

REPORT

PAPERS LAID	
DATE	25/10/2022
TABLED BY	Sen. Majority Whip
COMMITTEE	_____
CLERK AT THE TABLE	Ms. M. Adjibadou

OF

THE AUDITOR-GENERAL

ON

**COUNTY GOVERNMENT OF MOMBASA
ELIMU FUND**

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



COUNTY GOVERNMENT OF MOMBASA
ELIMU FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

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

ELIMU FUND
Reports and Financial Statements
For the year ended June 30, 2021

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Elimu Fund is established by and derives its authority and accountability from Mombasa County Education Development Act 2014 and Amendment Act 2017. The Fund is wholly owned by the County Government of Mombasa and is domiciled in Kenya. The fund's objective is to administer the disbursement of loans and bursaries.

The Fund's principal activity is to issue bursaries and loans to needy and bright students of Mombasa County and solicit funds.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to solicit for funds and administer bursaries and loans to the needy and bright students of Mombasa County.

c) Board of Trustees

Ref	Position	Name
1	Chairman of the Board	N/A
2	Trustee	Aatifa Essa
3	Trustee	Nancy W. Mwashumbe
4	Trustee	Jackline Aming'a
5	Trustee	Arnold Deche
6	Chief Officer-Finance	Asha Abdi
7	Ag. Chief Officer- Education	John Musuva
8	CEO Elimu Development Corporation	N/A
9	Ag. Fund Manager/Administrator	John Musuva

d) Key Management

Ref	Position	Name
1	Ag. Fund Manager/ Administrator	John Musuva
2	Bursary Manager	Randiek Odida
3	Assistant Bursary Manager	Alhadin Athman

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Ag. Director, Internal Audit	Robert Abiero

f) Registered Offices

Bima Tower 4th Floor
Digo Road
P.O. Box 90381
80100
Mombasa, Kenya

g) Fund Contacts

E-mail: elimufund@mombasa.go.ke
Website: www.mombasa.go.ke

h) Fund Bankers

Kenya Commercial Bank
Treasury Square Branch
P.O. Box 90254
80100
Mombasa, Kenya

i) Independent Auditors




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

j) Principal Legal Adviser

County Attorney
Office of the County Attorney
County Government of Mombasa
Bima Tower, Digo Road
P.O. Box 90440
80100
Mombasa, Kenya

2. THE BOARD OF TRUSTEES

NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
 <p>AATIFA ESSA</p>	<p align="center">BOARD MEMBER</p> <p>Ms. Aatifa Essa was appointed as a Board member in April 2016. She holds a B.Eng. in Chemical Engineering from University of Nottingham, UK, Level 3 Information Technology from British Institute of Technology and E- Commerce, UK. She is currently the Managing Director, Café Arabika.</p>
 <p>NANCY W. MWASHUMBE</p>	<p align="center">BOARD MEMBER</p> <p>Ms. Nancy Mwashumbe was appointed as a Board member in April 2016. She holds a Bachelors Degree of Education from Moi University. She's currently Acting Deputy Principal at Coast Girls High School - Mombasa</p> <p>She is also a member of the Executive Committee of KNUT Mombasa Branch</p>
 <p>JACKLINE AMING'A</p>	<p align="center">BOARD MEMBER</p> <p>Ms. Jackline Aming'a was appointed as a Board member in April 2016. She holds a Bachelor of Education from Mt. Kenya University, Diploma in Media Studies – Freelance and Feature writing from Institute of Commercial Management - ICM UK. She currently the Head of School – Oshwal Academy Mombasa.</p>

 <p>ARNOLD DECHE</p>	<p style="text-align: center;">BOARD MEMBER</p> <p>Mr Arnold Deche was appointed as a Board member in April 2016. He holds a Bachelor of Architecture from University of Nairobi. He is the Principal and Founder of A.D Designs Architects Mombasa with responsibilities of sourcing projects, brief formulation and designs supervision up to practical handing over. He is also a registered member of Board of Architects and Quantity Surveyors (BORAQS) and also a registered corporate member of Architectural Association of Kenya</p>
 <p>ASHA ABDI</p>	<p style="text-align: center;">BOARD MEMBER</p> <p>Ms. Asha Abdi is an Ex Officio member of the Board since June 2019. She is the County Chief Officer of Finance & Economic Planning Mombasa County. She holds a Bachelors of Economics from University of Nairobi and is currently completing her Master's Degree in Project Planning & Management. She has vast experience in both the public and private sector. She served in the County Government of Isiolo as the County Executive for Health and later as the County Executive for Finance.</p>
 <p>JOHN MUSUVA</p>	<p style="text-align: center;">Ag. FUND ADMINISTRATOR/BOARD SECRETARY</p> <p>He was appointed on the position in April 2016. He holds a Global MBA in Finance and Marketing from Eastern University, Philadelphia USA and a Bachelor of Commerce degree in Business Administration from Daystar University. He has over 28 years' experience in various sectors in Kenya and USA. As the CEO & Fund Administrator, he is responsible of the day-to-day management, coordination and administration of the activities of the Elimu Fund.</p>

