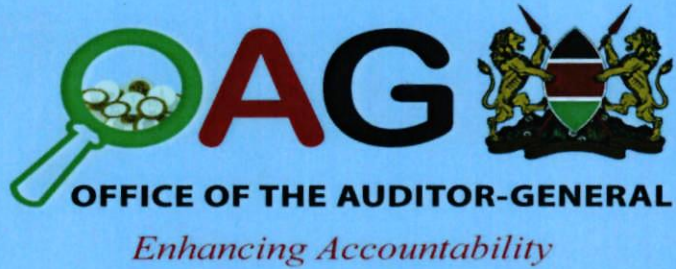


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REPUBLIC OF KENYA



REPORT

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THE AUDITOR-GENERAL

ON

EMBU COUNTY YOUH TRUST FUND

FOR THE YEAR ENDED
30 JUNE, 2020

PAPERS LAID	
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EMBU COUNTY YOUTH TRUST FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2020

Prepared in accordance with the International Public Sector Accounting Standards (IPSAS)

**Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020**

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Embu County Youth Trust Fund.
Reports and Financial Statements
For the year ended June 30, 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Embu County Youth Trust Fund is established by and derives its authority and accountability from public finance management Act (No. 18 of 2012) on 24th April, 2015. The Fund is wholly owned by the County Government of Embu and is domiciled in Kenya.

The fund's objective is to promote culture of savings and investment amongst the youth and to promote establishment of both new and existing small youth enterprises in the County.

The Fund's principal activity is economic empowerment of the youths which enables them to access finances to promote their business and enterprises, thereby enhancing economic growth towards the realization of vision 2030,

The fund addresses sustainable development goals No.1 (End poverty in all its forms), No.5 (achieve gender equity and empower women and girls), No.8 (promote sustained, inclusive and sustainable economic growth, full and productive empowerment and decent work for all) and No.10 (reduced inequity among countries) by providing affordable credit to youth, and youthful persons with disability)

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to

(a)Expand access to finances in promotion of youth businesses and enterprises at the ward level for economic growth towards the realization of the goals of Vision 2030.

(b) To generate gainful self- employment for the youth.

(c) To model an alternative framework in funding youthful community driven development.

c) Youth Trust Fund Administration Committee.

Name	Position
1. Eric Mutugi Kimani	Chairman
2. Siriv'wa njiru Kamau	Vice Chairlady
3. Vera Murugi Njiru	Member
4. Allan Mwendu Njiru	Member
5. Joseph Njuki Kibuti	Member
6. Ruth Idirangu	Member
7. Samuel Wachira	Member

Embu County Youth Trust Fund.
Reports and Financial Statements
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8. Jemima Nyaga	Fund Administrator and Secretary to the Council
-----------------	---

d) Key Management

	Name	Position
1	Jemima N. Nyaga	Director Youth Empowerment/Fund Administrator.
2	Samuel Wachira	Chief Officer – Youth Empowerment and Sports
3.	Ruth W. Ndirangu	Chief Officer - Finance

Embu County Youth Trust Fund.
Reports and Financial Statements
For the year ended June 30, 2020

e) Registered Offices

Embu County Government
P.O. Box 36 - 60100
Embu, KENYA

f) Fund Contacts

Youth Trust Fund
E-mail: ytfembu@gmail.com

g) Fund Bankers

1. Equity Bank – Embu branch
P.O. Box 75104
City Square 00200
Nairobi, Kenya

2. Independent Auditors





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

3. Principal Legal Adviser





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

Embu County Youth Trust Fund.
Reports and Financial Statements
For the year ended June 30, 2020

2. THE EMBU COUNTY YOUTH TRUST FUND COUNCIL

	Name	Position	Details of qualifications and experience
	Pius Kimani	Chairman	24/12/1990 Bachelor Degree in Human Resources management 2 Years Experience.
	Sylvia Kamau	Vice Chairlady	17/05/1998 Bachelors Degree in commerce – Accounts Option 1 Year Experience
	Joseph Kibuti	Member	5/10/1989 Bachelors Degree in Human Resources management. 2 Years Experience.
	Vera Njiru	Member	06/09/1995 Bachelors Degree in Sociology 1 Years Experience.

