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**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

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COMMITTEE	_____
CLERK AT THE TABLE	L. Mbaya

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**BUNGOMA COUNTY EDUCATION  
SUPPORT SCHEME**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE, 2021**

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

**Bungoma County Education Support Scheme  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**1. KEY BUNGOMA COUNTY EDUCATION SUPPORT SCHEME INFORMATION  
AND MANAGEMENT**

**a) Background information**

Bungoma County Education Support Scheme is established by and derives its authority and accountability from The Bungoma County Education Support Scheme Regulations, 2015 of Kenya (revised in 2019) on December, 2019. The Fund is wholly owned by the County Government of Bungoma and is domiciled in Kenya.

The fund's objective is to support needy students proceeding with secondary, tertiary and technical studies.

The Fund's principal activity is to disburse funds to schools and tertiary institutions for the support of needy students.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to support needy students and increase accessibility to secondary schools and tertiary institutions.

**c) Fund Administrator**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Cyrus Wanyonyi	Fund administrator

**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Betty Mayeku	CECM Education and Vocational Training
2	Rose Situma	Chief Officer Education and Vocational Training
3	Cyrus Wanyonyi	Director
4	Vickie Chesori	Finance Officer
5	Mark Domian	Accountant

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**e) Fiduciary Oversight Arrangements**

The fund operations are overseen by the internal audit department. The key management personnel who held office during the financial year ended 30<sup>th</sup> June, 2021 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Directorate Internal Audit	CPA, Brian Makokha

**f) Registered Offices**

P.O. Box 437  
Blackhouse Building/House/Plaza  
Moi Avenue/Road/Highway  
Bungoma, KENYA

**g) Fund Contacts**

**h) Fund Bankers**

Kenya Commercial Bank  
  
Bungoma  
  
Moi Avenue 50200  
Bungoma, Kenya

**i) Independent Auditors**







Auditor General  
Kenya National Audit Office  
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

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**2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE**

Name	Photo(s)	Date of birth	Details of qualifications and experience	Work experience
1. DR. Betty Mayeku		1977	PHD	Over 20 years
2. Rose Situma		1969	Masters	Over 30 years
3. Cyrus Wanyonyi		1973	Masters	Over 20 years
4. Vickie Chesori		1990	Degree	Over 6 years
5. Mark Domian		1985	Degree	Over 8 years
6. Peter nyukuri		1977	Degree	Over 20 years

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

**Introduction**

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

The key development objectives of the Bungoma County Government Entity's 2020-2021 plans are to:

- a) Provide for the establishment, administration, management and winding up of the Bungoma County Education Support Scheme.
- b) Make provision for the granting of scholarships and bursaries to eligible students from the County
- c) The principles for the establishment of the scheme are to-
  - increase access to quality education and training
  - support needy students proceeding to secondary, vocational, tertiary and higher education
  - promote an integrated strategic approach in addressing education, training and skills development
  - fulfil the department's social responsibility through funding of education institutions within the county
  - reduce disparities and inequalities in provision of education and training within the County
  - model an alternative framework in funding education and training programs







**Progress on attainment of Strategic development objectives (*Adopted from Bungoma County*)**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Disbursement of scholarship and bursary funds	To provide for scholarships and bursaries to students from the county	Increased transition levels from secondary to higher institutions of learning	% of students transiting to institutions of higher learning	<b>In FY 2020/21 fund did not achieve its intended target due to the Covid-19 pandemic</b>

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**4. THE MANAGEMENT TEAM**

Name	Photo(s)	Date of birth	Details of qualifications and experience	Work experience
1. DR. Betty Mayeku		1977	PHD	Over 20 years
2. Rose Situma		1969	Masters	Over 30 years
3. Cyrus Wanyonyi		1973	Masters	Over 20 years
4. Vickie Chesori		1990	Degree	Over 6 years
5. Mark Domian		1985	Degree	Over 8 years
6. Peter nyukuri		1977	Degree	Over 20 years

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**5. FUND CHIEF OFFICER'S REPORT**

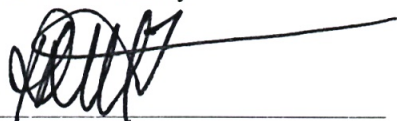
The ministry of Education plays an integral role in overseeing educational activities in the county. This is because by providing bursaries to many beneficiaries in their secondary school, literacy levels are achieved which sparks economic development. The number of students who remain in schools for periods of three and four years has significantly improved since the establishment of the bursary scheme at the inception of the county.

