

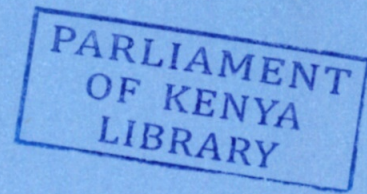
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

**MURANG'A COUNTY EDUCATION
SCHOLARSHIP FUND**

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

PAPERS LAID	
DATE	27.02.24
TABLED BY	MAJORITY LEADER
COMMITTEE	FINANCE & BUDGET
CLERK AT THE TABLE	C. CHEROP



Revised 30th June 2023



MURANG'A COUNTY EDUCATION SCHOLARSHIP FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023

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

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Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

1. Acronyms and Glossary of Terms

a) Acronyms

ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
KUCCPS	Kenya Universities and Colleges Central Placement Service
TSC	Teachers Service Commission
DOB	Date of birth
MCA	Member of the County Assembly
CECM	County Executive Committee Member
CO	Chief Officer

b) Glossary of Terms

The Fund	Murang'a County Education Scholarship Fund
The Committee	Murang'a County Education Scholarship Fund Committee
Fiduciary Management	

Ref	Name	Position
1	Angel M. Kioko	Administrator of the Fund
2	James N. Mwangi	Fund Accountant

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

2. Key Fund Information and Management

a) Background information

Murang'a County Education Scholarship Fund is established by and derives its authority and accountability from Murang'a County Education Scholarship Fund Regulations 2021 of 26th September 2021. The Fund is wholly owned by the County Government of Murang'a and is domiciled in Kenya.

b) Principal Activities

The principal activity of the Fund is to Provide financial assistance to the needy, orphaned and vulnerable students in Murang'a County, enrolled in secondary schools, universities, colleges and special primary or secondary schools.

c) Fund Administration Committee

Ref	Name	Position
1	Faith W. Njoroge	CECM Education & Technical Training
2	Catherine W. Mwaura	Director Education Programmes
3	David I. Waweru	Deputy Director, Education
4	John N. Gituire	Assistant Director, Education
5	Angela M. Kioko	C.O. Education/Administrator of The Fund

d) Key Management Team

Ref	Name	Position
1	Angela M. Kioko	C.O. Education/Administrator of the Fund
2	James N. Mwangi	Fund Accountant

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	
2	County Assembly Committee on Education	

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

f) Registered Offices

P.O. Box 52-10200
Murang'a

g) Fund Contacts

Telephone: (254) 060-2030271
E-mail: info@muranga.go.ke
Website: www.muranga.go.ke

h) Fund Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

2. Family Bank of Kenya
Murang'a Branch, Kenya
P.O. Box 74145-00200

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Key Management (Continued)

i) Independent Auditors

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

j) Principal Legal Adviser

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

k) County Attorney

County Hall
P.O. Box 52-10200
Muranga, Kenya

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

3. Fund Administration Committee

Name	Details of qualifications and experience
Faith W. Njoroge	DOB 28/10/1967 Bachelor of Education Master In Education Graduate Teacher Experience: 26 years TSC Teacher 1 Year in the County Government
Catherine W. Mwaura	DOB 29/04/1970 Bachelor of Education Master of Arts Project Planning & Management Graduate Teacher Experience:22 years Graduate Teacher 9 Years in the County Government
David I. Waweru	DOB 26/09/1966 Bachelor of Education Senior Graduate Approved Teacher 1 Experience. 28 years as a TSC Teacher 4 years in the County Government.
John N. Gituire	DOB 20/09/1965 Bachelor of Education Assistant Director Education Experience: 31 years
Angela M. Kioko	DOB 20/10/1986 Bachelor of Arts (Economics & Sociology) Diploma in Project Management (KIM) Experience: 5 Years Procurement Officer

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

4. Management Team

Name	Details of qualifications and experience
1. Angela M. Kioko	Bachelor of Arts (Economics & Sociology) Diploma in Project Management (KIM)
2. James N. Mwangi	Bachelor Of Commerce (Accounting) CPA(k)

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

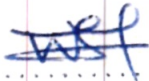
5. Fund Chairperson's Report

The year under review was an election year and it ushered in a new administration which came with new office bearers. A new CECM for Education and Technical Training, Hon. Faith Wairimu Njoroge was appointed by the Governor to replace Hon. Gerishon Nyagia whose term ended in September 2022. The former Chief Officer/Fund administrator, Isaack Njai Mwangi's term ended in March 2023 and was replaced by Isaack Wanjohi Karoga who was replaced by Angela Mueni Kioko in June 2023.

