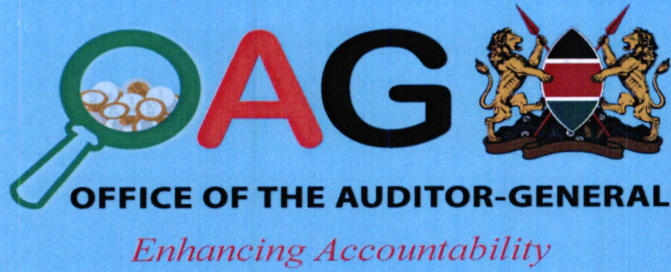


REPUBLIC OF KENYA



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REPORT
OF
THE AUDITOR-GENERAL
ON
LAMU COUNTY BURSARY AND
SCHOLARSHIP FUND
FOR THE YEAR ENDED
30 JUNE, 2022



LAMU COUNTY BURSARY AND SCHOLARSHIP FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022**

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

Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022

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1. Key Entity Information and Management

a) Background information

Lamu County Bursary and Scholarship Board is established by and derives its authority and accountability from the Act of 2019. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

The fund objective is to provide funds for granting bursaries and scholarships to assist students in secondary schools, colleges and universities to pursue education in recognized institutions and to fund other educational activities in order to improve performance in the education sector. The Fund principal activities are to award scholarship and bursaries to needy students of Lamu County.

b) Principal Activities

- a) To formulate sound policies for regulating the management of the Fund.
- b) To raise and solicit funds and other assistance to promote the functions of the Board.
- c) To set criteria and conditions governing the granting of bursaries and scholarships.
- d) To receive any gifts, donations, grants or endowments made to the Board and to make legitimate disbursements there from.
- e) To establish and maintain links with other person, bodies, or organizations within or outside Kenya, as the Board may consider appropriate for the furtherance of the purposes for which the Board is established.
- f) Grant bursaries and scholarships to eligible students upon recommendations of the committee.
- g) To consider appeals from the committees.
- h) Give annual reports and activities of the Board and Committee, to the Education Executive Committee Member.
- i) To organize payments to beneficiaries' institutions and receive receipts from institutions.
- j) Prepare regular reports for submission to the County Assembly on the execution of the functions of the Board.

Lamu County Bursary and Scholarship Fund
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Vision

To be an exemplary customer service regulatory body, raising a generation of professionals and transforming leaders through bursary and scholarship awards.

Mission

To finance individuals in educational institutions through bursary and scholarship programmes at all educational levels.

Objectives

- a) Improve the standard of performance in education in Lamu County.
- b) Promote transitions and completion rates.
- c) Develop and nurture human resource of Lamu County and the country at large.
- d) Reduce disparities and inequalities in the provisions of education.
- e) Ensure retention of students in secondary schools, colleges and universities.
- f) Reduce the burden of financing education on the citizen.
- g) To promote the educational enrolment of marginalized community in Lamu County.

Core Values

Upholding values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team-work.

c) The Bursary Board

Ref	Name	Position
1	Athman Mohamed Amin	Chairman
2	Ummulkheri Athman Bakari	Member
3	Susan Nyanjugu Kibathi	Member
4	Fahad Mohamed Musa	Member
5	Jacob M'ikiranya M'alaine	Member

Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022

6	Bakari Mohamed Omar	Member
7	Maliha Mohamed Ali	CEO/ Secretary of the Board

d) Key Management team

Ref	Name	Position
1	Abdalla Ahmed	Chief Officer - Education and Vocational Training
2	Athman M. Amin	Chairman - Lamu County Bursary and Scholarship Board
3	Maliha Mohamed	CEO/Secretary- Lamu County Bursary and Scholarship Board

e) Registered Offices

County Government of Lamu Headquarters
P.O. Box 74- 80500
Mokowe, Lamu.

f) Fund Contacts

Telephone: (254) 768274115
E-mail: lamucountybursary@lamu.go.ke
Website: www.lamu.go.ke

g) Fund Bankers

Gulf African Bank
Lamu Branch
P.O. Box 191- 80500
Lamu - Kenya.





h) Independent Auditors

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




i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya.

2. The Bursary Board

NAME	PROFILE
<p>Mr. Athman Mohamed Amin Chairman</p> 	<p>Mr. Athman Mohamed has a diploma in Environmental health sciences from KMTC. He has worked with the ministry of health for over 18 years as a public health officer. He is a Board member of Mpektoni boy's secondary school. He is also a member of the County Budget and Economic Forum; a Board of Directors/Secretary of Witu Nyangoro Ranching Co. Athman is also a Former Member of the County Assembly for Witu Ward where he chaired the health Committee for the five years in the county assembly of Lamu.</p>
<p>Mr. Jacob M'kiranya M'alaine Board Member</p> 	<p>Born in Lamu in the year 1973, Mr. Jacob was appointed as a Member to the Board to represent the Christian religion. He has a diploma in human resource management from the technical university of Mombasa and a certificate in mediation course from MTI East Africa. He has worked with the NG/CDF and is currently a member of the church clergy.</p>
<p>Mrs. Ummulkheir Athman Board Member</p> 	<p>Ummulkheir is appointed as a member of the board to represent gender. She is an Alumni of Alliance Girls High School and a graduate from Kenyatta University with a Bachelor of Science degree in Community Resource Management and Extension. Ummulkheir is currently pursuing a master's degree in Strategic Management at Jomo Kenyatta University of Agriculture and Technology. She has worked as a human resource officer intern at KENGEN company limited. Currently she is working with Lamu Youth Alliance as program coordinator.</p>
<p>Ms. Susan Nyanjugu Kibathi Board Member</p> 	<p>Ms. Susan was born in 1987 and has been appointed to the board to represent the youth. Susan is a professional in ICT. She once worked at the National Hospital Insurance Fund (NHIF) as a registration officer. She is currently working as an entrepreneur.</p>