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

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012, requires that the accounting officer shall include in the financial statements – a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Elimu Fund 2019 – 2023 plans are to:

1. To improve the transition rates.
2. To raise funds from donors.
3. To develop human resource.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Bursaries and Scholarships	Allocation of bursaries and scholarships to needy special needs, secondary, college and university students	Improved Transition rate from different levels of Education	Bursaries issued to over 18,000 students in over 1,700 institutions	In FY 20/21 Doubled the number of beneficiaries from the previous year.
Human Resource Development	Capacity Build the staff and Board	Improved delivery of service to all stakeholders	Elimu Fund Organogram	Selected Courses for Board Members and the Elimu Fund Secretariat

4. MANAGEMENT TEAM

NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
 <p>JOHN M. MUSUVA</p>	<p>Ag. FUND ADMINISTRATOR</p> <p>John was appointed TO the position in April 2016. He holds a Global MBA in Finance and Marketing from Eastern University, Philadelphia USA and a Bachelor of Commerce degree in Business Administration from Daystar University. He has over 28 years' experience in various sectors in Kenya and USA. As the Fund Administrator, he is responsible of the day-to-day management, coordination and administration of the activities of the Elimu Fund.</p>
 <p>RANDIEK ODIDA</p>	<p>BURSARY MANAGER</p> <p>Mr. Odida is the Bursary Manager since his appointment in February 2017. He holds a Bachelor of Science in Business Statistics from Makerere University. He has 7 years' experience in Bursary Management both as an Intern in the Department of Education - Mombasa County and as a Bursary Manager at Elimu Fund. He takes responsibility of the day-to-day management of the Bursary team of 8 Personnel.</p>
 <p>ALHADIN ATHMAN</p>	<p>ASSISTANT BURSARY MANAGER</p> <p>Mr. Athman is the Assistant Bursary Manager of Elimu Fund since his appointment on February 2017. He holds a Diploma in Journalism and Mass Communication from Mombasa Aviation Training College. He has 7 years' experience in Bursary Management in the Department of Education- Mombasa County and at Elimu Fund. He assists the Bursary Manager in the management of Elimu Fund.</p>

5. FUND CHAIRPERSON'S REPORT

Education is a key pillar for social protection and development in Mombasa County and in Kenya. Subsequently, the County Government of Mombasa continues to invest heavily in the education sector.

This heavy investment in education is imperative to develop skilled and employable human capital. Access to education is viewed as the key weapon of getting out of the poverty trap, as well as improved individual standards of living. This has consequently translated into a rise in the demand for bursary both in terms of volumes and in terms of value.

The Elimu Fund, through the mandate assigned to it by the Mombasa County Education Development Amendment Act 2017, has therefore remained focused for the last 6 years on providing bursaries to an increasing number of youths pursuing education.

Notable achievements during this financial year were funding education for over 18,000 Mombasa County students studying in over 1,700 learning institutions from Secondary, Special Schools, Colleges and University nationwide, enabling them to continue with their education and enhance their future.

These financial statements provide information on the funds generated and applied during the year under review. It is my belief that the annual financial statements present fairly the state of affairs of the Elimu Fund Mombasa.

I note that the Fund is in the process of development of programmes aimed at mobilization of funds so as to be able to increase the number of students accessing bursaries and scholarships.

The Fund remains committed to transforming the lives of Mombasa residents by providing bursaries and loans to those who are pursuing their education as a key weapon to confront the challenges of poverty.

In conclusion, I wish to take this opportunity to appreciate support from the County Government of Mombasa, fellow Board members, staff and management for their support during the year under review.

Signed: _____

Aatifa Essa.

Ag. Chairperson – Board of Trustees Elimu Fund for the meeting held on 24th September 2021.