The fund opened the financial year with a balance of Kshs. 13,590,089 and received Kshs. 308,000,000 from the County Treasury and a donation from a well-wisher of Kshs. 1,000,000. Kshs. 282,311,565 was disbursed as scholarships and bursaries to deserving students from all wards in the county.

The fund intends to continue working with all stakeholders in providing assistance to students from needy and deserving students from the county to ensure they continue their studies uninterrupted. This we believe will have them perform well and help them pull their families from the cycle of poverty.

In conclusion, we would like to thank the Governor, the Executive Committee, the Education Committee of the County Assembly and all who over time have enabled this fund to fulfil its mandate.



Faith W. Njoroge

CECM,

Education & Technical Training

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

6. Report of The Fund Administrator

Murang'a County Education Scholarship Fund is established and governed by the Murang'a County Education Scholarship Fund Regulations 2021. The fund's principal activity is to provide scholarships/bursaries to students from needy families in the County of Murang'a drawn from all thirty-five wards in a fair and transparent manner.

During the financial year ended June 30 2023, a total of six thousand, six hundred and four students from secondary schools, colleges, universities and special schools were awarded bursaries to assist them in paying for their school fees. The fund opened with a balance of Kshs. 13,590,089 and received Kshs. 309,000,000 from the county treasury and well-wishers and disbursed a total of Kshs. 282,311,665 to remain with a balance of Kshs. 18,562,494.

Among the challenges that the fund encountered in the financial year included an overwhelming number of needy students who come from families that were unable to adequately fund their education amid rising costs of living and an economy which is yet to fully recover from losses of income due to ravages of COVID 19. While the Fund would have wanted to give bursaries to all who had applied, the reality is that there can never be enough funds for this. Aware of this, the fund has put in place structures that ensure only the most deserving students receive the assistance. The measures put in place include;

- i) Involvement of area MCAs
- ii) Involvement of local administration
- iii) Involvement of faith leaders
- iv) Involvement of school heads.

Going forward, the fund will endeavour to include as many needy students as the funds are available.

re: 

Angela M. Kioko
Fund Administrator

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

7. 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 when preparing financial statements of Murang'a County Education Scholarship Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of Murang'a County Education Scholarship Fund performance against predetermined objectives.

The key objectives of Murang'a County Education Scholarship Fund are to Provide financial assistance to the needy, orphaned and vulnerable students in Murang'a County, enrolled in secondary schools, universities, colleges and special primary or secondary schools.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision Of Scholarship/bursary to Needy Students from The County of Murang'a	Needy Students learn uninterrupted	6,604 students were provided with bursaries	Students learned uninterrupted	Students learned uninterrupted.

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

8. Corporate Governance Statement

The committee shall be appointed by the Governor and shall include;

- i) CECM Education
- ii) Two chief officers from The Department of Education
- iii) Two Directors from The Department of Education
- iv) The Departmental Accountant
- v) Member nominated by The Governor.

A member of the committee shall vacate office if

- a) At any time resign from office by notice in writing to the Executive Committee Member.
- b) Be removed from office by the Executive Committee Member if –
 - (i) Has been absent from three consecutive meetings of the Committee without the permission of the chairperson;
 - (ii) Is convicted of a criminal offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding ten thousand shillings;
 - (iii) Is convicted of an offence involving dishonestly or fraud;
 - (iv) Is adjudged bankrupt or enters into a composition scheme of arrangement with his creditors;
 - (v) Is incapacitated by prolonged physical or mental illness or is deemed otherwise unfit to discharge his duties as a member of the Committee; or

Fails to comply with the provision of the Fund Regulations relating to disclosure.

The functions of the committee are;

- i) Receive and review applications for scholarships
- ii) Determine and award scholarships
- iii) Carry out other roles necessary for the implementation of the object and purpose of the fund.

In the conduct of the functions of the committee, the following are the guiding principles;

- i) Fairness and equity
- ii) Inclusivity and non-discrimination
- iii) Public participation
- iv) Accountability and transparency
- v) Efficiency.

