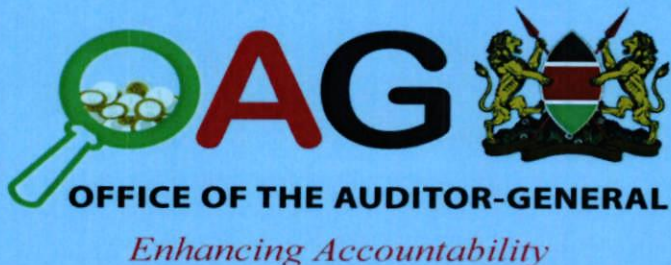


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REPORT

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THE AUDITOR-GENERAL

ON

**KIRINYAGA COUNTY EDUCATION
BURSARY FUND**

**FOR THE YEAR ENDED
30 JUNE, 2019**



KIRINYAGA COUNTY EDUCATION BURSARY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2019

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Bursary Fund is established by and derives its authority and accountability from section 116 of the Public Finance Management Act, 2012. The Fund is wholly owned by the County Government of Kirinyaga and is domiciled in Kenya.

The fund's objective is to ensure the Directorate carry out its function as stipulated in section 116 of the public finance management Act

The Fund's principal activity is;

- I. Providing education bursary to students enrolled in secondary schools, colleges, universities and other institutions that offer tertiary education
- II. Meeting any expenditure related to administration of the fund as may be approved by the Executive Committee Member.

b) Principal Activities

The principal activity/mission/ mandate of the management is to supervise and control administration of funds to provide education bursary to students

c) Board of Trustees/Fund Administration Committee

The Fund does not have a Board of Trustees.

d) Key Management

Ref	Name	Position
1	JAMES KINYUA MUTUGI	CECM EDUCATION
2	JAMES NYAMU	CO EDUCATION
3	ELIZABETH KAGO	DIRECTOR VOCATIONAL TRAINING
4	ANTHONY KIMATHI	DIRECTOR ECDE
5		

e) Registered Offices

County Headquarters
P.O, Box 260 - 10304
KUTUS, KENYA

f) Fund Contacts

Telephone: (254) 725 760 888
E-mail: kirinyaga.go.ke
Website: www.kirinyaga.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
P.O Box 90-10300
Kerugoya
3. Co-operative Bank
Mwea
4. Equity Bank
Kagio

...

h) Independent Auditors

Office of the Auditor General,
Anniversary Towers, University Way
P.O. Box 30084
GOP 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 BOARD OF TRUSTEES

The Fund does not have a board of Trustees

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. JAMES MUTUGI KINYUA	CECM- EDUCATION AND PUBLIC SERVICE B. ED (ECDE)
2. JAMES NYAMU NYAGA	FUND ADMINISTRATOR- PHD (BA-FINANCE)

4. BOARD/FUND CHAIRPERSON'S REPORT

The Kirinyaga Education Bursary Fund is managed in accordance with The Public Finance Management (The Kirinyaga County Education Bursary Fund) Regulations, 2016. There were no amendments to the Regulations during the period under review. According to the Regulations, the fund is administrated by the Chief Officer responsible for education. There was a change in the Fund administration following the reshuffle of Chief Officers. In this regard, the Department of Education and Public Service where the Fund is domiciled got a new Chief Officer who according to the Regulations is the Fund Administrator.

The decision making in regard to award of bursary is decentralized to the ward level with each of the twenty (20) wards having a committee. Each committee has five (5) members and the membership of the committees remained the same. On the other hand, each committee has a Secretary appointed by the Executive Committee Member. During the period under review, there were changes for secretaries in four (4) wards namely: Murinduko, Kabare, Ngariama and Baragwi.

The amount allocated for bursary during the year was Kshs. 20 million down from Kshs. 70 million in the previous year. This was due to budgetary constraints and need to reallocate funds to other Departmental and County programmes. However, in the FY 2019/20 the allocation has been reviewed upward to Kshs. 70 million.

In conclusion, the Fund continues to play a key role in assisting the needy students attending secondary schools, tertiary colleges and universities. The demand for financial assistance is overwhelming as indicated by the numerous applications received. Moving forward and budgetary provisions allowing, the allocation to the Fund may be increased.