In the financial year 2020/2021, the fund received a total of ksh 110,000,000.00 out of which ksh. 62,000,000.00 were received during the third quarter and ksh. 48,000,000.00 were received during the fourth quarter. An approximate of 20,000 beneficiaries have been supported from this kitty.

The bursary has however faced a lot of challenges which can be summarised into inadequacy of funds disbursed to the wards against the needy students leading to low allocations of the funds per student.

However, the bursary is doing great in uplifting the socio-economic livelihoods of the needy and bright students in the county.

Signed: \_\_\_\_\_



Name: Rose Situma

Chief Officer: Education and Vocational Training

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**6. REPORT OF THE FUND ADMINISTRATOR**

The ministry of Education plays an integral role in overseeing educational activities in the county. This is because by providing bursaries to many beneficiaries in their secondary school, literacy levels are achieved which sparks economic development. The number of students who remain in schools for periods of three and four years has significantly improved since the establishment of the bursary scheme at the inception of the county.

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However, the bursary is doing great in uplifting the socio-economic livelihoods of the needy and bright students in the county.

Signed:  \_\_\_\_\_

Cyrus Wanyonyi

## **7. CORPORATE GOVERNANCE STATEMENT**

The Bungoma county scholarship and bursaries scheme was established in 2018 through a regulation of the county assembly with the purpose being to provide financial support to needy students pursuing their education and training in secondary and post-secondary institutions. The scheme is arc governed through the Bungoma county scholarship and bursaries regulation of 2019. The scheme has a two level governance structure, namely county education support management and ward bursary management committees. Currently the county scholarship committee is comprised of seven members who were appointed by county executive committee members with representation from various interest groups, such as youth, women, professional and faith based groups. The committee is chaired by the chief officer in charge of education while the fund administrator is the secretary. The fund administrator who is appointed by the county executive committee member in charge of finance is responsible for the day to day operation of the fund. The function of the committee is to receive and consider applications for scholarships, mobilise resources in support for the scheme, advice on scholarship and bursaries allocations among other functions. In the last financial year, the committee held a total of eight meeting to consider applications for scholarships from across the county. During the meeting the committee usually review the performance of the previous awards and suggest to the fund administrator mechanisms of improving performance.

At the ward level, the ward management committee is responsible for receiving and vetting applications for ward bursaries. The committee is comprised of 5 members elected from within the community with due consideration to regional balance and marginalized groups. The committee chairperson is elected by members on its first sitting and the ward administrator is the secretary. In the year under preview, the ward committees had several sitting ranging from 4 sitting to 6 sitting depending on the volume of applications received. Members of county and ward committees serve for a period of 3 years and are eligible for re-election. A member may be removed from the committee on the basis of chronic absenteeism, breach of chapter six on integrity, death among others. In the year under preview, some ward committees lost their members due to natural attrition. In order to ensure transparency, the county and ward committees publish all names of successful applicant on public notice boards. An annual performance report

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on performance of the scheme is normally prepared by the fund administrator and forwarded to forward to the county assembly.

The funds allocated to the funds are subject to audit by internal and external audit. In the years under review, the funds was audited by external auditor who returned a qualified opinion on its financial performance. In addition, to ensure prudence in financial management, the fund management strive to maintain proper financial records and tracks the utilization of the same to ensure that the funds reach the right beneficiaries. Among the steps being undertaken to ensure accountability and transparency, the fund management is developing a code of conduct for all its officials. The code will spell the do and don'ts of each official serving in the committee including issues of conflict of interest. The fund is also in the process of developing a Fund Information Management System (FMIS) to manage data both at county and ward level. The system will also enable applicants to apply online. The fund management has also put in place a robust training programme for all its officials. In the year under review, all the ward administrator were trained on the operations of the funds. It is envisioned that all committee members will be trained. The fund management is also in the process of developing a monitoring and evaluation framework. This will enable the fund to undertake periodic monitoring and evaluation of its activities. Consequently, recommendations from the monitoring and evaluation will be incorporated in future operations of the fund.

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**8. MANAGEMENT DISCUSSION AND ANALYSIS**

The scheme has continued to expand and support more students since its inception in 2019. The county government continues to put more emphasis on the education of the children of Bungoma County. Consequently it continues to allocate funds on its budget estimate for the purpose. The table below shows the funds allocated by the county government towards the fund since 2018/18 financial year to date.