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

9. Management Discussion and Analysis

Section 166 of the Public Finance Management Act, 2012 requires that, at the end of each quarter, the Administrator of a County Public Fund established by Murang'a County Education Bursary Fund Regulations 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 Murang'a County Education 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 period ended on June 30 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of Murang'a County Education Bursary Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Murang'a County Education Fund. 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 period ended June 30, 2023 and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of Murang'a County Education 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 three months from the date of this statement.

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

10. Report of The Fund Committee

Principal activities

The principal activities of the Fund are

- vi) Grant scholarships in accordance with the criteria established under the Act
- vii) Meet any expenditure related to administration of the Fund as may be approved by the Executive Member:

Results

The results of the Fund for the year ended June 30, 2023 are set out from page 1

Trustees

The members of the Fund committee who served during the year are shown on page iv.

Auditors

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

By Order of the Committee


.....

Faith W. Njoroge

CECM Education & Technical Training

Date:

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 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 Murang'a County Education Scholarship Fund Regulations 2021 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 Murang'a County Education Scholarship 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, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of Murang'a County Education Scholarship 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 Murang'a County Education Scholarship Fund Regulations 2021. 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, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of Murang'a County Education Scholarship 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. OR

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on July 10th 2023 and signed on its behalf by:

re: 

Administrator of the Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MURANG'A COUNTY EDUCATION SCHOLARSHIP FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure 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 Murang'a County Education Scholarship Fund set out on pages 1 to 25, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of

changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Murang'a County Education Scholarship Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management (Murang'a County Education Scholarship Fund) Regulations, 2021, the Public Finance Management Act, 2012 and the County Governments Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Bursary Disbursements

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.282,693,008 in respect of bursary disbursement. Review of supporting schedules provided for audit reflect Kshs.242,850,501 resulting to unexplained and unreconciled variance of Kshs.39,842,507. Further, bursary disbursements were not supported with a list of applicants or applicants register from the thirty-five (35) wards. In addition, review of the successful list of applicants revealed that list of students who were awarded bursary was not supported by admission numbers from the respective institutions. It was also noted that bursary disbursements amounting to Kshs.3,000,000 was not supported by list of beneficiary students, while bursary disbursements amounting to Kshs.62,273,000 were not supported by way of cheque numbers.

In the circumstances, the accuracy and completeness bursary disbursements amounting to Kshs.282,693,008 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Murang'a County Education 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.

Emphasis of Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public

Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, although the issues are indicated as resolved under annex 19 to the financial statements on progress on follow up of prior year auditor's recommendations, no evidence was provided indicating that the issues were resolved.

In the circumstances, the issues remain unresolved.

My opinion is not modified in respect of this matter.

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 Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective manner.

Basis for Conclusion

1. Lack of an Approved Budget

The Fund Administrator did not provide for audit, the budget and plan approved by the County Executive Committee contrary to Regulations 4.1 of the Public Finance Management (Murang'a County Education Scholarship Fund) Regulations, 2021 which provide that, the County Executive Committee Member for finance shall designate or appoint an officer responsible for administration of the Fund who shall prepare a budget and such plans for better administration of the Fund to be approved by the County Executive Committee

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

2. Lack of Appointment letters of Fund Management Committees Members

Regulation 5(1) and 7(1) of the Public Finance Management (Murang'a County Education Scholarship Fund) Regulations, 2021 provides for establishment of Ward Education Scholarship Committee and Murang'a County Scholarship Fund Committee respectively. However, the appointment letters for Ward Education Scholarship Committee Members and Murang'a County Scholarship Fund Committee Members were not provided for audit review.

In the circumstances, the validity of the Fund management committees could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements 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 Article 229(6) of the Constitution, based on the audit procedures performed, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The 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 County Executive Committee

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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 overall governance.

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

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

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

The County Executive Committee is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance

with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk Management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 January, 2024

**Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

13. Statement of Financial Performance for the Year Ended 30th June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Public contributions and donations	1	1,000,000	500,000
Transfers from the County Government	2	308,000,000	252,652,000
		309,000,000	253,152,000
Revenue from exchange transactions			
Interest income	3	0	0
Other income	4	0	0
		0	0
Total revenue		309,000,000	253,152,000
Expenses			
Employee Costs	5	0	0
Use of Goods and Services	6	21,334,587	18,746,029
Bursary Disbursement	9	282,693,008	221,568,376
Finance costs	7	0	0
Total expenses		304,027,595	240,314,405
Other gains/losses			
Gain/loss on disposal of assets	8	0	0
Surplus/(deficit) for the period		4,972,405	12,837,595