**Lamu County Bursary and Scholarship Fund
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<p>Mr. Bakari Mohamed Board Member</p> 	<p>Mr. Bakar is appointed to the board to represent the Muslim clergy. He is an Imam and Islamic scholar. He has worked with the ministry of forest for over 18 years as a tree nursery technician. He was once a member of CDF for Lamu West constituency and a counsellor for one term before devolution. He is currently a farmer and a director of Kibokoni Ranch.</p>
<p>Mr. Fahad Mohamed Musa Board Member</p> 	<p>Mr. Fahad is appointed to the board to represent the special needs category. Born and raised in Lamu, Fahad is a KCSE holder with vast experience in community service. He has worked as a counsellor for Langoni before devolution and is currently the chairman of Ahadi organization. Prior his appointment to the board, he served as the chairman for Mkomani ward bursary committee. His experience in the bursary matters is of great use to the board.</p>
<p>Mrs. Maliha Mohamed CEO/Secretary</p> 	<p>Born in Lamu 1991, Maliha is a graduate from the Technical University of Mombasa with a First-Class Honours Bachelor's in Business Administration (Accounting Option). Before her appointment she worked with National Government Affirmative Action Fund (NGAAF) as the County Coordinator for Lamu County, Independent Electoral and Boundaries Commission as the Deputy County Returning Officer, AL-Maawiya Development Group School as the School Accountant and Kitendetini Bahari Hotel as the Manager. With her education and vast experience in financial management, coordination, co-operation and team work she will ensure that the board achieves its set goals and objectives.</p>

3. Management Team

Name	Details of qualifications and experience
<p>Mr. Abdalla Ahmed Chief Officer for Education</p> 	<p>He is a holder of Masters in Business Administration, Executive Masters of Education Degree and Bachelor of Education Degree from Kenyatta University. He is also a holder of P1 certificate in teaching. His vast experience in the field of education makes him the best technical person on education matters in the board. A teacher by profession started as a simple teacher and moved up to the highest cadre in the teaching profession. He served as a teacher, Teacher Advisory tutor, Inspector of primary Schools, District Education Officer, Assistant Director of Education and Deputy Director of Education where he left the National government and joined the county government of Lamu in 2021 as Board Member. Currently Mr Abdalla Ahmed is serving in the board as a member to represent the education docket which he is the chief officer. With him in the board all matters of education are well catered for.</p>
<p>Mr. Athman Mohamed Amin Chairman</p> 	<p>Mr. Athman Mohamed has a diploma in Environmental health sciences from KMTC. He has worked with the ministry of health for over 18 years as a public health officer. He is a Board member of Mpeketoni boy's secondary school. He is also a member of the County Budget and Economic Forum; a Board of Directors/Secretary of Witu Nyangoro Ranching Co. Athman is also a Former Member of the County Assembly for Witu Ward where he chaired the health Committee for the five years in the county assembly of Lamu.</p>
<p>Mrs. Maliha Mohamed Ali Fund administrator</p> 	<p>Born in Lamu 1991, Maliha is a graduate from the Technical University of Mombasa with a First-Class Honours Bachelor's in Business Administration (Accounting Option). Before her appointment she worked with National Government Affirmative Action Fund (NGAAF) as the County Coordinator for Lamu County, Independent Electoral and Boundaries Commission as the Deputy County Returning Officer, AL-Maawiya Development Group School as the School Accountant and Kitendetini Bahari Hotel as the Manager. With her education and vast experience in financial management, coordination, co-operation and team work she will ensure that the board achieves its set goals and objectives.</p>

4. Board Chairperson's Report

On behalf of the board, it is my pleasure to present Lamu County Bursary and Scholarship Fund financial statements which reflect financial performance of the fund for the year ended 30th June 2022.

Sustainability

In our pursuit to improve on transparency and accountability in public financial management, the Lamu County Bursary and Scholarship Board has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the Public Finance Management Act (2012) and its regulations and any other applicable laws on public finance.

Board and Management Changes

There was no board and management changes on financial year 2021/2022.

Review of performance

Revenue

The Fund received revenues as transfers from county government grants amounting to Ksh. 176,400,500.00, fines penalties & other levies 1,500.00 and had an opening bank balance of Ksh. 84,086,931.00

Expenditures

The total expenditures during the period amounted to Ksh 260,309,915.00 out of which the use of goods & services amounted to Ksh. 6,281,114.00 and scholarship and other educational benefit was Ksh. 253,601,396.00, employee cost Ksh. 286,020.00 and depreciation and amortisation Ksh. 141,385.00.

Future outlook

The Board focuses to build a robust and sustainable fund with a motivated workforce and structures that enhances efficiency and effectiveness in the service delivery. The fund looking forward to continued support from the county government and development partners to the realization of its mandate.

Appreciation

Education is a fundamental right to every child in the Republic of Kenya. More so, the government has been bound by the constitution to ensure that Affirmative action is done to provide basic education to the minority and marginalized members of the community.