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

During the year under review, bursaries were awarded to applicants in the following six education categories:

- a) Secondary school: The amount awarded were as follows:
 - a. Day school - Kshs. 6,000.
 - b. Boarding school - Kshs. 9,000.
- b) Special needs students were awarded Kshs.10,0000.
- c) College students were awarded Kshs. 8,000.
- d) University students were awarded Kshs. 9,000
- e) Driving school students were awarded Kshs. 10,000
- f) City polytechnic students were awarded 70% of their total fees.

Each beneficiary was handed their individual cheque and this created a buzz in the community and a boost in confidence in the County's ability to assist needy students to continue with their education, especially the fact that the awards were commensurate to the amount of tuition fee.

In 2021, Elimu Fund was directed by the new draft regulations that are aimed at efficiently guiding the award process for both Bursaries and Scholarships, and streamlining the legal processes as part of the many lessons that we have learnt from last year's audit. The Regulations are yet to be approved by the County Assembly.

Elimu Fund is determined to source funds from both local and foreign donors and not just from the County Government. Inadequate financial resources have limited the funds ability to award bursaries to all applicants. The table below shows the performance of Elimu fund on award of Bursaries over- the last six (6) years.

BURSARY BENEFICIARIES BY YEAR AND EDUCATION CATEGORIES					
YEAR	SECONDARY	COLLEGES; City Polytechnic; and Driving Schools	SPECIAL NEEDS	UNIVERSITY	TOTAL
2015	4,136	570	28	1,126	5,860
2016	9,764	2,745	107	1,937	14,553
2017	15,403	5,312	325	2,111	23,151
2018	8,514	-	532	-	9,046
2019	7,976	-	444	1,316	9,736
2021	13,219	2,770	693	1,726	18,408
TOTAL	59,012	11,397	2,129	8,216	80,254
BURSARY AMOUNTS BY YEAR AND EDUCATION CATEGORY					
YEAR	SECONDARY	COLLEGES; CITY POLYTECHNIC; AND DRIVING SCHOOLS	SPECIAL NEEDS	UNIVERSITY	TOTAL
2015	28,952,000.00	5,700,000.00	280,000.00	16,890,000.00	51,822,000.00
2016	68,348,000.00	21,960,000.00	1,070,000.00	15,496,000.00	106,874,000.00
2017	107,821,000.00	45,152,000.00	3,250,000.00	18,999,000.00	175,222,000.00
2018	87,600,000.00	-	5,320,000.00	-	92,920,000.00
2019	72,325,000.00	-	4,440,000.00	13,160,000.00	89,925,000.00
2021	104,226,000.00	27,350,100.00	6,930,000.00	15,529,000.00	154,035,100.00
TOTAL	469,272,000.00	100,162,100.00	21,290,000.00	80,074,000.00	670,798,100.00

REPORT OF FUND MANAGER/ADMINISTRATOR (CONTINUED)

Challenges and Key Board decisions in FY 2020/2021

- The County Bursary should be timed according to opening of Schools; this is a key factor in reducing child drop out during beginning of school years. The Bursaries are determined by the current funds availed to Elimu Fund which do not necessarily adhere to school open dates.
- The Bursary should be made available to all the Needy students of Mombasa County and not just the best performers. There should not be a grading criterion for the Bursaries; all Needy students should be given an equal opportunity.
- Engage and collect views from various key stakeholders across the County to help us improve our networks and process and service delivery.
- The Board approved the total budget of Kshs 211,890,000 for FY2020/2021 and sent it to the CEC for Education onward to the County Assembly for Approval.
- Elimu Fund will facilitate payment of the sponsored students of Mombasa City Polytechnics. Monitoring & Evaluation of the program will be done by the Elimu Fund but the technical side of things is left to the TVET officers domiciled at the Department of Education.
- The Fund may in future review the 70% Scholarship rule and may also choose to fully sponsor needy cases.

Key Objectives of the Fund in the coming Financial Year

- Have the new Regulations approved and adopted by the County Assembly.
- Consultancy for provision of resource mobilization services
- Run the Loans and Scholarship program effectively in addition to Bursaries
- Develop a 5-year strategic plan.
- Recruit additional staff to run Elimu Fund and achieve its mandate.
- Capacity Build the staff and Board to improve delivery of services to all stakeholders.
- Engage with local, national and international partners to fund various financial aid programs.
- Seek to digitize the application of Bursaries to improve service delivery and reduce costs.
- Develop an Elimu Fund interactive Website and have a vibrant and engaging social media presence.