Table 1: Amount of Funds Budgeted Vs. Funds Released

Year	Amount budgeted	Actual amount released
2020/21	110,000,000	110,000,000
2019/20	240,000,000	170,000,000
2018/19	190,000,000	190,000,000

Table 1.0 shows that in 2020/21 financial year, the county allocated kshs 110,000,000 was budgeted for the scheme and all of it was released by the national treasury. The low allocation was occasioned by the changes in the academic year occasioned by the COVID 19 pandemic. Due to the same reason, the county government had allocated kshs 240million for scholarship and bursaries but only kshs 170million was released. In 2018/19 financial year, kshs 190million was allocated for scholarships and bursaries and all the funds were released from national treasury.

As a result of the timely release of funds and support from the local communities, the funds has performed relatively well. Table 2.0 show the number of scholarship beneficiaries since 2019.

**Table 2.0: Number of Scholarship beneficiaries since 2018/2019**

Financial Year	Number of scholarship beneficiaries
2020/21	1625
2019/20	550
2018/19	456

Table 2.0 shows that the number of beneficiaries between 2018/19 and 2020/21. The number of beneficiaries under scholarship programme increased from 456 in 2018/19 to 1625 in 2020/21. During the same period, the scheme provided bursaries to a number of students in secondary, tertiary and universities. Table 3 below show the distribution of bursary allocation from 2018/19 to 2020/21 financial year.

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**Table 3: number of bursary beneficiaries since 2018/19 financial year.**

<b>Financial Year</b>	<b>Number of bursary beneficiaries</b>
2020/21	9,000
2019/20	12,680
2018/19	22,367

In the performance of its mandate, the fund management strictly adhered to the provisions of the constitution of Kenya, article 43(1) which advocates for the right of the children including right to education, Article 53(1) (b) which states every child has the right to free and compulsory basic education. In schedule 4 of the constitution, the county government is also assigned the function of managing the education sector. The public finance management act (2012) provides for the establishment and management of funds. Under the act, section 116 provides that the county executive committee member or finance may establish other public funds with approval of the county executive committee and county assembly. The county government act (2012) and the Bungoma county scholarship and bursaries regulations (2019) provides for the establishment and operationalization of the scheme.

Despite its performance, the scheme is faced with a number of risks and uncertainties. For instance, changes of government policy is likely to affect its continuity especially when an incoming government decides to do away with it. The scheme is also faced with issues of untimely release of funds which leads to delay in processing of payments to schools. The scheme may also suffer from disasters and pandemics which may force government to change its priorities. During the COVID 19 pandemic, the government did not release all the funds allocated to the scheme since most resources were reallocated towards fighting the pandemic.

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**9. CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY**

The establishment of scholarship and bursary scheme demonstrates that the county government is committed to the enhancement of education for its population. Scholarships and Bursaries is one of the most direct ways for the county government to give back to its community and help alleviate poverty. Due to the increasing cost of education costs, needy students are able to access financial assistance and continue with their education. The establishment of the scholarship and bursary scheme shows that the county government of Bungoma is keen at promoting education in the county. The scholarship program is also tied in other CSR goals and initiatives of the county. Through the programme, the county government that has demonstrated its desire to build holistic human beings who are able to contribute positively to economic development.

The scholarship and bursaries programme has also enabled the county government to improve the perception among young people and the society in general on the importance of education. Another aspect of the programme is that it encourage beneficiaries to voluntarily contribute to the scheme when they are employed upon completion of their studies. This will ensure the sustainability of the programme. The county government also encourages the business community and other professional to contribute so as to support more needy students

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**10. REPORT OF THE TRUSTEES**

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

**Principal activities**

The principal activities of the Fund continue to be the support of needy students

**Results**

The results of the Fund for the year ended June 30, 2021 are set out on page 10.


**Trustees**

The members of the Board of Trustees who served during the year are shown on page iii.