Majority of the communities in Lamu county fall under the minority class. Moreover, we have one of the most marginalized communities in the country living in the Boni Forest of Lamu County. This is the Aweer Community. The County Government of Lamu thus established the Lamu County Bursary and Scholarship Fund in order to ensure that communities in Lamu access education through bursary and scholarship award.

I have done my best to ensure that the goals and aspirations of the Board are realized and felt by each and every person in Lamu County. Thus, displayed tremendous achievements obtained so far is due to our commitments in the dispensation of the mandate as entailed in the Lamu County Bursary and Scholarship Act, 2019.

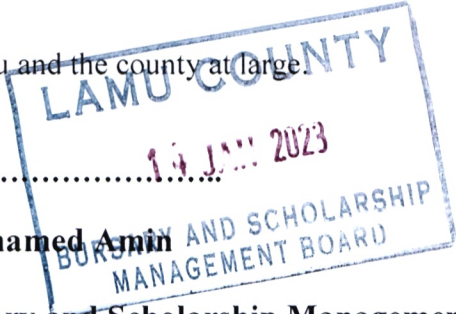
On behalf of Board Members of the fund, may I register our utmost appreciation for the tireless effort and input offered by various stakeholders in the education sector in making our work easier. More specifically, may I appreciate His Excellency the Governor, CECM Education, the County

Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022

Treasurer, Board Members, County Director of Education, secretariat staff among others. It is their cooperation and contribution that has led us to the successful dispensation of our mandate.

May God bless all of you and the county at large.

Athman Mohamed Amin



.....
Name: Athman Mohamed Amin
Chairperson
Lamu County Bursary and Scholarship Management Board.

5. Report of The Fund Administrator

This report contains allocation and disbursement of bursary and scholarship funds to the students of Lamu County for the 2021/2022 financial year.

Lamu County Bursary and Scholarship Board receives money from the county treasury through the department of education for the sake of supporting education programs in schools through the award of bursaries and scholarship to students at all levels of education.

As the Lamu county bursary Act of 2019 dictates, the award of the bursary is done through applications which should be made at ward levels through ward bursary committees. The committees then conduct a thorough vetting of the applications and compile lists of successful applicants to the board which approves payment recommended by them.

Due to the outbreak of the corona virus the education calendar was disrupted and schools were closed in February 2020 and re-opened in October 2020 for the same academic year. When schools re-opened, the financial year had already lapsed but the academic year was still the same. This meant that no fresh payment was supposed to be made up to the end of the academic year which was March 2021. This was to avoid double payment for the same program.

From April 2021, the county bursary board has been making some payment to students from the various institutions for the 2021 academic year. Unfortunately, the 2022 academic year which started in April 2022 fell within the same 2021/2022 financial year after all the funds allocated for the bursary had been depleted. This posed a great challenge to the payment of the scholarship forcing the county government to pay for only term one fees through a supplementary budget.

Lamu County Bursary and Scholarship Fund
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All in all, the board managed to successfully pay for all the students their fees for the 2021 academic year. My humble gratitude goes to the Board members, The Chief Officers for Education and CECM for Education for their continued support by ensuring that the board dispensed its mandate without any hitch.

The Lamu County Bursary and Scholarship Management Board achieved great milestone in the discharging of its mandate. In compliance with the Constitutional requirement and vision 2030 goals, the Board had set a uniform criteria and guidelines that promote equity, equality, and fairness in granting of bursaries and scholarships to the people of Lamu. The Board made sure that equal rights are provided to the marginalized and people living with disability.

The Board has to a great extent, involved stakeholders created a cohesive environment that enables it to carry its mandate effectively and efficiently. The Board was able to instantly address grievances and acknowledge recommendations from the public. The Board has embraced technology in its service delivery and office operations.

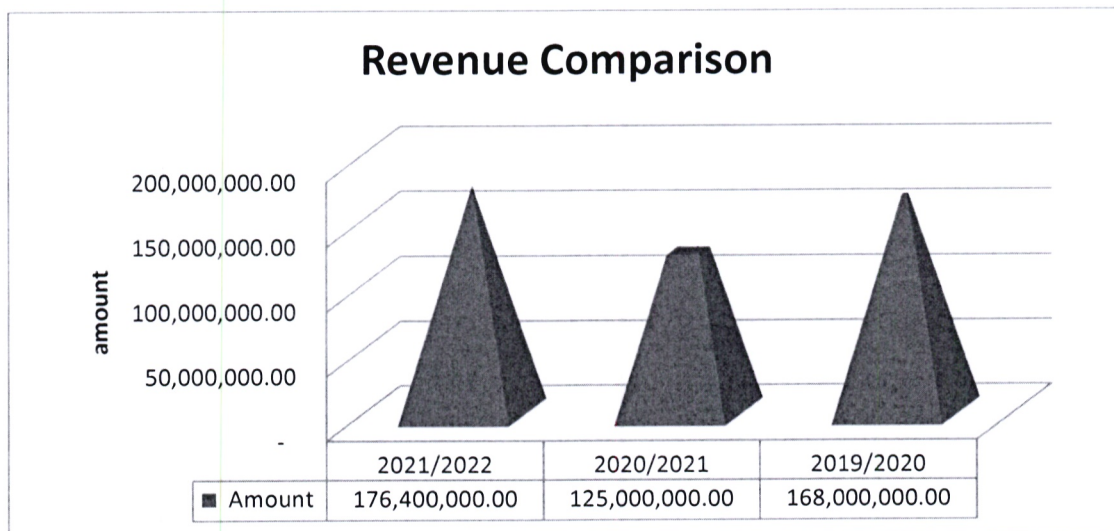
Financial Performance

a) Revenue

The Fund received revenues as transfers from county government grants amounting to Ksh. 176,400,500.00, fines penalties & other levies 1,500.00 and had an opening bank balance of Ksh. 84,086,931.00

**Lamu County Bursary and Scholarship Fund
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A graphical presentation of revenue received from non-exchange transactions for last the three years



b) Expenditures

The total expenditures during the period amounted to Ksh 260,309,915.00 out of which the use of goods & services amounted to Ksh. 6,281,114.00 and scholarship and other educational benefit was Ksh 253,601,396.00, employee cost Ksh. 286,020.00 and depreciation and amortisation Ksh. 141,385.00.