Embu County Youth Trust Fund.
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	<p>Allan Njeru</p>	<p>Member</p>	<p>9/7/1985 Bachelors Degree in Economics 1 Year experience</p>
	<p>Ruth Ndirangu</p>	<p>Member</p>	<p>14/01/1975 CPA(K) MBA B.Com - Finance Work Experience 9 Years</p>
	<p>Samuel Wachira</p>	<p>Member</p>	<p>3/6/1984, Masters in MA – Ongoing B.Ed Arts Work Experience 6 Years</p>
	<p>Jemima Nyaga</p>	<p>Fund Administrator/Secretary to the Council.</p>	<p>18/02/1973 Masters in Community Development – Ongoing. B.A Social Work. 11 Years Experience.</p>

Embu County Youth Trust Fund.
Reports and Financial Statements
For the year ended June 30, 2020

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

Introduction

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




The key development objectives of the Embu County Government Entity's 2018-2022 plan are to:

- a) Promote the culture of savings and investment amongst the youths.
- b) Access to finances in promotion of youth businesses and enterprises.
- c) To provide self employment to the youth.

Progress on attainment of Strategic development objectives (Adopted from Embu County)
 Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Sensitizing youths on Saving and investment	Promote the culture of savings and investment amongst the youths	Increased number of youths who have a culture of saving and investing.	% of increasing number of loan beneficiaries.	In FY 19/20 there were no loan beneficiaries due to COVID-19.
Training Youths on entrepreneurship and financial management	To promote access to finances and promotion of youth businesses and enterprises.	Increased number of loan repayment.	% of increasing of loan repayment amount.	In FY 19/20 There was a decrease loan repayment due to COVID -19
Youth Empowerment	To provide self employment to the youth.	Increased number of loan applications	% of increase in number of loan applications.	In FY 19/20 there were no loan application due to COVID-19.

4. MANAGEMENT TEAM

	<p>Ruth Ndirangu</p>	<p>Member</p>	<p>14/01/1975 CPA(K) MBA B.Com - Finance Work Experience 9 Years</p>
	<p>Samuel Wachira</p>	<p>Member</p>	<p>3/6/1984, Masters in MA – Ongoing B.Ed Arts Work Experience 6 Years</p>
	<p>Jemima Nyaga</p>	<p>Member</p>	<p>18/02/1973 Masters in Community Development – Ongoing. B.A Social Work. 11 Years Experience.</p>

5. BOARD/FUND CHAIRPERSON'S REPORT

First and foremost is to appreciate the task handed to me and as I undertake to spearhead the fund council, during my tenure, i endeavour to deliver my mandate fully to serve the youths of Embu County as stipulated in the youth fund regulation under the Public Finance Management Act No 18 of 2012.

- **The Changes in the Fund during the year (in terms of the Council) are as follows.**

Fund Administrator

Esther K. Mbogo (Out-Going) —————> Jemima N. Nyaga (Incumbent)

Council Leadership

Genaro Njeru Chairman (Out-Going) —————> Pius Kimani (Incumbent)

Patrick Mbogo Vice –chair (Out-Going) —————> Sylvia Kamau (Incumbent)

Members

Justin Giconi (Out-Going) —————> Joseph Kibuti (Incumbent)

Catherine Mwirigi (Out-Going) —————> Vera Murugi (Incumbent)

Gladwel Nyaga (Out-Going) —————> Allan Mugendi (Incumbent)

- **Review of the fund's performance**

Several disbursements have been done to benefit the Youths of Embu County. However, the allocations have not been consistent and therefore we will follow-up to see to it that there is consistent allocation to the fund. On the other hand, the recovery has been considerably slow. We will take upon ourselves to follow up and maximize on recovery process in order to maintain the fund.

Future outlook of the Fund

we will be committed to the recovery process so that the fund can expand to the four corners of Embu County Youth. At the same time we will emphasise to the youth on the need to timely pay their loans. In order for the revolving fund principle to be realised.

Embu County Youth Trust Fund.
Reports and Financial Statements
For the year ended June 30, 2020

- **Conclusion.**

As we start our tenure we will endeavour to improve collection and the overhaul administration of the fund. Therefore, we hope to see the fund grow and be at a better and higher place come a time like this next year.