Signed: _____



JAMES KINYUA MUTUGI
CECM – EDUCATION AND PUBLIC SERVICE

5. REPORT OF THE FUND ADMINISTRATOR

The Kirinyaga County Education Bursary Fund was established in FY 2013/14 and has continued to date. At the County Headquarters, the Fund is administered by the Chief Officer responsible for education, assisted by one of the directors. At the ward level, the Fund is administered by a Ward Education Bursary Committee comprising of a Chairperson and four (4) other members appointed by the Executive Committee Member responsible for education. In the County, there are twenty (20) wards and so are the committees. Each committee has a secretary appointed by the Executive Committee member.

Each of the wards has a bank account where the funds for the ward are deposited. The signatories to the accounts are the Chairperson, Secretary and Accountant assigned to the ward. Payments from the accounts are by cheques drawn in favour of the educational institution where the beneficiary is enrolled.

The ward committees receive application forms from students seeking financial assistance. The committees appraise the applications and award bursaries to the qualifying beneficiaries. Out of the Kshs. 20 million allocated for bursary in the FY 2018/19, Kshs. 19 million was awarded to 3,383 beneficiaries in universities, tertiary colleges and secondary schools. The remaining Kshs. 1 million was set aside for the ward committees' administration expenses.

Signed: _____



**JAMES NYAMU NYAGA
FUND ADMINISTRATOR**

6. CORPORATE GOVERNANCE STATEMENT

Pursuant to Kirinyaga County Education Bursary fund established under regulation 4 of the public finance management Act the department is mandated to facilitate and support all the committee/boards constituted as per the Acts. The fund is administered by the Chief Officer Education. The committee shall comprise of the following members who shall be appointed by the Executive Committee member with the approval of the County Assembly;

- a) A chairperson
- b) One person per sub location or a maximum of four members who shall be drawn from various representation including civil societies and religious groups in the respective ward.

BOARD MEETINGS ATTENDANCE

The Fund is disbursed in twenty (20) wards through committees that shall meet not more than twelve times in every financial year and not more than four months shall elapse between the date of one meeting and the date of next meeting. On average, the Ward Bursary Committees held 5 meetings in the year ended 30th June 2019.

FUNCTIONS OF THE COMMITTEE

- a) Creating awareness among the residents of the ward about the fund
- b) Receiving, reviewing and approving applications for the bursary
- c) Determining the amount bursary or scholarship or be awarded to each approved application
- d) Monitoring and evaluating the progress and performance of the students supported under these regulations
- e) Maintaining and operating ward education bursary accounts
- f) Carrying out such other roles necessary for the implementation of the other object and purpose of these regulations and perform such other functions as may from time to time as assigned by the Executive Committee Member

7. MANAGEMENT DISCUSSION AND ANALYSIS

The Bursary Fund is solely applied in supporting needy students enrolled in universities, tertiary colleges and secondary school within and outside the County. Therefore, there are no other investments nor projects implemented using the Fund. In order to provide more useful information, the application form was revised to make it easier for the applicants to fill and the committees to process.

In utilizing the Fund, management ensured compliance with the statutory and regulatory requirements. In particular, management ensured that 95% of the total amount allocated for bursary was used to award bursaries as stipulated in the Regulations. Therefore, Kshs. 19 million being 95% of Kshs. 20 million budgetary allocation was awarded. Further, it was ensured that the committee administration expenses did not exceed Kshs. 150,000 as required by the Regulations.

Some of the risks facing the fund may include misappropriation, falsification of applications and misuse of the administration expenses. On the other hand, there may also be attempts for applicants to benefit from two or more wards. To mitigate these possible risks, the County Internal Audit carries out audits of the Fund. On the other hand, applicants are supposed to attach identification documents and also have the form signed and stamped by local administration officials to avoid cross-ward applications.

On the other hand, the Fund faces a number of challenges which include the time it takes to collect the cheques and present them to the banks. There is also the delay in release of funds from National Treasury which affects the disbursement to the banks and subsequent issuance of the cheques. There is also the delay in obtaining acknowledgement letters and/or receipts from the educational institutions. Management will continue to make early requisitions with the hope that funds will be released early to avoid the other challenges.

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

There were no activities of corporate social responsibilities during the year.