**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.

The report of the trustees was signed on its behalf by the Fund Administrator

Signed:  \_\_\_\_\_ -

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**11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *the Bungoma Bursary Fund Regulations, 2015 of Kenya (Revised in 2019)*, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The 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 and *the Bungoma Bursary Fund Regulations, 2015 of Kenya (Revised in 2019)*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

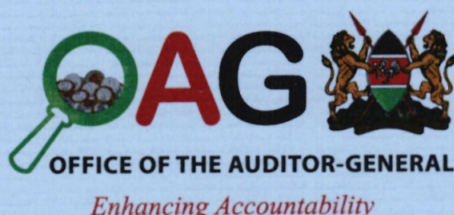
The Fund's financial statements were approved by the committee on **14 APRIL, 2022** and signed on its behalf by:



\_\_\_\_\_  
Fund administrator of the Fund

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON BUNGOMA COUNTY EDUCATION SUPPORT SCHEME FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Bungoma County Education Support Scheme set out on pages 17 to 43, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of

significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Bungoma County Education Support Scheme as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and Bungoma County Education Support Scheme Regulations, 2019.

## **Basis for Qualified Opinion**

### **1. Variances between Financial Statements and the Ledger Balances**

The statement of financial performance reflects scholarships and other educational benefits of Kshs.98,884,441 and as disclosed under Note 2 to the financial statements. The amount includes grants and transfers to national schools and secondary schools of Kshs.23,716,667 and Kshs.44,113,414 respectively. However, the supporting schedules supported an amount of Kshs.28,695,336 and Kshs.51,164,238 respectively, resulting into unreconciled amounts of Kshs.4,978,669 for national schools and Kshs.7,050,824 for secondary schools.

In the circumstances, the accuracy of the financial statements could not be confirmed.

### **2. Unsupported Bursary and Scholarship Disbursements**

The statement of financial performance and as disclosed in Note 2 reflects expenditure of Kshs.98,884,441 in respect to disbursements for scholarships and other educational benefits to secondary schools, national schools, vocational training centres, special institutions, colleges and universities. However, the amount of Kshs.98,884,441 includes transfers of Kshs.23,716,667 to national schools which further includes an amount of Kshs.1,606,000 which was not supported by acknowledgement slips from the recipient schools.

Further, the amount of Kshs.98,884,441 includes disbursements of Kshs.4,087,000 to colleges which further includes an amount of Kshs.332,000 which was not supported by acknowledgements from the recipient colleges.

In addition, the transfers of Kshs.98,884,441 includes disbursements of an amount of Kshs.22,010,000 made to vocational training centres which further includes an amount of Kshs.6,400,000 which was not supported by acknowledgement receipts from relevant institutions.

In the circumstances, completeness and accuracy of the expenditure totaling Kshs.8,338,000 disbursed to various learning institutions could not be confirmed.

### **3. Unconfirmed Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.13,561,019 and as disclosed in Note 4 to the financial statements which relates

to the Scheme's current bank account. However, the bank reconciliation statement for the month of June, 2021 reflects payments in cash book not in bank statement of Kshs.2,528,741 which further includes stale cheques of Kshs.835,710 that had not been reversed in the cash book as at the time of audit in September 2022.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.13,561,019 could not be confirmed.

#### **4. Inaccurate Comparative Balances**

The financial statements for the year ended 30 June 2021 reflects Kshs.165,342,411 and Kshs.5,745,460 in respect to scholarships and other educational benefits and cash and cash equivalents comparative balances. However, the audited financial statements for 2019/2020 reflects amounts of Kshs.150,861,337 and Kshs.20,226,634 respectively. The variance of Kshs.14,481,074 and Kshs.14,481,174 respectively was not explained or reconciled. Further, although the statement of financial position indicates the balances for 2019/2020 were restated, no evidence was provided including restated financial statements to support the restatements.

In the circumstances, the accuracy of the comparative balances in the financial statements for the year ended 30 June, 2021 could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

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

The statement of comparison of budget and actual amounts reflects budgeted expenditure of Kshs.110,000,000 while actual expenditure was Kshs.102,184,441 resulting to an under-expenditure of Kshs.7,815,559. The under expenditure denied the County residents the expected services.

Further, the approved budget of the Scheme for the year under review was not provided.

As a result, the source of the balances reflected in the statement of comparison of budget and actual amounts could not be confirmed.

## 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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 Scheme's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Scheme or to cease operations.

