vihiga	Central Maragoli	3,335,010	110,000	3,445,010	Coop, Mbale	01141472686000
23.		Mungoma	3,335,010	110,000	3,445,010	Coop, Mbale	01141472684800
24.		South maragoli	3,335,010	110,000	3,445,010	Coop, Mbale	01141472505200
25.		Wamuluma	3,335,010	110,000	3,445,010	Coop, Mbale	01141472505200
		Total	83,125,250	2,750,000	86,125,250		

c. Vihiga County Education Fund Ward Account Balances as at 30, June 2023

S/No.	Ward	Account number	Bank	Account Number	Amount as at June 30, 2023
1.	Shiru	Shiru Ward Bursary Account	KCB, Mbale	1224264355	731,570.70
2.	Banja	Banja Ward Bursary Account	KCB, Mbale	1252503423	542,282.70
3.	Gisambai	Gisambai Ward Bursary Account	Coop, Mbale	01141472688700	1,274,509.10
4.	Jepkoyai	Jepkoyai	KCB, Mbale	1252267924	756,270.70

**Vihiga County Education Fund
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		Ward Bursary Account			
5.	Muhudu	Muhudu Ward Bursary Account	KCB, Serem	1224264193	509,270.70
6.	Shamakhokho	Shamakhokho Ward Bursary Account	KCB, Mbale	1224264290	651,212.20
7.	Tambua	Tambua Ward Bursary Account	Coop, Mbale	01141472692800	556,064.58
8.	Busali	Busali Ward Bursary Account	Coop, Mbale	01141472685000	389,569.20
9.	Chavakali	Chakali Ward Bursary Account	Coop, Mbale	01141472685900	143,534.10
10.	Lyaduywa	Lyaduywa Ward Bursary Account	Coop, Mbale	01141472688900	769,733.41
11.	North Maragoli	North Maragoli Ward Bursary Account	Coop, Mbale	01141472688800	518,458.21
12.	West Sabatia	West Sabatia Ward Bursary Account	KCB, Mbale	1252333196	258,015.70
13.	Wodanga	Wodanga Ward Bursary Account	Coop, Mbale	01141472693400	412,119.10
14.	Central Bunyore	Central Bunyore Ward Bursary Account	Coop, Mbale	01141472686100	625,321.40
15.	N.E Bunyore	N. E Bunyore Ward Bursary Account	Coop, Mbale	01141472692300	412,256.25
16.	West Bunyore	West Bunyore Ward Bursary Account	KCB, Luanda	1269437933	425,321.20
17.	Emabungo	Emabungo Ward Bursary Account	KCB, Luanda	1224273699	562,147.80
18.	Luanda South	Luanda South Ward Bursary	Coop, Mbale	01141472694000	678,125.60

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		Account			
19.	Wemilabi	Wemilabi Ward Bursary Account	KCB, Luanda	1252338465	637,388.05
20.	Luanda township	Luanda Township Ward Bursary Account	KCB, Luanda	1224273664	952,407.15
21.	Mwibona	Mwibona Ward Bursary Account	KCB, Luanda	1252315945	650,460.05
22.	Central Maragoli	Central Maragoli Ward Bursary Account	Coop, Mbale	01141472686000	825,229.60
23.	Mungoma	Mungoma Ward Bursary Account	Coop, Mbale	01141472684800	395,139.10
24.	South maragoli	South Maragoli Ward Bursary Account	Coop, Mbale	01141472505200	333,641.47
25.	Lugaga Wamuluma	Wamuluma Ward Bursary Account	Coop, Mbale	01141472685400	573,557.37

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Reports and Financial Statements
For the year ended June 30, 2022**

d) 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	Unsupported Transport Allowance- one work ticket missing and one receipt which did not indicate the litres	The receipt was one because	Partially resolved	March 2023
2	Unsupported Lunches-Failure to adhere to the human resource policy and procedures manual for the public service.	The management adheres to the human resource policy and procedures manual for the public service.	Resolved. Fund adheres to the manual	
3	Non-maintenance of imprest register	The management has adhered to the auditors recommendation.	Resolved	