Conclusion

I take this opportunity to thank the board members for their support. I would also wish to thank all staff whom we have worked with hand in hand to ensure that Lamu County Bursary and Scholarship Fund achieves its mission.

M. Abdalla

14 JAN 2023

Name: Maryam Abdalla

Ag. Fund Administrator

6. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

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

The key development objectives of the Lamu County Bursary and Scholarship Board 2021-2022 plan are to:

1. Provide bursaries to needy students in secondary schools, colleges and universities to pursue education at such recognized institutions.
2. Provide scholarships to all KCPE students who attain 300 marks from Lamu County Primary Schools to enable them join secondary schools. The aim of the program is to encourage good performance of local students and the schools during KCPE exams.
3. Automate Lamu County Bursary and Scholarship activities to minimize duplication, ease tracking of applicants, consolidating all ward applicant's data and system generated reports for the Board to deliberate.

**Lamu County Bursary and Scholarship Fund
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Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
General Administration, Planning and Support Services	To ensure smooth running board	Improved service delivery	No. of Board Members and Secretariat facilitated with working tools.	8 Board members and secretariat operating in fully equipped office
Scholarships and other educational benefits	To provide funds to be used for granting bursaries and scholarships to assist students in secondary schools, colleges and universities to pursue education	Improved literacy level	% Of funds awarded to students % Of appeals handle and sorted	45%

7. Corporate Governance Statement

THE BOARD

The Lamu County Bursary and Scholarship Board is the best board in the county in terms of service delivery and compliance with all the statutory laws governing financial management. The board has managed to grant bursaries and scholarships to assist students in secondary schools, colleges and universities to pursue education at such recognized institutions and to fund other educational activities to improve performance in the education sector.

The Board is committed to ensuring compliance with the Lamu County Bursary and Scholarship Act of 2019. Essential to the Act is to ensure that management together with the board of trustees is at its apex.

THE MEMBERS OF THE BOARD

Process of Appointment and Removal of Trustees

- (1) The Board shall consist of the following persons appointed by the Governor-
 - (a) Chairman,
 - (b) Five members, of which two shall represent the Islamic religion and the Christian religion, one representative of the youth, one to represent gender and another one to represent special need group;
 - (c) Secretary,
- (2) The members of the Board other than the Secretary shall hold office for a period of three consecutive years and may be eligible for re-appointment.
- (3) The office of a member of the Board other than the Secretary, shall fall vacant
 - (a) If he submits his resignation in writing under his hand to the Governor through the Secretary.
 - (b) If the Board is satisfied that such a member is by reason of his physical or mental infirmity unable to ' execute the functions of his office.

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- (c) If he has been adjudged bankrupt by “a competent court of law or has committed a criminal offence which directly or otherwise reflects adversely on his status as a member of the Board.
 - (d) If he is found to have been in contravention of Chapter Six of the Constitution of Kenya; or
 - (e) Upon his death.
- (4) Where the office of a member becomes vacant under subsection (3), the Secretary, shall forthwith notify the vacancy to the appointing authority for appropriate action.

The board members are responsible for the long-term strategic direction of the fund. The board of members exercise leadership, enterprise, integrity, and judgment in directing the Fund.

The members 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 vested on the CEO/Secretary who is the fund administrator.

All members of the board have been taken through a comprehensive induction programme and are adequately trained on their roles as board members. The members are professionals, committed to and guided by the mission, vision and core values of the Fund in the execution of their duties.

BOARD MEETINGS

The board members are to meet at least three times a year in order to monitor the implementation of the funds strategic plan and achievement of the targets. However, as provided by the act the Chairman shall, upon requisition by members convene a special meeting of the board at any time. The members held five full board meetings during the FY 2021/2022

STATEMENT OF COMPLIANCE

Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022

The board of trustees confirmed that the fund had throughout the FY 2021/2022 complied with all statutory and regulatory requirements and that the fund had been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Standing Instructions

The fund is in the process to develop a Code of Ethics and Service Charter that will be applicable to all employees. This will entail a number of standing instructions to employees of the fund designed to enhance internal control.

Organization Structure

The Board is on the process of updating its organizational structure that will clearly detail lines of authority and control responsibilities in line with the Lamu County Bursary and Scholarship Act, 2019.

Internal Control Framework

The fund continues to review its internal control to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed in an ongoing basis. No significant failings or weaknesses were identified during the FY 2021/2022.

Risk Management

The fund has develop a risk management framework which will guide the fund in identifying, assessing and managing the risks and prescribe mitigating measures of all the risks both external and internal.

Management Team

Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022

The management team headed by the Chairman, the Secretary and Chief Officer for Education implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Auditor-General.

8. Management Discussion and Analysis

The fund has continued to grow over the years and the management has put measures in place to safeguard risks. The management has ensured that we comply with statutory requirements relating to the functions of the fund.