9. REPORT OF THE TRUSTEES

The Fund Does not have a Board of Trustees

10. 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 Bursary Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Bursary Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes:

(i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;

(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Bursary Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kirinyaga County Education Bursary Fund Regulation 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2019, and of the Fund's financial position as at that date. The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved on 6/12 2019 and signed by:

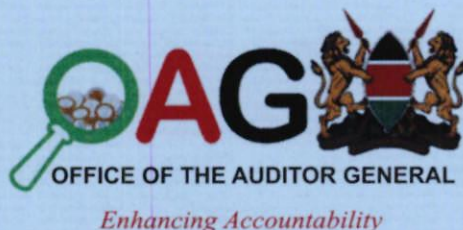


Administrator County Bursary Fund

11. REPORT OF THE INDEPENDENT AUDITOR

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KIRINYAGA COUNTY EDUCATION BURSARY FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kirinyaga County Education Bursary Fund set out on pages 13 to 42, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kirinyaga County Education Bursary Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with County Government Act, 2012, Public Finance Management Act, 2012 and Public Finance Management (Kirinyaga County Education Bursary Fund) Regulations, 2016.

Basis for Adverse Opinion

1.0 Unsupported General Expenses

Note 8 to the financial statements for the year ended 30 June, 2019 reflects Kshs.24,587,116 in respect to general expenses. However, the respective supporting ledger reflects Kshs.23,367,517 in respect to the same item resulting to an un-reconciled and un-explained variance of Kshs.1,219,599.

In the circumstances, the accuracy of Kshs.24,587,116 expenditure for the year under review could not be confirmed.

2.0 Cash and Cash Equivalents

2.1 Variance Between the Financial Statements and Cash Book Balance

Note 11 to the Fund's financial statements for the year under review reflects Kshs.2,722,367 in respect to cash and cash equivalents maintained in twenty-four (24) bank accounts as at 30 June, 2019. However, the cashbook balances for the twenty-four (24) bank accounts reflects Kshs.16,601,283 resulting to an unexplained and un-reconciled variance of Kshs.13,878,916 as indicated in **Appendix I**.

2.2 Misstated Cash Book Balance

Note 11 to the Fund's financial statements reflects Kshs.2,722,367 in respect of cash and cash equivalents maintained in twenty-four (24) bank accounts as at 30 June, 2019. However, bank reconciliation statements for four (4) bank accounts reflects Kshs.566 in respect to receipts in the bank statements not recorded in the cash books and therefore understating the cash and cash equivalents by the same amount. In addition, bank reconciliation statements for sixteen (16) bank accounts reflect Kshs.348,530 in respect to payments in bank statements not entered in cashbooks and therefore overstating the cash and cash equivalents by the same amount.

2.3 Missing Cashbooks, Bank Reconciliations and Certificate of Bank Balances

Note 11 to the Fund's financial statements reflects Kshs.2,722,367 in respect of cash and cash equivalents maintained in twenty-four (24) bank accounts as at 30 June, 2019. However, the Fund did not avail cash books, bank reconciliation statements and certificate of balances for four (4) accounts with balances totaling to Kshs.55,733.

2.4 Variance Between Actual Cashbook Balances and Bank Reconciliation Statements Balances

Note 11 to the Fund's financial statements reflects Kshs.2,722,367 in respect of cash and cash equivalents as at 30 June, 2019 held in twenty-four (24) bank accounts. However, the Fund's cashbooks for fourteen (14) bank accounts reflects Kshs.15,424,291 in respect to actual cash book balances while the respective bank reconciliation statements reflect Kshs.1,489,601 resulting to an unreconciled and unexplained variance of Kshs.13,934,690 as indicated in **Appendix II**.

2.5 Variance Between Bank Reconciliation Statement and Bank Confirmation Certificate

Bank reconciliation statement in respect to Kirinyaga County bursary fund-Kangai Ward held in a Kenya Commercial bank reflects Kshs.268,384 in respect to bank balance as at 30 June, 2019. However, the bank confirmation certificate reflects Kshs.293,384 in respect to the same resulting to an un-reconciled and unexplained variance of Kshs.25,000.

2.6 Unsupported Bank Account Details

Note 11(c) to the financial statements for the year ended 30 June, 2019 reflects Kshs.2,722,367 in respect to a current account at a bank referred to as 'bank B' whose details were not availed for audit review.