(The notes set out on pages 6 to 27 form an integral part of these Financial Statements)

re: 

Angela M. Kioko
Administrator of the Fund



.....
James N, Mwangi
ICPAK Member Number: 24385

Murang'a County Education Scholarship Fund


Annual Report and Financial Statements for the year ended June 30, 2023


14. Statement of Financial Position As at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	12	18,562,494	13,590,089
Prepayments	10	0	0
Inventories	11	0	0
		18,562,494	13,590,089
Non-current assets			
		0	0
		0	0
Total assets		18,562,494	13,590,089
Liabilities			
Current liabilities			
		0	0
		0	0
Non-current liabilities			
		0	0
		0	0
Total liabilities		0	0
Net assets		18,562,494	13,590,089
Revolving Fund		0	0
Reserves		0	0
Accumulated surplus/(Deficit)		4,972,405	12,837,595
Total net assets and liabilities		23,534,899	26,427,684

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. Murang'a County Education Scholarship Fund financial statements were approved on July 10th 2023 and signed by:

re:


Angela M. Kioko
 Administrator of the Fund


James N. Mwangi
 ICPAK Member Number: 24385

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Accumulated surplus	Total
	Kshs	Kshs
Balance As At 1 July 2021	752,494	752,494
Surplus/(Deficit) For the Period	12,837,595	12,837,595
Balance As At 30 June 2022	13,590,089	13,590,089
Balance As At 1 July 2022	13,590,089	13,590,089
Surplus/(Deficit) For the Period	4,972,405	4,972,405
Balance As At 30 June 2023	18,562,494	18,562,494

re: 

Angela M. Kioko
Administrator of the Fund



James N. Mwangi
ICPAK Member Number: 24385

Murang'a County Education Scholarship Fund

Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement of Cash Flows for The Year Ended 30 June 2023

	Not e	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	1,000,000	500,000
Transfers from the County Government	2	308,000,000	252,652,000
Total Receipts		309,000,000	253,152,000
Payments			
Use of Goods and Services	6	21,334,587	18,746,029
Bursary Disbursement	9	282,693,008	221,568,376
Total Payments		304,027,595	240,314,405
Net cash flows from operating activities		4,972,405	12,837,595
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		0	0
Proceeds from sale of property, plant and equipment		0	0
Net cash flows used in investing activities		0	0
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	0
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		4,972,405	12,837,595
Cash and cash equivalents at the Beginning of the Financial Year	12	13,590,089	752,494
Cash and cash equivalents at the End of The Financial Year	12	18,562,494	13,590,089

Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement Of Comparison of Budget and Actual Amounts for The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis
	Kshs	Kshs	Kshs	Kshs
Revenue				
Public contributions and donations	0	0	0	1,000,000
Transfers from County Govt.	260,000,000	48,000,000	308,000,000	308,000,000
Total income	260,000,000	48,000,000	308,000,000	309,000,000
Expenses				
Use of Goods and Services	9,240,180		9,240,180	21,334,587
Bursary Disbursement	250,759,820	48,000,000	298,759,820	282,693,008
Total expenditure	260,000,000	48,000,000	308,000,000	304,027,595
Surplus for the period				4,972,405

Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023

18. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Murang'a County Education Scholarship Fund is established by and derives its authority and accountability from Murang'a County Education Scholarship Fund Regulations 2021. Murang'a County Education Scholarship Fund is wholly owned by the Murang'a County Government and is domiciled in Kenya. Murang'a County Education Scholarship Fund's principal activity is to provide scholarships to needy students from Murang'a County.

2. Statement of compliance and basis of preparation

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

Standard	Effective date and impact
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

**Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
	<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.
<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.

**Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
	<p>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> <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>
Other improvements to IPSAS	<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>

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<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 the effect that leases have on the financial position, financial performance and cashflows of Murang'a County Education Scholarship Fu.</p> <p>The new standard requires Murang'a County Education Scholarship Fu to recognise, measure and present information on right of use assets and lease liabilities.</p>

**Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, 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: 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>

(ii) Early adoption of standards

Murang'a County Education Scholarship Fund did not early – adopt any new or amended standards in the financial year **Summary of 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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023

The original budget for FY 2023 was approved by the Murang'a County Assembly on June 30 2022. Subsequent 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 Murang'a County Education Scholarship Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, Murang'a County Education Scholarship Fund recorded additional appropriations of kshs. 48,000,000 on the FY 2023 budget following the governing body's approval.