We look forward to increasing opportunities to empower the youth and children of Mombasa to enhance their education, which will improve their future.

Signed:


John M. Musuva

7. CORPORATE GOVERNANCE STATEMENT

STATEMENT THE BOARD

The Elimu Fund is constituted as per the Mombasa County Education Development Act 2014 and Amendment Act 2017 and is administered by the Fund Administrator, who is responsible for the day-to-day management of the fund. It also has a Board of Trustees headed by the chairperson responsible for the general policy and strategic direction of the fund.

The Fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the Fund is a formal governance structure with the Board of Trustees at its apex. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

THE BOARD OF TRUSTEES

The Board of Trustees shall be made up of eight trustees, who consist of a chairperson and seven other members identified for appointment by the CEC in charge of Education. The Board of Trustees is responsible for the long-term strategic direction of the Fund and recruitment of the Fund Administrator and senior management. The Board of Trustees 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 aid to needy students in Mombasa County.

All members of the Board of Trustees have been taken through a comprehensive induction programme and are adequately trained on their roles as board members. 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, individual trustees and the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.

CONFLICT OF INTEREST

Members of the Board of Trustees or Companies in which they hold shares shall not be allowed to bid for the Fund's contracts and any other activity of the Fund that may raise conflict of interest within the Fund.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD MEETINGS

The Board of Trustees meets quarterly or as required in order to monitor the implementation of the Fund's mandate. The Board of Trustees also approves all the bursary payments to beneficiaries.

Below is the table showing the Elimu Fund Board meeting attendance and remuneration.

Board Member	No. of Meetings Attended	Board Allowance	Audit Committee Allowance	Total
Aatifa Essa	4	30,000.00	10,000.00	40,000.00
Arnold Deche	3	30,000.00		30,000.00
Jackline Aming'a	4	30,000.00	10,000.00	40,000.00
Nancy Mwashumbe	3	30,000.00		30,000.00
Asha Abdi	4	12,000.00	4,000.00	16,000.00
Innocent Mugabe	3	12,000.00		12,000.00
John Musuva	4	12,000.00	4,000.00	16,000.00
Grand Total		156,000.00	28,000.00	184,000.00

STATEMENT OF COMPLIANCE

The Board of Trustees confirms that the Fund has throughout the FY2020/2021, complied with all statutory and regulatory requirements in disbursement of bursaries and that the Fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

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. These controls are designed to manage rather than eliminate the risk of failure to achieve objectives

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained throughout its processes and performance. The Fund has identified training needs and will initiate plans so that the staff will be trained, equipped and prepared so that they can implement the Fund policies and functions.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Strategic Plan

The Fund is working on its strategic plan, which will be for 5 years from 2019 to 2023. The strategic plan will set out the objectives of the Fund, and the annual targets to be met to attain those objectives in the following years. The strategic plan will be evaluated quarterly to assess the achievement of those objectives. Progress against the plan will be monitored frequently.

Management Team

The management team headed by the Fund Administrator Mr John Musuva, implements the board decisions and policies through action plans. 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.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

Category	Awarded Amount	No. of Beneficiaries	Amount Awarded
Secondary			
<i>Day:</i>	6,000.00	4,915	29,490,000.00
<i>Boarding:</i>	9,000.00	8,304	74,736,000.00
Colleges	8,000.00	1,072	8,576,000.00
City Polytechnic	-	108	2,935,100.00
University	9,000.00	1,726	15,529,000.00
Driving school	10,000.00	1,590	15,839,000.00
Special Needs	10,000.00	693	6,930,000.00
Total		18,408	154,035,100.00

Elimu Fund Key Projects

Bursary assistance to Needy students in Mombasa County at all categories of Education: Special Needs Schools, Secondary Schools, Colleges and Driving Schools.

Elimu Fund aims at helping more needy students from Mombasa County and Kenya at large. To achieve this goal, Elimu Fund plans to solicit funds from both local and foreign investors as well as lobbying for more allocation from the County Government of Mombasa.

Elimu Fund aims at having the new Regulations approved by the County Assembly and adapted which will enable running the Loans and Scholarship program effectively in addition to Bursaries.

Elimu Fund seeks to ensure development of human resource capacity through training its staff in Kenya School of Government.