Signed: _____

CHAIRMAN
EMBU COUNTY YOUTH TRUST FUND COUNCIL.

Embu County Youth Trust Fund.
Reports and Financial Statements
For the year ended June 30, 2020

6. REPORT OF THE FUND ADMINISTRATOR

- **The Review of the Fund's performance**

In general the fund's performance has been a bit slow in the entire year because of issues beyond the control of the fund management. There was transition from one Fund Administrator to another. Secondly, recruitment of new Fund Board process took more time than anticipated because of outbreak of COVID-19. This led to drastic drop of loan repayments. We hope in the current financial, the fund is going to run smoothly.

- **Future outlook of the Fund**

We will endeavour to put in place the best mechanism to run the fund as required. With assistance from County IT department we will put effort to see we have an ERP system to run the fund for efficient and effective management.

Moreover, there is also a need for policy review in order to include fund recovery mechanism which will ease recovery process going forward.

- **Any other matters deemed necessary**

Some of the major drawbacks include:

- ✓ Lack of Credit officers.
- ✓ 5% administration fee is not adequate to ensure smooth running of the fund hence the need to consider increasing it to at least 8%.
- ✓ The Fund lacks clear recovery process structures that are geared towards recovery process like; field officer, means of transport for making follow-ups among others.

Conclusion

The above mentioned challenges have slowed down the repayment and recovery measures. However, the Youth Trust Fund being one of the flagship projects requires constant funding from treasury for 10 years as per the Embu County Youth Trust Fund Regulations.

Signed: _____

JEMIMA N. NYAGA
DIRECTOR YOUTH EMPOWERMENT/ FUND ADMINISTRATOR.

7. CORPORATE GOVERNANCE STATEMENT

The Council held one meeting during the quarter under review.

The attendance of the meetings was as below

DATE	MEMBERS PRESENT	MEMBERS ABSENT WITH APOLOGY	MEMBERS ABSENT WITHOUT APOLOGY	IN-ATTENDANCE
11/06/20200	10	0	0	0
0	0	0	0	0

• **Remuneration of the Council**

The Council Chairman is paid an allowance of Ksh. 15,000 per sitting.
 The Council Vice Chairman is paid an allowance of Ksh. 12,000 per sitting.
 The Council Members are paid an allowance of Ksh. 10,000 each per sitting.
 The Other Ex-official are paid 4,000 each per sitting and the secretariats are paid 2,000 each per sitting.

• **Appointment Process**

The council after expiry of their term is to be competitively sourced from the four sub-counties who shall be youths provided that at least one person shall be of the opposite gender.

• **Removal of a Council Member**

A member of the Council will cease to hold office if –

- ✓ He or she resigns upon giving one month's notice in writing to the appointing authority;
- ✓ is removed from office by the appointing authority upon recommendation of the Council to terminate the appointment of a member of the Council on any of the following grounds–
 - (a) violation of the Constitution or any other law;
 - (b) gross misconduct, whether in the performance of the member's functions or otherwise;
 - (c) physical or mental incapacity to perform the functions of office or;
 - (d) Incompetence or neglect of duty.

Embu County Youth Trust Fund.
Reports and Financial Statements
For the year ended June 30, 2020

- (e) Whenever the office of a member becomes vacant before the expiry of the term the appointing authority may appoint another person to be a member. Provided that such other person shall hold office only for the unexpired term of office of the person who vacated such office.