In the circumstances, the accuracy and completeness of the Kshs.2,722,367 in respect to cash and cash equivalents as at 30 June, 2019 could not be confirmed.

3.0 Unsupported Expenditure

Note 8 to the financial statements reflects Kshs.24,587,116 in respect to general expenses which relates to bursaries disbursements during the year ended 30 June, 2019. However, minutes raised by the Ward Education Bursary Committee and the vetting forms indicating the scores awarded to the successful applicants based on the award criteria was not availed for review.

Further, bursaries awarded to successful applicants comprised of Kshs 1,260,864 in respect to Secondary Schools, Kshs.339,512 in respect to Tertiary Institutions and Kshs.597,000 in respect to Universities all totaling to Kshs.2,197,376. However, the approved bursary by the Bursary Committee to the same applicants was Kshs.1,098,688 resulting to an unapproved payment of Kshs.1,098,688. In addition, no evidence was provided to confirm that the Ward Education Bursary Committee gave priority to applicants who had not received bursary award from other sources contrary to Section 13(4) of the Kirinyaga County Education Bursary Fund Regulations, 2016 which states that "where the committee establishes that an applicant has been awarded bursary under another bursary, it may award bursary to the applicant to meet the balance provided that the committee may give priority to applicants who have not received bursary from any other source".

In the circumstances, the validity and propriety of Kshs.1,098,688 expenditure for the year ended 30 June, 2019 could not be ascertained.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Presentation of Financial Statements

The Fund's financial statements provided for audit review reflects the following anomalies:

- (i) The Fund's financial statements reflects a statement of management responsibilities at page 11 which is not dated contrary to Public Sector Accounting and Standards Board (PSASB) template issued in June, 2019.
- (ii) The headers to the Fund's financial statements for the year ended 30 June, 2019 reflects "Kirinyaga County Bursary Fund" instead of "Kirinyaga County Education Bursary Fund" as stipulated in Section 2 of the Public Finance Management (PFM) Kirinyaga County Education Bursary Fund Regulations, 2016.
- (iii) The Fund's statement of changes in net assets reflect the heading "as at 30 June, 2019" instead of "for the year ended 30 June, 2019" as stipulated in the International Public Sector Accounting Standards (IPSAS).
- (iv) The Fund's statement of comparison of budget and actual amounts did not reflect the percentage utilization of both revenue and expenditure items as prescribed in the Public Sector Accounting Standards Board (PSASB) template.
- (v) The Fund financial statements include a page 43 which is not paginated.

In the circumstances, the Fund's financial statements does not comply with the stipulated Public Sector Accounting Standards Board (PSASB) format.

2.0 Lack of an Approved Budget

The Fund did not provide an approved budget for the year under review for audit review contrary to Section 43(2) of Public Finance Management (County Government) Regulations, 2015 which states that County Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund, or supplementary estimates.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis of Adverse Opinion section of my report, based on the audit procedures performed, I confirm 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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to terminate the Kirinyaga County Education Bursary Fund or to cease operations, or have no realistic alternative but to do so.

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 money is applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion with limited assurance as to 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 in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 Kirinyaga County Education Bursary Fund 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 going concern 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 Kirinyaga County Education Bursary Fund ability to continue as a going concern. 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 Kirinyaga County Education Bursary Fund to cease to continue as a going concern.
- 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 Kirinyaga County Education Bursary 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