Murang'a County Education Scholarship Fund 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.

Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 17 of these financial statements.

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, Murang'a County Education Scholarship Fund 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.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, Murang'a County Education Scholarship Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, Murang'a County Education Scholarship Fund classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Murang'a County Education Scholarship Fund
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Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where Murang'a County Education Scholarship Fund manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

Murang'a County Education Scholarship Fund assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. Murang'a County Education Scholarship Fund recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL).

Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

Murang'a County Education Scholarship Fund classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) 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 Murang'a County Education Scholarship Fund

h) Provisions

Provisions are recognized when Murang'a County Education Scholarship Fund 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 Murang'a County Education Scholarship Fund 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.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. Murang'a County Education Scholarship Fund recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social

Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023

benefit payments) that Murang'a County Education Scholarship Fund will incur in fulfilling the present obligations represented by the liability.

Murang'a County Education Scholarship Fund
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Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

Murang'a County Education Scholarship Fund 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

Murang'a County Education Scholarship Fund 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 Murang'a County Education Scholarship Fund 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.

k) Nature and purpose of reserves

Murang'a County Education Scholarship Fund creates and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

Murang'a County Education Scholarship Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits – Retirement benefit plans

Murang'a County Education Scholarship Fund provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which Murang'a County Education Scholarship Fund 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.

Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) Related parties

Murang'a County Education Scholarship Fund 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 Murang'a County Education Scholarship Fund, or vice versa. Members of key management are regarded as related parties and comprise the CECM, the administrator of the fund, committee members and the fund accountant.

q) 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 Family Bank 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.

r) Comparative figures

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

Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions –

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The fund 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 Murang'a County Education Scholarship Fund. 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.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

c) Provisions

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

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

Murang'a County Education Scholarship Fund
Annual Report and Financial Statements for the year ended June 30, 2023

6. Notes to The Financial Statements Continued

6. Notes to The Financial Statements

1. Public contributions and donations

Description	2022-2023	2021-2022
	Kshs	Kshs
Donation from development partners	0	0
Contributions from the public	1,000,000	500,000
Total	1,000,000	500,000

2. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers from County Govt	308,000,000	252,652,000
Payments by County on behalf of the entity	0	0
Total	308,000,000	252,652,000

3. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest income from Mortgage loans	0	0
Interest income from car loans	0	0
Interest income from investments	0	0
Interest income on bank deposits	0	0
Total interest income	0	0

4. Other income

Description	2022-2023	2021-2022
	Kshs	Kshs
Insurance recoveries	0	0
Income from sale of tender documents	0	0
Miscellaneous income	0	0
Total other income	0	0

5. Employee Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Salaries and wages	-	0
Staff gratuity	0	
Staff training expenses	0	
Social security contribution	0	
Other staff costs	0	
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Fuel and oil costs	90,000	20,150
Bank Charges	1,132,728	2,567,349

**Murang'a County Education Scholarship Fund
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Printing and stationery	1,597,850	1,684,725
Entertainers	60,000	310,000
Event Hosting	6272300	767,600
Communication	405,000	152,395
Hospitality	2,888,500	8,918,400
Committee Allowances	7,126,865	4,325,410
Security	100,000	0
Transport	1,661,344	0
Total	21,334,587	18,746,029

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Finance costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest on Bank overdrafts	-	0
Other Bank Charges	-	0
Total	-	-

8. Gain/(loss) on disposal of assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

9. Disbursement

Description	2022-2023	2021-2022
	Kshs	Kshs
Bursary	282,693,008	221,568,376
Total cash and cash equivalents	282,693,008	221,568,376

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	2022-2023	2021-2022
	Account number	Account number
a) Fixed deposits account		
Family Bank	006000024352	006000024352
Grand total	18,562,494	13,590,089

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Prepayments

Description	2022-2023	2021-2022
	Kshs	Kshs
Prepaid rent	0	0
Prepaid insurance	0	0
Prepaid electricity costs	0	0
Other prepayments(specify)	0	0
Total	0	0

11. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs

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Consumable stores	0	0
Spare parts and meters	0	0
Catering	0	0
Other inventories(specify)	0	0
Total inventories at the lower of cost and net realizable value	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Cash and Cash Equivalents