Key projects or investments decision implemented or ongoing

1. Provision of bursaries to needy students in secondary schools, colleges and universities to pursue education in recognized institutions.
2. Provisions of scholarships to all KCPE students who attain 300 marks from Lamu County Primary Schools to enable them join secondary schools. The aim of the program is to encourage good performance of local students and the schools during KCPE exams.
3. Automation of Lamu County Bursary and Scholarship activities to minimize; duplication, ease tracking of applicants, consolidating all ward applicant's data and system generated reports for the Board to deliberate on.

Compliance with statutory requirements

The Fund complied with the following listed requirements but not limited to:

- Lamu County Bursary and Scholarship Act 2019
- Public Finance Management Act 2012

Major challenges facing the fund

- Low budgetary allocation compared to the Board needs, made a number of eligible applicant's miss bursaries and scholarships. The budget factor also affected the administration of the Board as activities could not be efficiently carried out.

Conclusion

We appreciate the unrelenting support from the board of trustees, management, staff, the county government, development partners and all the key stakeholders. We look forward to continuing partnership and cooperation in areas of mutual interest in the FY 2022/2023.

9. Environmental and Sustainability Reporting

Below is a brief highlight of our achievements in areas of environmental sustainability

1. Sustainability strategy and profile -

The Fund administrator have put in place sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities.

2. Environmental performance

The Board ensures conserving of environment use of environmentally friendly products.

3. Employee welfare

The Board managed to offer an induction to the members of staff and some board members on the process of auditing and review of financial statements. It has also taken the staff and board members for a team building session to enhance cohesion and team work among the members.

4. Market place practices-

Due to the shortage of funds allocated to the board, the board uses much of it's administration funds to play for sitting and travelling allowance to the board members as well as the ward committee members. The few items that require procurement include pens, printing papers as well as office stationaries. These ones are directly procured from some specific suppliers. Similarly, all the contracts signed by the respective suppliers are always honored.

5. Community Engagements-

On matters of community engagement is that members of the board especially the chairman and the CEO have always been invited in school's annual general meetings as well as schools prize giving functions. In all those functions the members who attend generously contribute in terms of finances and words of counsel. We also have some Ward bursary committees who are also members of community-based organization and rotary groups.

10. Report of The Board

The Board submitted their report together with the audited financial statements for the year ended June 30, 2022, which showed the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to provide funds to be used for granting bursaries and scholarships to assist students in secondary schools, colleges, and universities to pursue education at such recognized institutions and to fund other educational activities to improve performance in the education sector.

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 1 – 7.


Board

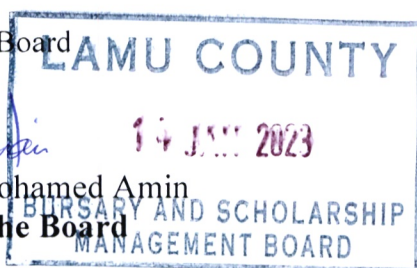
The members of the Board who served during the year are shown on page 5 – 6.

Auditors

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

By Order of the Board


Mr. Athman Mohamed Amin
Chairman of the Board



Date: 14/01/2023

11. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Lamu County Bursary and Scholarship Board Act 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board. The Fund Administrator of the Lamu County Bursary and Scholarship Board is responsible for the preparation and presentation of the Fund financial statements, which gives a true and fair view of the state of affairs of the Fund at the end of the financial year ended on June 30, 2022.

This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- b) Maintaining proper accounting records, which discloses reasonable accuracy at any given time.
- c) 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, due to error or fraud.
- d) Safeguarding the assets of the Fund.
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

The Fund Administrator of the Lamu County Bursary and Scholarship Board accepts responsibility for the Fund financial statements, which has been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Lamu County Bursary Scholarship Act 2019.

Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022

The Administrator of the Fund is of the opinion that the Fund financial statements give a true and fair view of the state of Fund transactions during the financial year ended June 30, 2022, and of the Fund financial position as at that date. The Administrator further confirms the completion of the accounting records maintained for the Fund, which has been relied upon in the preparation of the Fund financial statements as well as the adequacy of the systems of internal financial control.

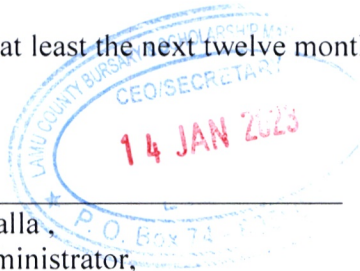
In preparing the financial statements, the Administrator of the Lamu County Bursary and Scholarship Fund has assessed the Fund ability to continue as an ongoing concern and disclosed, as applicable, matters relating to the use of such concern as a basis for preparation of the financial statements.

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

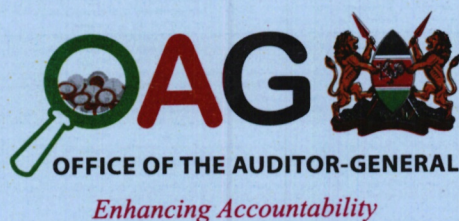


Maryam Abdalla,
Ag. Fund Administrator,

Lamu County Bursary and Scholarship Management Fund.



REPUBLIC OF KENYA



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REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY BURSARY AND SCHOLARSHIP FUND FOR THE YEAR ENDED 30 JUNE, 2022

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lamu County Bursary and Scholarship Fund set out on pages 1 to 30, which comprise the statement of financial

position as at 30 June, 2022, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Lamu County Bursary and Scholarship Fund as at 30 June, 2022 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 Lamu County Bursary and Scholarship Act, 2019.