• **Roles and Functions of the Council.**

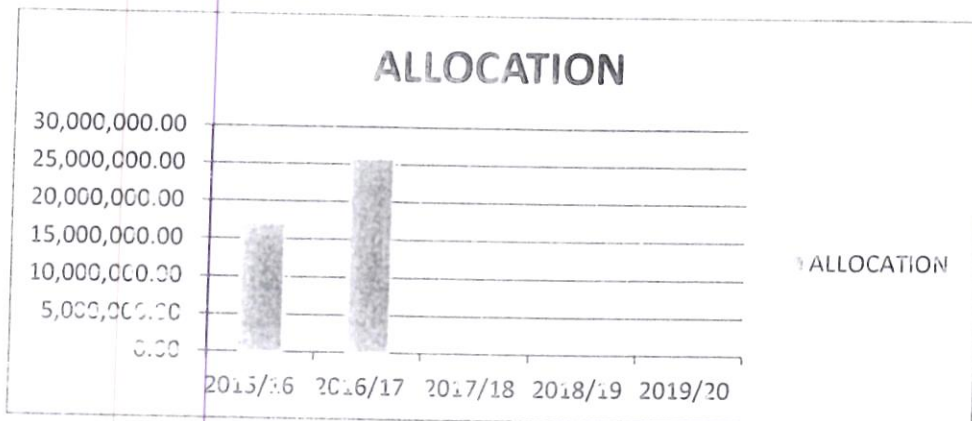
The functions of the Council are –

- (a) to supervise the administration of the Fund;
- (b) to consider applications for loans in accordance with the existing terms and conditions of borrowing;
- (c) to advise the Executive member on the programmes relating to youth affairs and development;
- (d) to coordinate funded youth activities;
- (e) to evaluate funded and to be funded youth programmes
- (f) assist and encourage organizations interested in youth development in the initiation of youth training and development programmes;

8. MANAGEMENT DISCUSSION AND ANALYSIS

In general the fund's performance has been a bit slow in the entire year because of issues beyond the control of the fund management. There was transition from one Fund Administrator to another. Secondly, recruitment of new Fund Board process took more time than anticipated because of outbreak of COVID-19. This led to drastic drop of loan repayments. We hope in the current financial year, the fund is going to run smoothly. Moreover in the year 2019/2020 the funds were reallocated to assist in COVID-19 pandemic preparedness. (See below chart).

YEAR	ALLOCATION (KSH)
2015/16	17,000,000.00
2016/17	25,700,000.00
2017/18	0.00
2018/19	0.00
2019/20	0.00 (Re-allocated due to covid-19 pandemic)



Some of the major drawbacks include:

- ✓ Lack of Credit officers.
- ✓ Low repayments to support credit officers proper Administration and recovery of money disbursed.
- ✓ The Fund does not have the means of transport for making follow-ups

Embu County Youth Trust Fund.
Reports and Financial Statements
For the year ended June 30, 2020

**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

10. REPORT OF THE TRUSTEES

Having had the appointment of the Trust Fund Council on June 2, 2020, the Council submit their report together with the financial statements for the year ended June 30, 2020. Which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are economic empowerment of the youth which enables them to access finances to promote their business and enterprises, thereby enhancing economic growth towards the realization of vision 2030,

The fund addresses sustainable development goals No.1 (End poverty in all its forms), No.5 (achieve gender equity and empower women and girls), No.8 (promote sustained, inclusive and sustainable economic growth, full and productive empowerment and decent work for all) and No.10 (reduced inequity among countries) by providing affordable credit to youth, and youthful persons with disability)

Results

The results of the Fund for the year ended June 30, 2020 are set out from pages 20 - 53

Trustees

The members of Embu County Youth Trust Fund are shown on page 5 and 6. The changes in the council are indicated on page 10.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The audit for the period ended June 30, 2020 was conducted in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board.

Member of the Board

Date: 10/07/2020

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 **public finance management (No 18 of 2012) (Embu county (youth trust) fund Regulations, 2015)** to prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial quarter ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and **(public finance management (18 of 2012) (Embu county (youth trust) fund regulations, 2015)** 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 quarter ended Dec 31, 2019, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the management on 10th July 2020 and signed on its behalf:

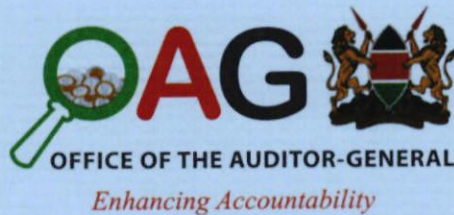
Signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON EMBU COUNTY YOUTH TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Embu County Youth Trust Fund set out on pages 20 to 54, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Embu County Youth Trust Fund as at 30 June, 2020, 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 County Government Act, 2012, the Public Finance Management Act, 2012, and the Public Finance Management (Embu County Youth Trust) Fund Regulations, 2015.