Elimu Fund seeks to ensure appointment of one missing member and the appointment of a new chairperson into the Board since the former chair's term expired.

Risks Facing the Fund

- Despite Government subsidizing tuition fee, this cannot accommodate all students. Many ends up in private schools with a higher rate which reflects an increase in the demand for bursaries.
- Limited funds from the County Government to sustain the high level of assistance requested by Needy cases in Mombasa County

Compliance with Statutory Requirement

Preparation and presentation of the Fund's Financial Statements for the Audit purposes

Material arrears in statutory and other financial obligations

There are no arrears.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.

The Elimu Fund did not undertake any CSR activities in the year ended June 30 2021.

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.

10.1 Principal activities

The principal activities of the Fund are to continue to be administering the County Bursary and giving out loans to assist students further their studies and to raise funds to fulfil our mandate.

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 21 of the Financial Statements.

10.3 Trustees

The members of the Board of Trustee who served during the year are shown in page 5 and 6 of the Financial statements.

10.4 Auditors

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

By Order of the Board
ELIMU FUND



Nancy Mwashumbe

Member of the Board of Trustee

Date: 24/9/2021

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 Elimu Fund established as per the Mombasa County Education Development Act 2014 and Amendment 2017 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 Elimu 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 Elimu 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 Mombasa County Education Development Act 2014 and Amendment 2017). The Administrator of Elimu 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.

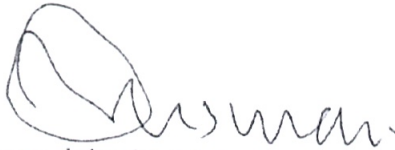
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES (CONTINUED)

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

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 24/9/ 2021
and signed on its behalf by:

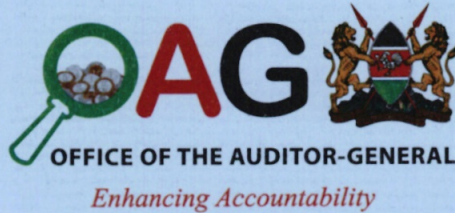


Name: John M. Musuva

Administrator of the County Public Fund

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 COUNTY GOVERNMENT OF MOMBASA ELIMU FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the County Government of Mombasa Elimu Fund set out on pages 21 to 57, 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 the statement of comparison of budget and actual amounts for the year then ended, and a summary of

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the County Government of Mombasa Elimu Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Mombasa County Education Development Act, 2017.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Law on Administration Expenses

The statement of financial performance reflects Fund administration expenses budget of Kshs.16,544,440 which exceeded the set ceiling of Kshs.5,008,372 (3% of the approved budget of Kshs.166,945,730) by Kshs.11,536,068. This is contrary to Regulation 197(1) d of the Public Finance Management (County Governments) Regulations, 2015 which sets the administration costs of the Fund at a maximum of three (3%) percent of the approved budget of the Fund.

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

2. Late Submission of Budget Estimates

Review of Board Meeting Minutes revealed that Elimu Fund budget estimates for the year ended 30 June, 2021 were approved by the Board on 22 June, 2020, contrary to Section 17(1) of the Mombasa County Education Development Act, 2014 as amended in 2017 which requires the Board and the Board of Trustees to submit to the Executive Committee Member in charge of Education an annual estimate of its income and expenditure at least three months before the commencement of the financial year.

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

3. Failure to Prepare Interim Financial statements

The Management did not prepare quarterly financial statements for the Fund for the four (4) quarters of the financial year ended 30 June, 2021 in violation of Section 168 (1) of the Public Finance Management Act, 2012 which requires the administrator of a county public fund established by an act of parliament, to prepare quarterly financial statements for the Fund in a form prescribed by the Accounting Standards Board.

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

4. Failure to Appoint Board Chairman

Record provided for audit review indicated that the term of the previous Board Chairman ended on 20 March, 2019 but a new Chairman had not been appointed as at 30 June, 2021. This is contrary to Section 5 (1) (a) of the Mombasa County Education Development Act, 2014 which requires the corporation to be managed by a Board comprising of a Chairperson appointed by the Governor by virtue of his or her knowledge and experience in matters relating to financial management, economics, education or business administration with minimum qualification of a degree and a minimum of ten (10) years' experience.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Trustees

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in

compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund'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 Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

01 September, 2022

ELIMU FUND
Reports and Financial Statements
For the year ended June 30, 2021.