08 October, 2021

APPENDIX I

	Bank Name	Account	Bank	Bank Account No.	Financial Statements Balance (Kshs)	Cash book Balance (Kshs)	Variance (Kshs)
1	Kirinyaga Bursary	County Fund-Kangai Ward	KCB	1205585184	125,365	1,119,809	994,444
2	Kirinyaga Bursary	County Fund-Mutithi Ward	KCB	1205586253	89,128	1,116,928	1,027,800
3	Kirinyaga Bursary	County Fund-Wamumu Ward	KCB	1205585958	58,169	1,120,465	1,062,296
4	Kirinyaga Bursary	County Fund-Murinduko Ward	Co-op	011410	340,980	340,980	0
5	Kirinyaga Bursary	County Fund-Nyangati Ward	Co-op	01141491693500	50,966	50,966	0
6	Kirinyaga Bursary	County Fund-Gathigiriri Ward	Co-op	01141491690500	182,087	182,087	0
7	Kirinyaga Bursary	County Fund-Tebera Ward	Co-op	01141491690400	235,010	235,010	0
8	Kirinyaga Bursary	County Fund-Kiine Ward	KCB	1163963879	199,674	199,674	0
9	Kirinyaga Bursary	County Fund-Kariti Ward	KCB	1152890018	308,946	308,947	1
10	Kirinyaga Bursary	County Fund-Mukure Ward	KCB	1163964123	168,275	168,275	0
11	Kirinyaga Bursary	County Fund-Njukiini Ward	KCB	1161083413	48,140	1,160,130	1,111,990
12	Kirinyaga Bursary	County Fund-Karumandi Ward	KCB	1161083561	80,896	1,168,673	1,087,777
13	Kirinyaga Bursary	County Fund-Baragwi Ward	KCB	1161083472	98,151	1,229,551	1,131,400
14	Kirinyaga Bursary	County Fund-Kabare Ward	KCB	1161083677	8,215	1,252,370	1,244,155
15	Kirinyaga Bursary	County Fund-Ngariama Ward	KCB	1161083510	81,818	1,133,218	1,051,400
16	Kirinyaga Bursary	County Fund-Kerugoya Ward	KCB	1161080740	109,801	1,136,258	1,026,457
17	Kirinyaga Bursary	County Fund-Mutira Ward	KCB	1161093095	14,416	1,038,420	1,024,004

	Bank Name	Account	Bank	Bank Account No.	Financial Statements Balance (Kshs)	Cash book Balance (Kshs)	Variance (Kshs)
18	Kirinyaga	County Bursary Fund- Kanyekiine Ward	KCB	1161561358	174,639	1,230,472	1,055,833
19	Kirinyaga	County Bursary Fund- Inoi Ward	KCB	1161615997	177,499	1,213,870	1,036,371
20	Kirinyaga	County Bursary Fund- Thiba Ward	KCB	1205586091	114,460	1,195,180	1,080,720
21	Kirinyaga	County Bursary Fund- Mutithi Ward	Equity	0420262390821	10,745	0	(10,745)
22	Kirinyaga	County Bursary Fund- Kangai Ward	Equity	0420262390748	9,488	0	(9,488)
23	Kirinyaga	County Bursary Fund- Wamumu Ward	Equity	0420262390793	14,310	0	(14,310)
24	Kirinyaga	County Bursary Fund- Thiba Ward	Equity	0420262390771	21,190	0	(21,190)
	Total				2,722,367	16,601,283	13,878,916

APPENDIX II

	Account	Actual Cash Book Balance (Kshs)	Reflect Ban. Reconciliation Statement (Kshs)	(Kshs)
1	Kirinyaga County Bursary Fund- Kangai Ward - KCB A/C No. 1205585184	1,119,809	125,365	994,444
2	Kirinyaga County Bursary Fund- Mutithi Ward - KCB A/C No. 1205586253	1,116,928	89,128	1,027,800
3	Kirinyaga County Bursary Fund- Wamumu Ward - KCB A/C No. 1205585958	1,120,465	58,469	1,061,996
4	Kirinyaga County Bursary Fund- Thiba Ward - KCB A/C No. 1205586091	1,195,180	114,460	1,080,720
5	Kirinyaga County Bursary Fund- Kerugoya Ward - KCB A/C No. 1161080740	1,136,258	109,460	1,026,798
6	Kirinyaga County Bursary Fund- Mutira Ward - Kcb A/C No. 1161093095	1,038,420	14,416	1,024,004
7	Kirinyaga County Bursary Fund- Kanyekiine Ward- Kcb A/C No. 1161561358	1,230,472	174,639	1,055,833
8	Kirinyaga County Bursary Fund- Inoi Ward - KCB A/C No. 1161615997	1,213,870	177,499	1,036,371
9	Kirinyaga County Bursary Fund- Kariti Ward - KCB A/C No. 1152890018	308,947	308,946	1
10	Kirinyaga County Bursary Fund- Njukiini Ward - KCB A/C No. 1161083413	1,160,130	48,140	1,111,990
11	Kirinyaga County Bursary Fund- Karumandi Ward - KCB A/C No. 1161083561	1,168,673	80,895	1,087,777
12	Kirinyaga County Bursary Fund- Baragwi Ward - KCB A/C No. 1161083472	1,229,550	98,150	1,131,400
13	Kirinyaga County Bursary Fund- Kabare Ward - KCB A/C No. 1161083677	1,252,370	8,215	1,244,155
14	Kirinyaga County Bursary Fund- Ngariama Ward - KCB A/C No. 1161083510	1,133,218	81,818	1,051,400
	Total	15,424,291	1,489,601	13,934,690