Basis for Qualified Opinion

1. Use of Goods and Services

The statement of financial performance and as disclosed in Note 7(A) to the financial statements reflect expenditure on use of goods and services balance of Kshs.6,281,114 which includes an amount of Kshs.3,637,240 paid under domestic travel and subsistence. Included in this amount are payments totalling to Kshs.1,332,100 paid through three (3) cheques which were not supported with the activities work plan, approvals, budgets and justification to hold meetings to outside the premises of the entity. Further, no monitoring and evaluation reports were provided for verification to confirm that the activities took place and that the objectives were achieved.

In the circumstances, the propriety of the expenditure of Kshs.1,332,100 paid for domestic travel and subsistence could not be confirmed.

2. Scholarships and Other Education Benefits

The statement of receipts and payments reflects a balance of Kshs.253,601,396 in respect of scholarships and other educational benefits and as disclosed under Note 7(B) to the financial statements. However, ledgers and payment analysis provided in support of the disbursements totalled to Kshs.247,542,030 resulting to an unexplained and unsupported variance of Kshs.6,059,366. The basis for the payment of the bursaries and scholarships was also not provided.

Further, included in the scholarships and education benefits expenditure is an amount of Kshs.23,070,000 disbursed to various County Technical Vocational Educational Training Institutions (TVETs) without formal applications contrary to Section 16(1)(2)(3) and (4) of the Lamu County Bursary Act, 2019. In addition, an amount of Kshs.4,290,000 was paid to Lamu Vocational Educational Training Centre in respect of National Industrial Training Authority (NITA) examinations for five (5) institutions which was not supported.

However, examination of records revealed that an amount of Kshs.5,802,000 was paid for five-hundred and eighty-two (582) students who did not have admissions numbers casting doubt on the existence of the students. It was also observed that two hundred and ninety-eight (298) payments amounting to Kshs.2,910,303 contained duplicate admission numbers but sharing the same school. The admissions numbers were also outside the Technical Vocational Educational Training Institutions Admissions mask of Institution/Year of administration/Number.

In the circumstance, the accuracy and propriety of scholarship and other educational benefits expenditure amounting to Kshs.253,601,396 could not be ascertained.

3. Cash and Cash Equivalents

The statement of financial position and Note 11 to the financial statements reflects cash and cash equivalents a balance of Kshs.211,901 as at 30 June, 2022. However, verification of bank reconciliation statement for the month of June, 2022 reflected payments in cash book not in bank statement totalling to Kshs.20,912,698, out of which cheques with a cumulative value of Kshs.19,401,668 were in respect of bursary and scholarships with some dating back to January, 2022. No reason was provided for failure to issue the cheques for payment.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.211,901 as at 30 June, 2022 could not be confirmed.

4. Irregular Meal and Extra Duty Allowances

The statement of financial performance reflects use of goods and services balance of Kshs.6,281,114 which includes an expenditure of Kshs.1,724,050 incurred on hospitality supplies and services. However, examination of payment vouchers and other supporting documents provided for audit review revealed that an amount of Kshs.406,250 was paid in respect of meal allowances and extra working hours to officers who were on their routine duties. Management did not provide justifiable explanation for the additional payments.

In the circumstances, the propriety/regularity of meal and extra duty allowance of Kshs.406,250 could not be ascertained.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

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, 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 those Charged with Governance

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

related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 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 sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 March, 2023

Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022


13. Statement of Financial Performance for The Year Ended 30th June 2022


	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	176,400,000.00	125,000,000.00
Fines, Penalties and Other Levies	3	1,500.00	-
		176,401,500.00	125,000,000.00
Revenue From Exchange Transactions			
Interest Income	4	-	-
Other Income	5	-	-
		-	-
Total Revenue		176,401,500.00	125,000,000.00
Expenses			
Employee Costs	6	286,020.00	448,350.00
Use of goods and services	7(A)	6,281,114.00	3,296,548.00
Scholarship and other educational benefits	7(B)	253,601,396.00	50,190,653.00
Depreciation and Amortization Expense	8	141,385.00	206,655.00
Finance Costs	9	-	-
Total Expenses		260,309,915.00	54,142,206.00
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit) For The Period		(83,908,415.00)	70,857,794.00

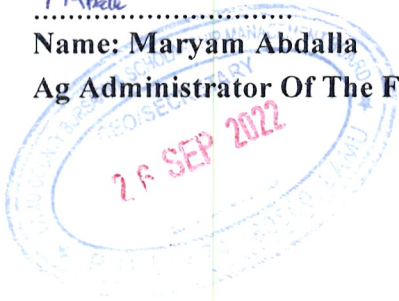
The notes set out on pages 8 to 35 form an integral part of these Financial Statements.