	2022-2023	2021-2022
Cost		
As at the Beginning of The Year	13,590,089	752,494
As at the End of The Year	18,562,494	13,590,089

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Provisions

Description	2022-2023	2021-2022
	Kshs	Kshs
Balance at the beginning of the period	0	0
Additional Provisions	0	0
Provision utilized	-	0
Change due to discount and time value for money	-	0
Transfers from non -current provisions	0	0
Balance at the end of the Period	0	0

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

	2022-2023	2021-2022
	Kshs	Kshs
External Borrowings		
Dollar denominated loan from 'xxx organization'	0	0
Sterling Pound denominated loan from 'by organization'	0	0
Euro denominated loan from zzz organization'	0	0
Domestic Borrowings		
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Borrowings from other government institutions	0	0
Total balance at end of the year	0	0

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

Description	2022-2023	2021-2022
	Kshs	Kshs
Short term borrowings (current portion)	0	0
Long term borrowings	0	0
Total	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Employee benefit obligations

Description	Defined benefit plan	
	2022-2023	2021-2022
	Kshs	Kshs
Current benefit obligation	0	0
Non-current benefit obligation	0	0
Total employee benefits obligation	0	0

14. Cash generated from operations

	2022-2023	2021-2022
	Kshs	Kshs
Surplus/ (deficit) for the year before tax	-	
Adjusted for:		
Depreciation	0	0
Amortization	0	0
Gains/ losses on disposal of assets	0	0
Interest income	0	0
Finance cost	0	0
Working Capital adjustments		
Increase in inventory	0	0
Increase in receivables	0	0
Increase in payables	0	0
Net cash flow from operating activities	-	-

15. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2022-2023	2021-2022
	Kshs	Kshs
Transfers from related parties'	0	0
Transfers to related parties	0	0

c) Key management remuneration

	2022-2023	2021-2022
	Kshs	Kshs
Board of Trustees	0	0
Key Management Compensation	0	0
Total	0	0

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d) Due from related parties

	2022-2023	2021-2022
	Kshs	Kshs
Due from parent Ministry	0	0
Due from County Government	0	0
Total	0	0

e) Due to related parties

	2022-2023	2021-2022
	Kshs	Kshs
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
Total	0	0

16. Contingent assets and contingent liabilities

Contingent liabilities	2022-2023	2021-2022
	Kshs	Kshs
Court case against the Fund	0	0
Bank guarantees	0	0
Total	0	0

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19. Annexes


Annex I: 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.

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)
Basis for qualified opinion	Unsupported bursary disbursements	<p>i. The correct amount of bursary disbursement is Kshs. 221,586,376 and the correct schedule to support has been provided for review.</p> <p>ii. We have provided samples of application forms, receipts and acknowledgment letters.</p> <p>iii. The criteria used is a provided in the regulations where deserving cases are identified at the local level with the help of primary school heads, chiefs and assistant chiefs and the clergy.</p> <p>iv. While the ministry had issued the directive on the maximum school fees to be charged, many of the schools introduced other payments which necessitated the scholarship fund to maintain the kshs40,000 disbursements.</p>	Resolved	
Basis of Conclusion; Lawfulness & effectiveness in use of public funds	Lack of approved budget	The Murang'a County Education Scholarship was established on 28th September 2021 at which point the County Executive had already passed the	Resolved	

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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)
		Annual Budget and Supplementary budget. However, we included the budget in the Statement of Comparison of Budget and Actual Amounts for The Period Ended 30th JUNE 2022.		
Basis of conclusion; Effectiveness of internal controls, risk management and governance.	Lack of internal audit function	The internal audit department has included the audit of the fund in its work plans.	Resolved	

re: 
Administrator Of the Fund

Date.....

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Annex 2: Trial Balance For The Year Ended June 30 2023

DESCRIPTION	Dr.	Cr.
Fund Balance		13,590,089
Donations		1,000,000
Transfers from County Government		308,000,000
Employee Costs	7,126,865	
Printing and stationery	1,597,850	
Entertainers	60,000	
Transport	1,661,344	
Security	100,000	
Event Hosting	6,272,300	
Communication	405,000	
Hospitality	2,888,500	
Scholarship	282,693,008	
Fuel	90,000	
Finance Costs	1,132,728	
Cash In Bank	18,562,494	
	322,590,089	322,590,089