Cash Book Balance in	Variance (hs)

12. FINANCIAL STATEMENTS

**12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th
JUNE 2019**

	Note	FY2018/2019	FY2017/2018
		KShs.	KShs.
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	20,000,000	70,000,000
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	-	-
Other income	5	-	-
		-	-
Total revenue		20,000,000	70,000,000
Expenses			
Fund administration expenses	6	-	-
Staff Costs	7	-	-
General expenses	8	24,587,116	65,056,702.50
Finance costs	9	-	-
Total expenses		24,587,116	65,056,702.50
Other gains/losses			
Gain/loss on disposal of assets	10		
Surplus/(deficit) for the period		(4,587,116)	4,943,297.50

The notes set out on pages 31 to 41 form an integral part of these Financial Statements

12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	-	-	2,366,185	2,366,185
Surplus/(deficit) for the period	-	-	4,943,297.50	4,943,297.50
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	-	-	7,309,482.50	7,309,482.50
Balance as at 1 July 2018	-	-	7,309,482.50	7,309,482.50
Surplus/(deficit) for the period	-	-	(4,587,116)	(4,587,116)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	-	-	2,722,367	2,722,367

(Provide details on the nature and purpose of reserves)

12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	FY2018/2019 KSh	FY2017/2018 KSh
Cash flows from operating activities			
Receipts			
Public contributions and donations			
Transfers from the County Government	2	20,000,000	70,000,000
Interest received			
Receipts from other operating activities			
Total Receipts		20,000,000	70,000,000
Payments			
Fund administration expenses			
General expenses	8	24,587,116	65,056,703.50
Finance cost			
Total Payments			
Net cash flows from operating activities	21	(4,587,116)	4,943,297.50
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets			
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments			
Loan disbursements paid out			
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from revolving fund receipts			
Additional borrowings			
Repayment of borrowings			
Net cash flows used in financing activities		(4,587,116)	
Net increase/(decrease) in cash and cash equivalents		(4,587,116)	4,943,297.50
Cash and cash equivalents at 1 JULY	11	7,309,482.50	2,366,185
Cash and cash equivalents at 30 JUNE	11	2,722,367	7,309,482.50

12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations						
Transfers from County Govt.	20,000,000		20,000,000	20,000,000		
Interest income						
Other income						
Total income	20,000,000		20,000,000	20,000,000		
Expenses						
Fund administration expenses						
Staff costs						
General expenses	20,000,000		20,000,000	24,587,116	(4,587,116)	
Finance cost						
Total expenditure	20,000,000		20,000,000	24,587,116	(4,587,116)	123%
Surplus for the period				(4,587,116)		

Budget notes

- 1. The Budget Amount was as a result of funds rolled over from the previous year*
- 2. There was no change in original Budget*

12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2018/2019 was approved by the County Assembly on 30th June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded no additional appropriations on the 2018-2019 budget following the governing body's approval.

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 - of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. 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.

7. 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.

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 a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. 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.

9. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

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

11. 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.

12. 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.

13. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. 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.

16. 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Public finance Management Act under the Ministry of Education. Its ultimate parent is the County Government of Kirinyaga.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. 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.

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.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note -.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. 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 company'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 (KSh)	Fully performing (KSh)	Partly impaired (KSh)	Fully impaired (KSh)
At 30 June 2019				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
Total				
At 30 June 2018				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
Total				

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The entity has significant concentration of credit risk on amounts due from -x

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

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 3 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				
At 30 June 2018				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

	KSh	KSh	KSh
At 30 June 2019			
Financial assets (investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

The Fund manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/deficit		Rate of change
		KSh	KSh	
2019				
Euro	10%			
USD	10%			
2018				
Euro	10%			
USD	10%			

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 company's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs - (2017: KShs -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs - (2017 - KShs -)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	2019	2018
	KShs	KShs
Revaluation reserve		
Revolving fund		
Accumulated surplus		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
Gearing		