Basis for Qualified Opinion

1.0 Presentation of Financial Statements

The Fund's financial statements for the year ended 30 June, 2020 revealed the following anomalies;

- i. The disclosure on the nature and purpose of reserves at Note 10 of the summary of significant accounting policies at page 33 of the financial statements, has not disclosed the nature of reserves maintained and appropriate policies adopted.
- ii. The Public Sector Accounting Standards Board (PSASB) reporting template issued in June, 2020 requires the report of the trustees to be signed by a member

of the board. However, the report of the trustees in page 17 of the financial statements is not signed contrary to the PSASB reporting guidelines.

- iii. The reporting template issued by PSASB in June, 2020 requires the Fund's financial statements to reflect a statement of progress on follow-up of auditor's recommendations. However, although this statement is reflected on page 54 of the Fund's financial statements, it is blank.

In the circumstance, the presentation of the financial statements for the year under review does not comply with the format prescribed by PSASB.

2.0 Accuracy of the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts for the year under review reflects a final budget for other income of Kshs.306,837 and a corresponding nil amount for actual on comparable basis resulting in a performance difference of Kshs.306,837. However, a nil performance difference is shown resulting in un-explained difference of Kshs.306,837.

In the circumstances, the accuracy of the statement of comparison of budget and actual amount for the year ended 30 June, 2020 could not be confirmed.

3.0 Long Overdue Unrepaid Loans

Note 12 to the financial statement reflects Kshs.34,056,766 in respect to receivables from exchange transactions. The Kshs.34,056,766 relates to current loan repayment due which was issued in 2016 and 2017 which should have been repaid by 30 June, 2020. However, the same was still outstanding after three years ending 30 June, 2020 contrary to Section 15 of Public Finance Management (Embu County Youth Trust Fund) Regulations, 2015 which states that a loan granted under these Regulations shall be fully repaid at the end of the term not exceeding 3 years. In addition, a table at page 36 of the financial statements under Note 23(a) to summary of significant accounting policies in respect to financial risk management reflects the same amount as receivables from non-exchange transactions which is inconsistent.

Further, there was no evidence of measures put in place by the Fund Management to recover the outstanding matured loans from the loan defaulters.

In the circumstances, the recoverability of the outstanding loan balance of Kshs.34,056,766 as at 30 June, 2020 could not be ascertained.

4.0 Unsecured Loan Balances

As reported in 2018/2019 financial year, Kshs.34,056,766 in respect to receivables from exchange transactions was secured by title deeds and logbooks bearing the names of the loanees or guardians. However, the securities were not binding since they were not charged or registered in the joint ownership of the Fund and the loanee contrary to Section 13(1) of the Public Finance Management (Embu County Youth Trust Fund) Regulations,

2015 which require an application for a loan from the Fund to be accompanied by documents, security and collateral as the Council may determine.

In the circumstances, the Fund Management is in breach of the law and the recoverability of the outstanding loan balance of Kshs.34,056,766 as at 30 June, 2020 could not be ascertained.

5.0 Sustainability of Service of the Youth Trust Fund

The statement of financial performance reflects a deficit of Kshs.91,980 for the year under review resulting in depletion of revenue reserves from negative Kshs.2,414,505 as at 1 July, 2019 to negative Kshs.2,506,485 as at 30 June, 2020. Further, the Fund's statement of financial position as at 30 June, 2020 reflects Kshs.40,193,515 in respect to current assets comprising of cash and cash equivalents, Kshs.34,056,766 (85%) and current portion of long term receivables from exchange transactions, Kshs.6,136,749 (15%). However, although the Fund did not have any liabilities, the Kshs.34,056,766 is defaulted loan and still outstanding as at 30 June, 2020.

In the circumstances, if strategies are not put in place to reverse the deficit trend and to recover the Kshs.34,056,766 in respect to defaulted loans, the Fund is at risk of not sustaining its services.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

1.1 Revenue Analysis

The statement of comparison of budget and actual amounts for the year under review reflects total budgeted revenue of Kshs.306,837 and a nil balance in respect to actual revenue resulting to a revenue budget shortfall of Kshs.306,837 or 100%.

The revenue budget shortfall of Kshs.306,837 represents planned and expected but not delivered services to the Youth of Embu County which may be an indicator of poor budget planning process by the Fund Management.

There is need therefore for the Fund Management to re-look at its sources of revenues with a view to coming up with a more realistic budget.