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

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

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

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

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Scheme'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 that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of 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 Scheme'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 Scheme to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**21 July, 2022**

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**13. FINANCIAL STATEMENTS**

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


	Note	2020/2021	2019/2020
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	1	110,000,000	170,000,000
<b>Revenue from exchange transactions</b>			
<b>Total revenue</b>		<b>110,000,000</b>	<b>170,000,000</b>
<b>Expenses</b>			
Scholarships and other educational benefits	2	98,884,441	165,342,411
General expenses	3	3,300,000	5,100,000
<b>Total expenses</b>		<b>102,184,441</b>	<b>170,442,411</b>
<b>Surplus/( deficit) for the period</b>		<b>7,815,559</b>	<b>(442,411)</b>


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**13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

			<b>Restated</b>
	<b>Note</b>	<b>2020/2021</b>	<b>2019/2020</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	13,561,019	5,745,460
<b>Total assets</b>		<b>13,561,019</b>	<b>5,745,460</b>
<b>Liabilities</b>			
<b>Total Liabilities</b>			
<b>Net assets</b>			
Accumulated surplus/(deficit)		13,561,019	5,745,460
<b>Total net assets and liabilities</b>		<b>13,561,019</b>	<b>5,745,460</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were approved on 14 APRIL, 2022 and signed by:

  
 Administrator of the Fund  
 Name: CHRIS WANYONYI

  
 Fund Accountant  
 Name: Mark Domian  
 ICPAK NO.

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**13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30<sup>TH</sup> JUNE 2021**

	<b>Revolving Fund</b>	<b>Revaluation Reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
		<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Balance as at 1 July 2019</b>	-	-	<b>6,187,971</b>	<b>6,187,971</b>
Surplus/(deficit) for the period	-	-	- 442,511	- 442,511
Funds received during the year	-	-	170,000,000	<b>170,000,000</b>
<b>Balance as at 30 June 2020</b>	-	-	<b>5,745,460</b>	<b>5,745,460</b>
<b>Balance as at 1 July 2020</b>	-	-	<b>5,745,460</b>	<b>5,745,460</b>
Surplus/(deficit) for the period	-	-	7,815,559	<b>7,815,559</b>
Funds received during the year	-	-	110,000,000	<b>110,000,000</b>
<b>Balance as at 30 June 2021</b>	-	-	<b>13,561,019</b>	<b>13,561,019</b>

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**13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

			<b>RESTATED</b>
	<b>Note</b>	<b>2020/2021</b>	<b>2019/2020</b>
		<b>KShs</b>	<b>KShs</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	1	110,000,000	170,000,000
<b>Total Receipts</b>		<b>110,000,000</b>	<b>170,000,000</b>
<b>Payments</b>			
Scholarships and other educational benefits	2	98,884,441	165,342,411
General expenses	3	3,300,000	5,100,000
<b>Total Payments</b>		<b>102,184,441</b>	<b>170,442,411</b>
<b>Net cash flows from operating activities</b>		<b>7,815,559</b>	<b>- 442,411</b>
<b>Cash flows from investing activities</b>			
<b>Net cash flows used in investing activities</b>			
		-	-
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>			
		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,815,559</b>	<b>442,411</b>
Cash and cash equivalents at 1 JULY		5,745,460	6,187,871
<b>Cash and cash equivalents at 30 JUNE</b>	4	<b>13,561,019</b>	<b>5,745,460</b>

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13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2020	2020	2020	2020	2020	2020
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Transfers from County Govt.	124,336,685	-	110,000,000	110,000,000	-	100%
<b>Total income</b>	<b>124,336,685</b>	<b>-</b>	<b>110,000,000</b>	<b>110,000,000</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
General Expenses	3,730,101	-	3,300,000	3,300,000	-	1.00
Other Grants and Transfers and Payments	120,606,584	-	106,700,000	98,884,441	7,815,559	93%
<b>Total expenditure</b>	<b>124,336,685</b>	<b>-</b>	<b>110,000,000</b>	<b>102,184,441</b>	<b>7,815,559</b>	<b>93%</b>
<b>Surplus/Deficit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,815,559</b>	<b>7,815,559</b>	<b>0</b>

Notes

- a) The adjustments of ksh. 14,336,685.00 from the original budget of ksh. 124,336,685 to the final budget of ksh 110,000,000 are due to supplementary estimates.
- b) Total expenses of ksh. 102,184,441.00 is represented by Scholarship and Other Educational Benefits of ksh. 98,884,441.00 and administrative expenses of ksh 3,300,000.00

## **17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **1. Statement of compliance and basis of preparation**

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

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

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

**b) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021.

**3. Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**1. Budget information**

The original budget for the financial year 2020/2021 was approved by the County Assembly on May, 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded a decrease in appropriations of ksh 14,336,685.00 on the 2020-2021 budget following the governing body's approval. Thus, the final budget was ksh. 110,000,000.00

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

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

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

**4. Property, plant and equipment**

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

## **2. Intangible assets**

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

## **3. Financial instruments**

### **a) Financial assets**

#### **Initial recognition and measurement**

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

#### **Loans and receivables**

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

#### **Held-to-maturity**

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

#### **Impairment of financial assets**

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

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

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

***b) Financial liabilities***

**Initial recognition and measurement**

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

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

**Loans and borrowing**

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

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

**4. Inventories**

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

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

- 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.