13. FINANCIAL STATEMENTS

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

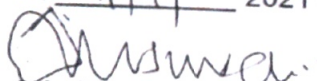
	Note	2020/2021	2019/2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Public contributions and donations	1	0	0
Transfers from the County Government	2	160,045,100	106,002,081
Fines, penalties and other levies	3	0	0
Total		160,045,100	106,002,081
Revenue from exchange transactions			
Interest income	4	0	0
Other income	5	0	0
Total Revenue		160,045,100	106,002,081
Expenses			
Bursaries	6	(154,035,100)	(89,925,000)
Fund administration expenses	7	(16,544,440)	(10,733,184)
General expenses	8	(1,159,075)	(2,587,123)
Finance costs	9	0	0
Total expenses		(171,738,615)	(103,245,307)
Other gains/losses			
Gain/loss on disposal of assets	10	0	0
Surplus/(deficit) for the period		(11,693,515)	2,756,774

The notes set out on pages 48 to 56 form an integral part of these Financial Statements.

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

		2020/2021	2019/2020
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	11	51,318	6,900,630
Current Portion of Receivables from exchange Transactions	12	0	0
Current portion of receivables from non-exchange transactions	14	160,286,240	160,286,240
Prepayments	15	0	0
Inventories	16	0	0
Total current Assets		160,337,558	167,186,870
Non-current assets			
Property, plant and equipment	17	6,001	7,704
Intangible assets	18	0	0
Long term receivables from exchange transactions		0	0
Total assets		160,343,559	167,194,574
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	19	0	0
Provisions	20	0	0
Current portion of borrowings	21	0	0
Employee benefit obligations	22	0	0
Non-current liabilities			
Non-current employee benefit obligation	22	0	0
Long term portion of borrowings	21	0	0
Total liabilities		0	0
Net assets			
Revolving Fund		<u>160,343,559</u>	<u>167,194,574</u>
Accumulated surplus		160,343,559	167,194,574
Total Net Assets		160,343,559	167,194,574

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24/9 2021 and signed by:


 Administrator of the Fund
 Name: John M. Musuva


 Fund Accountant
 Name: Dawson Mzenge
 ICPAK Member Number: 21566

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13.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Revolving Fund	Revaluation Reserve KShs	Accumulated surplus KShs	Total KShs
Balance as at 1 July 2019			164,437,800	164,437,800
Prior Year Adjustment				
Surplus/(deficit) for the period			2,756,774	2,756,774
Funds received during the year				
Revaluation gain				
Balance for the year ended 30 June 2020			167,194,574	167,194,574
Balance as at 1 July 2020			167,194,574	167,194,574
Prior year adjustment			4,842,500	4,842,500
Surplus/(deficit) for the period			(11,693,515)	(11,693,515)
Funds received during the Year				
Revaluation gain				
Balance for the year ended 30 June 2021			160,343,559	160,343,559

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13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Revenue			
Public contributions and donations	1	0	0
Transfers from the County Government	2	160,045,100	106,002,080.80
Interest received	4	0	0
Other Income	5	0	0
Total Revenue		160,045,100	106,002,080.80
Expenses			
Bursaries	6	(154,035,100)	(89,925,000)
Fund administration expenses	7	(16,544,440)	(10,733,183.80)
General expenses	8	(1,157,372)	(2,583,271.)
Finance costs	9	0	0
Total Expenses		(171,738,615)	(103,245,306.80)
Cash Surplus before changes in working capital		(11,691,812)	2,760,626
Trade receivables – (Increase)/decrease			
Trade Payables			
Prior year adjustment	13	4,842,500	
Net cash flows from operating activities	23	(6,849,312)	2,760,626
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	17		
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments			
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from revolving fund receipts			
Additional borrowings			
Net cash flows used in financing activities			
Net increase/(decrease)in cash and cash equivalents		(6,849,312)	2,760,626
Cash and cash equivalents at 1 JULY 2020		6,900,630	4,140,004
Cash and cash equivalents at 30 JUNE 2021		51,318	6,900,630

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilization (%)
	2021	2021	2021	2021	2021	
	KShs	KShs	KShs	KShs	KShs	
Revenue:						
Public contributions and donations						
Other income	211,890,000	(51,844,900)	160,045,100	160,045,100	-	100%
Revoted amounts - Cash Balances b/f		6,900,630	6,900,630	6,900,630	-	100%
Other income						
Total income	211,890,000	(44,944,270)	166,945,730	166,945,730	-	100%
Expenses:						
Bursaries	200,000,000	-	152,935,100	154,035,100	(1,100,000)	101%
Fund Administration Expenses	11,890,000	2,120,630	14,010,630	16,544,440	(2,533,810)	118%
General Expenses		-	-	1,159,075	(1,159,075)	
Total expenditure	211,890,000	-	166,945,730	171,738,615	(4,792,885)	103%

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.