1.2 Expenditure Analysis

The statement of comparison of budget and actual amounts for the year under review reflects Kshs.306,837 in respect to budgeted total expenditure and actual expenditure of Kshs.91,980 resulting to an under expenditure of Kshs.214,857.

In overall, the under spending of the budget by Kshs.214,857 represents equivalent services budgeted for but not delivered to the stakeholders of the Fund. There is need therefore, for the Fund management to re-look at its budget making system with a view to coming up with a more realistic budgets for the benefit of the deserving Youths of Embu County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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 overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 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 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 ability of the Fund to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022

Embu County Youth Trust Fund.
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13. FINANCIAL STATEMENTS

13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

	Note	FY 2019/20	FY 2018/19
		KShs	KSh
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	0.00
Fines, penalties and other levies	3	-	-
		-	0.00
Revenue from exchange transactions			
Interest income	4	-	10,500.00
Other income	5	-	0.00
		-	0
Total revenue		-	10,500.00
Expenses			
Fund administration expenses	6	91,500	78,000
General expenses	8	-	0.00
Finance costs	9	480	24,440.00
Total expenses		91,980	102,440.00
Other gains/losses			
Gain/loss on disposal of assets	10		
Surplus/(deficit) for the period		(91,980)	-91,940.00

Embu County Youth Trust Fund.
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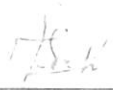
13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	FY 2019-20	FY 2018-19
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	6,136,749	6,085,558.00
Current portion of long term receivables from exchange transactions	12	34,056,766	12,740,233.00
Prepayments	14	-	-
Inventories	15	-	-
		40,193,515	18,825,791.00
Non-current assets			
Property, plant and equipment	16	-	-
Intangible assets	17	-	-
Long term receivables from exchange transactions	12	-	21,459,704.00
		-	21,459,704.00
Total assets		40,193,515	40,285,495.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	-	-
Provisions	19	-	-
Current portion of borrowings	20	-	-
Employee benefit obligations	23	-	-
		-	0.00
Non-current liabilities			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	20	-	-
		-	0.00
Total liabilities			
Net assets		40,193,515	40,285,495.00
Revolving Fund			

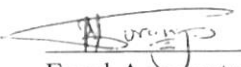
**Embu County Youth Trust Fund.
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		42,700,000	42,700,000.00
Reserves		-	0
Accumulated surplus		(2,506,485)	-2,414,505.00
Total net assets and liabilities		40,193,515	40,285,495.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/07/2020 and signed by:



Administrator of the Fund
Name:



Fund Accountant
Name: BINFACE NBOGO
ICPAK Member Number: 20312

13.3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Revenue	Revaluation Reserve	Accumulated surplus	Total
	KSh	KSh	KSh	KSh
Balance as at 1 July 2019	42,700,000	0	(2,414,505)	40,285,495
Surplus/(deficit) for the period	0	0	(91,980)	(91,980)
Funds received during the year	0	0	-	0
Return	-	0	0	0
Balance as at 30 June 2020	42,700,000	0	(2,506,485)	40,193,515

Embu County Youth Trust Fund
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13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	2019-20	2018-19
	KShs	KShs
Cash flows from operating activities		
Receipts		
Public contributions and donations	0	0.00
Transfers from the County Government	0	0.00
Interest received	0	10,500.00
Receipts from other operating activities	0	0.00
Total Receipts	0	10,500.00
Payments		
Fund administration expenses	91,500	78,000.00
General expenses	0	0.00
Finance cost	480	24,440.00
Total Payments	91,980	102,440.00
Net cash flows from operating activities	24	(91,940.00)
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	0	(0.00)
Proceeds from sale of property, plant and equipment	0	0.00
Proceeds from loan principal repayments	143,171	1,644,338.00
Loan disbursements paid out	0.00	(220,500.00)
Net cash flows used in investing activities	143,171	1,423,838.00
Cash flows from financing activities		
Proceeds from revolving fund receipts	0	0.00
Additional borrowings	0	0.00
Repayment of borrowings	0	(0.00)
Net cash flows used in financing activities	0	0.00
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at 1 JUL 2019	15	6,085,558
Cash and cash equivalents at 30TH JUNE 2020	15	6,085,558.00