12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY2018/2019 KSh	FY2017/2018 KSh
Donation from development partners		
Contributions from the public		
Total		

2. Transfers from County Government

Description	FY2018/2019 KSh	FY2017/2018 KSh
Transfers from County Govt. – operations	20,000,000	70,000,000
Payments by County on behalf of the entity		
Total	20,000,000	70,000,000

3. Fines, penalties and other levies

Description	FY2018/2019 KSh	FY2017/2018 KSh
Late payment penalties		
Fines		
Total		

4. Interest income

Description	FY2018/2019 KSh	FY2017/2018 KSh
Interest income from loans(mortgage or car loans)		
Total interest income		

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5. Other income

Description	FY 2018/2019 KSh	FY 2017/2018 KSh
Insurance recoveries		
Income from sale of tender documents		
Miscellaneous income		
Total other income		

6. Fund administration expenses

Description	FY 2018/2019 KSh	FY 2017/2018 KSh
Loan processing costs		
Professional services costs		
Total		

7. Staff costs

Description	FY 2018/2019 KSh	FY 2017/2018 KSh
Salaries and wages		
Staff gratuity		
Staff training expenses		
Social security contribution		
Other staff costs		
Total		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	CY 2018/2019 KSh	CY 2017/2018 KSh
Consumables	24,587,116	61,556,702.50
Electricity and water expenses		
Fuel and oil costs		
Insurance costs		
Postage		
Printing and stationery		
Rental costs		
Security costs		
Telecommunication		
Hospitality		
Depreciation and amortization costs		
Other expenses (administration costs)		3,500,000
Total	24,587,116	65,056,702.50

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	FY2018/2019	FY2017/2018
	KSh	KSh
Interest on Bank overdrafts		
Interest on loans from banks		
Total		

10. Gain on disposal of assets

Description	FY2018/2019	FY2017/2018
	KSh	KSh
Property, plant and equipment		
Intangible assets		
Total		

11. Cash and cash equivalents

Description	FY2018/2019	FY2017/2018
	KSh	KSh
Fixed deposits account		
On – call deposits		
Current account	2,722,367	7,309,482.50
Others		
Total cash and cash equivalents	2,722,367	7,309,482.50

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	FY 2018/2019	FY 2017/2018
		KSh	KSh
a) Fixed deposits account			
Kenya Commercial bank			
Equity Bank, etc			
Sub- total			
b) On - call deposits			
Kenya Commercial bank			
Equity Bank - etc			
Sub- total			
c) Current account			
Kenya Commercial bank			
Bank B		2,722,367	7,309,482.50
Sub- total			
d) Others(specify)			
Cash in transit			
Cash in hand			
M Pesa			
Sub- total		2,722,367	7,309,482.50
Grand total		2,722,367	7,309,482.50

12. Receivables from exchange transactions

Description	FY 2018/2019	FY 2017/2018
	KSh	KSh
Current Receivables		
Interest receivable		
Current loan repayments due		
Other exchange debtors		
Less: impairment allowance		
Total Current receivables		
Non Current receivables		
Long term loan repayments due		
Total Non current receivables		
Total receivables from exchange transactions		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	FY2018/2019	FY 2017/2018
	KShs	KShs
Prepaid rent		
Prepaid insurance		
Prepaid electricity costs		
Total		

14. Inventories

Description	FY2018/2019	FY 2017/2018
	KShs	KShs
Consumable stores		
Spare parts and meters		
Catering		
Total inventories at the lower of cost and net realizable value		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2017					
Additions					
Disposals					
Transfers/adjustments					
At 30th June 2018					
At 1st July 2018					
Additions					
Disposals					
Transfer/adjustments					
At 30th June 2019					
Depreciation and impairment					
At 1st July 2017					
Depreciation					
Impairment					
At 30th June 2018					
At 1st July 2018					
Depreciation					
Disposals					
Impairment					
Transfer/adjustment					
At 30th June 2019					
Net book values					
At 30th June 2018					
At 30th June 2019					

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	FY 2018/2019	FY 2017/2018
	KSh	KSh
Cost		
At beginning of the year		
Additions		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization		
At end of the year		
Impairment loss		
At end of the year		
NBV		