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Standard	Effective date and impact:
	c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13.1 of these financial statements.

5. Property, plant and equipment

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

The depreciation rates on Property, Plant and Equipment was as follows:

Asset	Depreciation Rate (%)	Useful life (Years)
Land and Buildings	0	
Motor Vehicles	25%	4
Furniture and Fittings	25%	4
Office Equipment	25%	4
Computers and Printers	33.3%	3

2. Intangible assets

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments

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

- The debtors or a 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)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 employees. The contributions and lump sum payments reduce the post-employment benefit obligation.

9. Foreign currency transactions

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

10. Borrowing costs

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

11. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice

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versa. Members of key management are regarded as related parties and comprise the directors/ Trustee, the Fund Managers and Fund Accountant.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Cash and cash equivalents

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

13. Comparative figures

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

14. Events after the reporting period

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

15. Ultimate and Holding Entity

The entity is a County Public Fund established by Mombasa County Education Development Act 2014 Act under the Department of Education. Its ultimate parent is the County Government of Mombasa.

16. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

18. Financial risk management

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

The Fund's financial risk management objectives and policies are detailed below:

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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	160,286,240	0	160,286,240	00
Bank balances	51,318	51,318	0	0
Total	160,337,558	51,318	160,286,240	00
At 30 June 2020				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	160,286,240	0	160,286,240	00
Bank balances	6,900,000	6,900,000	0	0
Total	167,186,240	6,900,000	160,286,240	00

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

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.

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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.

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

d) Foreign currency risk

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Foreign currency sensitivity analysis

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2021: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2020 – KShs 0)

f) Capital risk management

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve		
Revolving fund		
Accumulated surplus		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
Gearing		

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14. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

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

2. Transfers from County Government

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	160,045,100.00	100,000,000
Payments by County on behalf of the entity		6,002,081
Total	160,045,100.00	106,002,081

3. Fines, penalties and other levies

Description	2020/2021	2019/2020
	KShs	KShs
Missing Receipts FY2016-2017	0	0
Fines	0	0
Levies	0	0
Licences	0	0
Total	0	0

4. Interest income

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

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

6. Bursaries

Description	2020/2021	2019/2020
	KShs	KShs
Bursaries – Secondary Schools	104,226,000	72,325,000
Bursaries – Special Needs	6,930,000	4,360,000
Bursaries – Colleges	8,576,000	13,240,000
Driving School	15,839,000	0
University	15,529,000	0
Scholarship to City Polytechnic	2,935,100	0
Total	154,035,100	89,925,000

7. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Board Allowances & Expenses	196,400	182,900
Staff Costs (Note 7(a))	10,852,000	8,987,681
Accounting fees	45,000	75,000
Bank Charges	557,140	129,593
Bursary Forms printing cost	1,840,000	703,010
Bursary Cheques printing cost	2,104,500	
SFAC Allowances	949,400	655,000
Other Expenses		
Total	16,544,440.00	10,733,184

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7A. Staff costs

Description	2020/2021 KShs	2019/2020 KShs
Salaries and wages	0	5,498,430
Staff gratuity	0	503,651
Staff training expenses	0	0
Social security contribution	0	0
Lunch Allowances	5,554,200.00	1,066,500
Casual Allowances	2,002,500.00	981,600
Staff Allowances	3,295,300.00	937,500
Total	10,852,000.00	8,987,681

N/B The total amount under staff costs has been included in note 7 as part of Fund Administration Expenses briefly because most funds do not have separate employee but rather the cost would relate to allowances drawn in line fund administration.