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

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

## **5. Provisions**

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

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

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

### **Contingent liabilities**

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

### **Contingent assets**

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

## **6. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

## **7. Changes in accounting policies and estimates**

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

**8. Employee benefits – Retirement benefit plans**

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

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

**9. 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.

**10. 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 Chief Officer, the Fund Administrator and Fund Accountant.

**11. Cash and cash equivalents**

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

**12. Comparative figures**

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

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**13. Events after the reporting period**

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

**14. Ultimate and Holding Entity**

The entity is a County Public Fund established by The Bungoma County Education Support Scheme Regulation, 2015(revised 2019) under the Department of Education and Vocational Training. Its ultimate parent is the County Government of Bungoma.

**15. Currency**

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

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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**17. 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 entity's management based on prior experience and their assessment of the current economic environment.

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

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**c) Market risk**

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

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

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

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

**d) Interest rate risk**

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

**Management of interest rate risk**

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

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**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.

**e) 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.

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**18. NOTES TO THE FINANCIAL STATEMENTS**

**1 Transfers from County Government**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfers from County Govt. – operations	110,000,000	170,000,000
<b>Total</b>	<b>110,000,000</b>	<b>170,000,000</b>

**2 Scholarships and Other Educational Benefits**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Other grants and transfers		
Secondary schools	44,113,414	83,985,800
National schools	23,716,667	44,825,537
Vocational Training Centres	22,010,000	8,579,000
Special Institutions	266,860	240,000
Colleges	4,087,000	13,513,037
Universities	4,690,500	14,199,037
<b>Total</b>	<b>98,884,441</b>	<b>165,342,411</b>

**3 Administrative Expenses**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Administrative expenses		
Printing and stationery expenses	712,794	2,312,794
Travel costs	700,000	900,000
Hospitality	1,653,840	1,653,840
Bank Charges	233,366	233,366
<b>Total</b>	<b>3,300,000</b>	<b>5,100,000</b>

**4 Cash and Cash Equivalents**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Current account	13,561,019	5,745,460
<b>Total cash and cash equivalents</b>	<b>13,561,019</b>	<b>5,745,460</b>

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

<b>Financial institution</b>	<b>Account number</b>	<b>2020/2021</b>	<b>2019/2020</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Current account</b>			
Kenya Commercial Bank	1182244041	13,561,019	5,745,460
<b>Total</b>		<b>13,561,019</b>	<b>5,745,460</b>