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 26/09/2022 and signed by:


 Name: Maryam Abdalla
 Ag Administrator Of The Fund


 Name: Esha Mohamed
 Fund Accountant


 Name: Mohamed A. Abubakar
 Director Accounting Services
 ICPK NO: 23585



Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022

14. Statement of Financial Position As At 30th June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	211,901.00	84,086,931.00
Current Portion of Long- Term Receivables From Exchange Transactions	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
		211,901.00	84,086,931.00
Non-Current Assets			
Property, Plant and Equipment	15	124,000.00	157,385.00
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	-	-
		124,000.00	157,385.00
Total Assets		335,901.00	84,244,316.00
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17	-	-
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
Total Liabilities		-	-
Net Assets		335,901.00	84,244,316.00
Revolving fund		-	-
Reserves		-	-
Accumulated Surplus		335,901.00	84,244,316.00
Total Net Assets and Liabilities		335,901.00	84,244,316.00

Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022

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 26/09/ 2022 and signed by:

M.Abdalla

.....
Name: Maryam Abdalla
Ag. Administrator Of The Fund

Esha Mohamed

.....
Name: Esha Mohamed
Fund Accountant

Mohamed A. Abubakar

.....
Name: Mohamed A. Abubakar
Director Accounting Services
ICPK NO: 23585




Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022


15. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	Kshs.	Kshs	Kshs	Kshs
Balance As At 1 July 2020	-	-	13,386,522.00	13,386,522.00
Surplus/(Deficit) For the Period	-	-	70,857,794.00	70,857,794.00
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	-	-	84,244,316.00	84,244,316.00
Balance As At 1 July 2021	-	-	84,244,316.00	84,244,316.00
Surplus/(Deficit) For the Period	-	-	(83,908,415.00)	(83,908,415.00)
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	-	-	335,901.00	335,901.00

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 26/09/ 2022 and signed by:


 Name: Maryam Abdalla
 Ag. Administrator Of The Fund


 Name: Esha Mohamed
 Fund Accountant


 Name: Mohamed A. Abubakar
 Director Accounting Services
 ICPK NO: 23585



Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022


16. Statement Of Cash Flows For The year Ended 30th June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	-	-
Transfers from the county government	2	176,400,000.00	125,000,000.00
Interest income	4	-	-
Fines, Penalties and Other Levies	3	1,500.00	-
Total receipts		176,401,500.00	125,000,000.00
Payments			
Employee cost	6	286,020.00	448,350.00
Use of goods and service	7 (A)	6,281,114.00	3,296,548.00
Scholarship and other educational benefits	7(B)	253,601,396.00	50,190,653.00
Finance cost	9	-	-
Total Payments		260,168,530.00	53,935,551.00
Net cash flows from operating activities	21	(83,767,030.00)	71,064,449.00
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	15	108,000.00	-
Net cash flows used in investing activities		108,000.00	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalent		(83,875,030.00)	71,064,449.00
Cash and cash equivalents at 1 July	11	84,086,931.00	13,022,482.00
Cash and cash equivalents at 30 June	11	211,901.00	84,086,931.00


(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above assumes direct method)


Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022

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 26/09/ 2022 and signed by:


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Name: Maryam Abdalla
Ag. Administrator Of The Fund




.....
Name: Esha Mohamed
Fund Accountant


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Name: Mohamed A. Abubakar
Director Accounting Services
ICPK NO: 23585

Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for The Year Ended June 30, 2022

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Public Contributions And Donations	-	-	-	-	-	
Transfers From County Govt.	176,400,000.00	84,086,931.00	260,486,931.00	260,486,931.00	-	
Interest Income	0.00	0.00	0.00	0.00	-	
Fines	0.00	1,500.00	1,500.00	1,500.00	-	
Total Income	176,400,000.00	84,088,431.00	260,488,431.00	260,488,431.00	-	100%
Expenses						
Employee Costs	286,020.00	-	286,020.00	286,020.00	-	
Use of goods and services	5,005,995.00	1,363,382.00	6,369,377.00	6,389,114.00	(19,737.00)	
Scholarship and other educational benefits	171,107,985.00	82,725,049.00	253,833,034.00	253,601,396.00	231,638.00	
Finance Costs	-	-	-	-	-	
Total Expenditure	176,400,000.00	84,088,431.00	260,488,431.00	260,276,530.00	211,901.00	99.92
Surplus For The Period	-	-	-	211,901.00		

Budget notes

18. Notes to the Financial Statements

1. General Information

Lamu County Bursary and Sponsorship Board is established by Lamu County Bursary and Scholarship and derives its authority and accountability from the Act of 2019. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: 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

**Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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

**Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul 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. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>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.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess</p>

**Lamu County Bursary and Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

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.

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on June 2022. 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.

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 17 of these financial statements.

Summary Of Significant Accounting Policies (Continued)

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. 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.

d) 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.

a) Financial instruments

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.

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Summary Of Significant Accounting Policies (Continued)

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

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.

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b) 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.

c) 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.

Summary Of Significant Accounting Policies (Continued)
Contingent liabilities

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

Contingent assets

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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.

d) 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.*

e) 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.

f) Employee benefits – Retirement benefit plans

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

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

g) 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.

h) 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

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when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

i) Related parties

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

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) Comparative figures

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

l) Events after the reporting period

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

m) Ultimate and Holding Entity

The entity is a County Public Fund established by Lamu County Bursary and Scholarship Act under the Ministry of Education, Gender Youth and Vocation Training centres. Its ultimate parent is the County Government of Lamu.

n) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

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

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

b) Useful lives and residual values

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

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

c) Provisions

No Provisions were raised or management determined an estimate based on the information available.