17. Trade and other payables from exchange transactions

Description	FY 2018/2019	FY 2017/2018
	KSh	KSh
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

18. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2018/2019 KSh	2017/2018 KSh
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	(-)	(-)
Repayments of domestics borrowings during the period	(-)	(-)
Balance at end of the period	-	-

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

Description	2018/2019 KSh	2017/2018 KSh
External Borrowings		
Dollar denominated loan from '- organisation'		
Sterling Pound denominated loan from 'yyy organisation'		
Euro denominated loan from zzz organisation'		
Domestic Borrowings		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Borrowings from other government institutions		
Total balance at end of the year		

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

Description	2018/2019 KSh	2017/2018 KSh
Short term borrowings (current portion)		
Long term borrowings		
Total		

(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Defined contribution plan	Total
	KShs	KShs	KShs
Current benefit obligation			
Non-current benefit obligation			
Total employee benefits obligation			

21. Cash generated from operations

	KShs
Surplus for the year before tax	(4,587,116)
Adjusted for:	
Depreciation	
Gains/ losses on disposal of assets	
Interest income	
Finance cost	
Working Capital adjustments	(4,587,116)
Increase in inventory	
Increase in receivables	
Increase in payables	
Net cash flow from operating activities	(4,587,116)

22. Related party balances

a) Nature of related party relationships

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	FY 2018/2019	FY 2017/2018
	KShs	KShs
Transfers from related parties'		
Transfers to related parties		

c) Key management remuneration

	FY 2018/2019	FY 2017/2018
	KShs	KShs
Board of Trustees		
Key Management Compensation		
Total		

d) Due from related parties

	FY 2018/2019	FY 2017/2018
	KShs	KShs
Due from parent Ministry		
Due from County Government		
Total		

e) Due to related parties

	FY 2018/2019	FY 2017/2018
	KShs	KShs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
Total		

23. Contingent assets and contingent liabilities

Contingent liabilities	FY 2018/2019	FY 2017/2018
	KShs	KShs
Court case - against the Fund		
Bank guarantees		
Total		

(Give details)

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13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
1	Failure to prepare Trial Balance	Trial Balance Prepared	RAPHAEL MWAURA DDAS	RESOLVED	
2.	Preparation of quarterly Reports	Quarterly Reports Prepared	RAPHAEL MWAURA DDAS	RESOLVED	

Guidance Notes:

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

WARD	BANK	ACCOUNT NO	CASHBOOK BAL	BANK BAL
Tebere	COOP	011 414 916 90400	235,010.00	329,260.00
Kerugoya	KCB	116 108 0740	109,801.00	235,258.00
Kanyekiini	KCB	116 156 1358	174,639.00	280,472.00
Mutira	KCB	116 109 3095	14,416.00	177,620.50
Inoi	KCB	116 161 5997	177,499.50	253,870.50
Kangai	KCB	120 558 5184	125,365.00	268,383.50
Mutithi	KCB	120 558 6253	89,128.00	152,720.00
Thiba	KCB	120 558 6091	114,460.00	188,686.00
Njukiini	KCB	116 108 3413	48,140.00	155,849.00
Ngariama	KCB	116 108 3510	81,818.00	167,741.50
Wamumu	KCB	120 558 5958	58,169.00	17,713.00
Baragwi	KCB	116 108 3472	98,150.00	297,858.00
Kabare	KCB	116 108 3677	8,215.00	243,392.50
Karumandi	KCB	116 108 3561	80,896.00	220,802.00
Nyangati	COOP	011 414 916 90200	50,966.00	207,954.23
Murinduko	COOP	011 414 916 93500	340,980.00	518,050.00
Gathigiriri	COOP	011 414 916 90500	182,087.00	279,408.00
Kariti	KCB	115 289 0018	308,946.00	293,740.50
Mukure	KCB	116 396 4123	168,275.00	196,161.00
Kiine	KCB	116 396 3879	199,673.50	155,018.00
Mutithi KCBF	EQUITY	0420 262 890 821	10,745.00	10,745.00
Kangai KCBF	EQUITY	0420 262 890 748	9,488.00	9,488.00
Thiba KCBF	EQUITY	0420 262 890 771	21,190.00	21,190.00
Wamumu KCBF	EQUITY	0420 262 890 793	14,310.00	14,310.00
			2,722,367.00	4,639,958.23