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**19. PROGRESS ON FOLLOW UP OF AUDITOR 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	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p><b>4.1 Misrepresentation of the Name of the Fund</b></p> <p>The name of the Scheme stated in the annual reports and financial statements for the year ended 30 June 2020, is “Bungoma County Bursary Fund”. However, according to Bungoma County Education Support Scheme Regulations, 2019 that established the Scheme, the name of the scheme is indicated as</p>	<p>: The name of the fund has now been corrected from “Bungoma County Bursary Fund” to “Bungoma County Education Support Scheme”. See attached copy of the financial statement for your reference.</p>	<p>CECM, Chief Officer and Director</p>	<p>Resolved</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	“Bungoma County Education Support Scheme”.				
<b>Basis for Conclusion</b>					
	<b>4.2 Trial Balance not Aailed</b> Management did not avail a trial balance of Fund as at 30 June 2020.	The Trail Balance has been availed for audit review.	Chief Officer and Fund Administrator	Resolved	
<b>Basis for Conclusion</b>					
1	<b>4.3 Accuracy of Scholarships and Other Educational Benefits</b> The statement of financial performance for the financial year ended 30 June 2020 reflects scholarship and other	The figure of kshs. 115,528.00 had been captured twice in the ledgers that were presented for audit verification under Elgon ward. This	Chief Officer, Fund administrator and fund accountant	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	educational benefits amount of Kshs.150,861,337 which differs with payments relating to scholarship and other educational benefits totaling Kshs.150,976,865 captured in the ledger by un-reconciled variance of Kshs.115,528.	error was rectified and hence the total of receipts and payments was kshs. 150,861337.00 and not kshs. 150,976,865.00 as			
2	<p><b>4.4 Accuracy of Cash and Cash Equivalent</b></p> <p>The statement of financial position as at 30 June 2020 reflects cash and cash equivalents balance of Kshs.20, 226, 634 which is the balance as per bank statement. According to bank reconciliation statement for the month of June 2020, bank balance as per cash book as at 30 June 2020 was Kshs.5,745,460, unrepresented</p>	The Financial Statements as at 30 <sup>th</sup> June, 2020 for the fund have been amended to reflect the accurate figures for cash and cash equivalent.	Fund administrator	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>cheques amounted to Kshs.19,912,795 and payments in bank statement not in cashbook totalled Kshs.5,431,621. This means that the adjusted cash and cash equivalents balance as at 30 June 2020 which should have been reported in the statement of financial position was Kshs.313,839. Therefore, the reported cash and cash equivalents amount of Kshs.20,226,634 differs with adjusted bank balance as per cashbook of Kshs.313,839 by the unrepresented cheques of Kshs.19,912,795.</p> <p>Further, bank balance as per cash book figure of Kshs.5,745,460 reflected in the reconciliation statement differs with a corresponding balance of Kshs.5,716,710 shown in</p>				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the cashbook by un-reconciled variance of Kshs.28,750.				
	<p><b>4.5 Non-Compliance with the Public Sector Accounting Standards Board Reporting Template</b></p> <p>Paragraph 1.1 of the Circular AG.4/16/3 Vol. 1 (9) of 24 June, 2020 provides that the purpose of the Circular is to provide revised reporting templates for the annual financial statements as prescribed by the Public Sector Accounting Standards Board (PSASB) to enable entities comply with statutory requirements for end of the year reporting.</p> <p>Further, County Funds and Schemes were required to</p>	<p>The Financial Statements as at 30<sup>th</sup> June, 2020 for the fund have been amended to include a Statement of Performance against the Fund's Predetermined Objectives.</p>	<p>Fund administrator</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	prepare financial statements for the year ended 30 June 2020 using the County Public Funds and Schemes - IPSAS Accrual Financial Template for FY 2019- 2020 Revised June 2020.				
	<p><b>4.5.1 Unsupported Award of Bursaries/Scholarships to School Students – Kshs.6,995,364</b></p> <p>Included in the scholarship and other educational benefits figure of Kshs.150,861,337 reflected in the statement of financial performance, is an amount of Kshs.6,995,364, detailed in the <b>Appendix</b> , in respect of bursary/scholarships.</p>	At the time of audit, the department of education had not received all the acknowledgement receipts from schools and institutions. This was occasioned by closure of schools and institutions due to outbreak of the Covid-19 pandemic.	Chief Officer and Fund Administrator		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>However, acknowledgement receipts from the relevant institutions and approval from the County Education Support Scheme Committee were not availed for audit verification and scrutiny. As a result, it was not possible to verify the existence of the students who benefited or the authenticity and validity of the awards.</p>	<p>Consequently, acknowledgements and receipts could not be retrieved from these institutions. The management will ensure the supporting documents are availed for audit verification once schools open. Approvals from the county education support scheme committees will also be done.</p>			
	<p><b>4.5.2 Unsupported Award of Bursaries to Vocational College Students – Kshs.8,579,000</b></p>	<p>At the time audit, the application forms and approvals from the ward bursary scheme were held at the ward level</p>	<p>Chief Officer and Fund Administrator</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Also Included in the scholarship and other educational benefits amount of Kshs.150,861,337 are bursaries totaling Kshs.8,579,000 which were awarded to students in Vocational Training Colleges (VTC) However, these bursary awards were not supported with the relevant application forms approved by both the Ward Education Support Scheme Management Committee and the County Education Support Scheme Committee. As a result, it was not possible to verify the existence of the students who benefited or the authenticity and validity of the awards.</p>	<p>and could not be forwarded at the headquarter due to closure of this institutions brought about by the outbreak of COVID-19 pandemic. These forms will be availed for audit verification once schools open.</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue ( <i>Name and designation</i> )	Status: ( <i>Resolved / Not Resolved</i> )	Timeframe: ( <i>Put a date when you expect the issue to be resolved</i> )