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6. Notes To The Financial Statements

1. Public contributions and donations

Description	2021-2022	2020-2021
	Kshs	Kshs
Total	0.00	0.00

2. Transfers from County Government

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	176,400,000.00	125,000,000.00
Payments By County On Behalf Of The Entity	0.00	0.00
Total	176,400,000.00	125,000,000.00

3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Kshs	Kshs
Fines	1,500.00	0.00
Total	1,500.00	0.00

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Total Interest Income	0.00	0.00

5. Other income

Description	2021-2022	2020-2021
	Kshs	Kshs
Total Other Income	0.00	0.00

6. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	286,020.00	424,350.00
Total	286,020.00	448,350.00

7 (A). Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
Utilities, supplies and services	4,200.00	3,200.00
Communication, supplies and services	133,000.00	127,570.00

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Domestic travel and subsistence	3,637,240.00	940,800.00
Printing, advertising and information supplies &	59,380.00	7,500.00
Rentals of produced assets	-	242,500.00
Hospitality supplies and services	1,724,050.00	1,531,350.00
Office and general supplies and services	374,540.00	356,640.00
Bank Charges	67,009.00	29,088.00
Refined fuel and oil lubricants	252,295.00	-
Routine maintenance – other assets	29,400.00	57,900.00
Total	6,281,114.00	3,296,548.00

7 (B). Scholarship and other educational benefit disbursements

Description	2021/22	2020/21
	Kshs.	Kshs.
Scholarship and other education benefit disbursement	253,601,396.00	50,190,653.00
Total	253,601,396.00	50,190,653.00

8. Depreciation and Amortization Expense

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	141,385.00	206,655.00
Intangible Assets	0.00	0.00
Total	141,385.00	206,655.00

9. Finance costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Total	0.00	0.00

10. Gain/(loss) on disposal of assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Total	0.00	0.00

11. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Account	211,901.00	84,086,931.00
Total Cash And Cash Equivalents	211,901.00	84,086,931.00

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

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	Account number	2021-2022	2020-2021
		Kshs	Kshs
Current Account			
Gulf African Bank	0570000101	211,901.00	84,086,931.00
Grand Total		211,901.00	84,086,931.00

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Total Receivables From Exchange Transactions	0.00	0.00

13. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs
Total	0.00	0.00

14. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Total Inventories At The Lower Of Cost And Net Realizable Value	0.00	0.00

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15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2020	0.00	0.00	0.00	688,850.00	688,850.00
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfers/Adjustments	0.00	0.00	0.00	0.00	0.00
At 30th June 2021	0.00	0.00	0.00	688,850.00	688,850.00
At 1st July 2021	0.00	0.00	0.00	688,850.00	688,850.00
Additions	0.00	0.00	108,000.00	0.00	108,000.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfer/Adjustments	0.00	0.00	0.00	0.00	0.00
At 30th June 2022	0.00	0.00	108,000.00	688,850.00	796,850.00
Depreciation And Impairment					
At 1 st July 2020	0.00	0.00	0.00	324,810.00	324,810.00
Depreciation	0.00	0.00	0.00	206,655.00	206,655.00
Impairment	0.00	0.00	0.00	0.00	0.00
At 30th June 2021	0.00	0.00	0.00	531,465.00	531,465.00

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At 1st July 2021	0.00	0.00	0.00	531,465.00	531,465.00
Depreciation	0.00	0.00	13,500.00	127,885.00	141,385.00
Disposals	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
Transfer/Adjustment	0.00	0.00	0.00	0.00	0.00
At 30th June 2022	0.00	0.00	13,500.00	659,350.00	672,850.00
Net Book Values					
At 30th June 2021	0.00	0.00	0.00	157,385.00	157,385.00
At 30th June 2022	0.00	0.00	94,500.00	29,500.00	124,000.00

N/B

Depreciation for computers is calculated on 30% p.a and for furniture is 12.5% p.a straight line method based on the Guideline Of Asset Management By The National Treasury of Kenya

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16. Intangible assets

Description	2021-2022	2020-2021
	Kshs	Kshs
NBV	0.00	0.00

17. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Total Trade And Other Payables	0.00	0.00

18. Provisions

Description	Leave provision	Bonus provision
	Kshs	Kshs
Balance At The End Of The Year (30.06.2022)	0.00	0.00

19. Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance At End of The Period	0.00	0.00

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Total	0.00	0.00	0.00	0.00	0.00

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(83,908,415.00)	70,857,794.00
Adjusted For:		
Depreciation	(141,385.00)	(206,655.00)
Amortisation	0.00	0.00
Gains/ Losses On Disposal Of Assets	0.00	0.00
Interest Income	0.00	0.00
Finance Cost	0.00	0.00

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Working Capital Adjustments		
Increase In Inventory	0.00	0.00
Increase In Receivables	0.00	0.00
Increase In Payables	0.00	0.00
Net Cash Flow From Operating Activities	(83,767,030.00)	71,064,449.00

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Other Disclosures Continued

1. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The 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 2022				
Receivables From Exchange Transactions	0.00	0.00	0.00	0.00
Receivables From Non-Exchange Transactions	0.00	0.00	0.00	0.00
Bank Balances	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2021				
Receivables From Exchange Transactions	0.00	0.00	0.00	0.00
Receivables From Non-Exchange Transactions	0.00	0.00	0.00	0.00
Bank Balances	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

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(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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 amount.

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 2022				
Trade Payables	0.00	0.00	0.00	0.00
Current Portion of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2021				
Trade Payables	0.00	0.00	0.00	0.00
Current Portion of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

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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.

i. Foreign currency risk

The entity has no 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.

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2022			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
2021			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

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ii. 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.

d) 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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	335,901.00	84,244,316.00
Total funds	335,901.00	84,244,316.00
Total borrowings	-	-
Less: cash and bank balances	(211,901.00)	(84,086,931.00)
Net debt/(excess cash and cash equivalents)	124,000.00	157,385.00
Gearing	%	%

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19. 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)
2020/2021	No risk management policy	Will work on developing	Partial resolved – Draft report	March 2023

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