8. General expenses

Description	2020/2021 KShs	2019/2020 KShs
Consumables	0	0
Electricity and water expenses	0	0
Fuel and oil costs	0	0
Insurance costs	0	0
Postage	0	0
Printing and stationery	0	0
Rental costs	0	0
Security costs	0	0
Telecommunication	0	0
Bank Charges	0	0
Hospitality	0	0
Depreciation and amortization costs	1,703	3,852
Other expenses	1,157,372	2,579,419
Total	1,159,075	2,583,271

9. Finance costs

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Gain/(loss) on disposal of assets

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

11. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Car loan account		
County mortgage account		
Fixed deposits account		
On – call deposits		
Current account	51,318	6,900,630
Others		
Total cash and cash equivalents	51,318	6,930,630

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

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial Bank			
Equity Bank,			
Sub- total			
b) On - call deposits			
Kenya Commercial Bank			
Equity Bank			
Sub- total			
c) Current account			
Kenya Commercial bank	1168118506	51,318	6,930,630
Bank B			
Sub- total		51,318	6,930,630
d) Others(specify)			
Cash in transit			
Cash in hand			
Mobile Money			
Sub- total			
Grand total		51,318	6,930,630

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from exchange transactions

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

13. Prior Year Adjustments

Adjustments during the year	2020/2021	2019/2020
	KShs	KShs
Unpresented Cheques B/F	3,301,500	0
Cheques Cleared During the Year	(303,000)	0
Missing Receipts 2016-2017	1,844,000	0
	4,842,500	0

Additional disclosure on interest receivable

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**14. Receivables from Non-Exchange transaction**

Description	2020/2021	2019/2020
	KShs	KShs
Transfer from County Executive	160,286,240	160,286,240
Transfer from Fund	0	0
Total receivables from non-exchange transactions	160,286,240	160,286,240

15. Prepayments

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

16. Inventories

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KShs	KShs	KShs	KShs	KShs
Cost					
At 1 July 2019				26,000	26,000
Additions					
Disposals					
Transfers/adjustments					
At 30th June 2020					
At 1st July 2020					
Additions					
Disposals					
Transfer/adjustments					
At 30th June 2021				26,000	26,000
<u>Depreciation and impairment</u>					
At 1 st July 2019				14,444	14,444
Depreciation				3,852	3,852
Impairment					
At 30th June 2020				18,296	18,296
At 1st July 2020					
Depreciation				1,703	1,703
Disposals					
Impairment					
Transfer/adjustment					
At 30 June 2021				19,999	19,999
<u>Net book values</u>					
As at 30 June 2020				7,704	7,704
As at 30 June 2021				6,001	6,001

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets-software

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

19. Trade and other payables from exchange transactions

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

20. Provisions

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Borrowings

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**22. Employee benefit obligations**

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

23. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	(11,693,515)	2,756,774
Adjusted for:		
Depreciation	1,703	3,852
Amortisation	0	0
Gains/ losses on disposal of assets	0	0
Interest income	0	0
Finance cost	0	0
Working Capital adjustments/prior year adjustment		
Increase in inventory	0	0
Increase in receivables	0	0
Increase in payables	0	0
Prior Year Adjustment	4,842,500	0
Net cash flow from operating activities	(6,849,312)	2,760,626

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Related party balances

a) Nature of related party relationships

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties – County Government of Mombasa	160,045,100	100,000,000
Transfers to related parties	0	0

c) Key management remuneration

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

d) Due from related parties

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

e) Due to related parties

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

25. Contingent assets and contingent liabilities

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

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15. 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)

Guidance Notes:

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

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16. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME: ELIMU FUND				
Break down of Transfers from the County Executive of Mombasa County Government				
FY 2020/2021				
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	2-Feb-21	10,000,000.00	FY2020-2021
	Bursary	5-Feb-21	10,000,000.00	FY2020-2021
	Bursary	5-Feb-21	10,000,000.00	FY2020-2021
	Bursary	5-Feb-21	10,000,000.00	FY2020-2021
	Bursary	5-Feb-21	10,000,000.00	FY2020-2021
	Bursary	5-Feb-21	10,000,000.00	FY2020-2021
	Fund Expenses	15-Feb-21	2,210,000.00	FY2020-2021
	Fund Expenses	15-Feb-21	2,200,000.00	FY2020-2021
	Fund Expenses	15-Feb-21	2,700,000.00	FY2020-2021
	City Polytechnic	14-Apr-21	1,852,550.00	FY2018-2019
	City Polytechnic	5-May-21	1,082,550.00	FY2018-2019
Total Amount			160,045,100.00	
b.	Development Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			00	
Total			000	
c.	Direct Payments	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			00	
Total			000	

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

Finance Manager
Elimu Fund

Head of Treasury
Mombasa County

Sign _____

Sign _____