13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2020

	Original	Adjustments	Final	Actual on	Performance	%
	Budget	2019/20	Budget	comparable basis	2019/20	2019/20
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	0	(0)	0	0	(0)	
Transfers from County Govt.	20,000,000	(20,000,000)	0	0	0	
Interest income	0	(0)	0	0	0	0%
Other income	0	-	306,837	0	0	
Total income	20,000,000	(20,000,000)	306,837	0	0	0%
Expenses						
Fund administration expenses	306,837	(0)	306,227	91,500	215,337	29.80%
General expenses	0	(0)	0	0	0	0
Finance cost	610	(0)	610	480	130	78.70%
Total expenditure	307,447	(0)	306,837	91,980	215,467	29.90%
Surplus for the period	19,692,553	(20,000,000)	0	(91,980)	(215,467)	

Budget notes

1. The difference between the original and actual is due to the fact that the board was appointed on 2nd June 2020 few days to the close of the financial year therefore not much could have been done.
2. The changes between original and final budget is due to reallocations of funds.

13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	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 are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <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;

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</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> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <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>
<p>Other improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate reference to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p>

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Standard	Effective date and impact:
	<p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

c) *Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2020.

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 Youth Trust Fund Council is the one taxed with the budgeting and approvals.

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 10.5 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 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 IFRS 9 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 borrowings

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 potentials 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 and the related asset, if any, is presented in the statement of financial position.

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 potentials 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

20. The entity is a County Public Fund established by **public finance management (No 18 of 2012) (Embu county (youth trust) fund Regulations, 2015** under the Ministry of youth empowerment and sports. Its ultimate parent is the County Government of Embu.

21. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Significant judgments and sources of estimation uncertainty

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

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

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 xxx.

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)

23. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 Jun 2020				
Receivables from exchange transactions	0	0	0	0
Receivables from non exchange transactions	34,056,766	0	34,056,766	0
Bank balances	6,136,749	6,136,749	0	0
Total	40,193,515	6,136,749	34,056,766	0
At 30 June 2019				
Receivables from exchange transactions	0	0	0	0
Receivables from non exchange transactions	34,199,937.00	34,199,937.00	0	0
Bank balances	6,085,558.00	6,085,558.00	0	0
Total	40,285,495.00	40,285,495.00	0	0

**Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020**

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 entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from fully performing category.

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 KShs	Between 1- 3 months KShs	Over 5 months KShs	Total KShs
At 30 June 2020				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2019				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020

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:

	KShs	Other currencies KShs	Total KShs
At 30 June 2020			
Financial assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ receivables			
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

The Fund manages foreign exchange risk from 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/ total	Effect on equity
	KShs	KShs	KShs
2020			
Euro	10%	0	0
USD	10%	0	0
2019			
Euro	10%	0	0
USD	10%	0	0

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020

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:

	FY 2019-20	FY 2018-19
	KShs	KShs
Revaluation reserve	0	0.00
Revolving fund	42,700,000	42,700,000.00
Accumulated surplus	(2,506,485)	(2,414,505.00)
Total funds	40,193,515	40,285,495.00
Total borrowings	0	0.00
Less: cash and bank balances	6,136,749	6,085,558.00
Net debt/(excess cash and cash equivalents)	34,056,766	34,199,937.00
Gearing	18%	17.80%

13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020	2018/2019
	KShs	KShs
Donation from development partners	0	0
Contributions from the public	0	0
Total	0	0

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	0	0
Payments by County on behalf of the entity	0	0
Total	0	0

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties	0	0
Fines	0	0
Total	0	0

4. Interest income

Description	2019/2020	2018/2019
	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

**Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020**

5. Other income

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender documents	0	0
Miscellaneous income		
Total other income	0	0

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)	91,500	0.0
Loan processing costs	0	78,000.00
Professional services costs	0	0.00
Administration fees	0	0
Total	91,500	78,000.00

7. Staff costs

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages	0	0
Staff gratuity	0	0
Staff training expenses	0	0
Social security contribution	0	0
Other staff costs	91,500	0
Total	91,500	0

Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2020	2019
	KShs	KShs
Consumables	0	0
Electricity and water expenses	0	0
Fuel and oil costs	0	0
Insurance costs	0	0
Postage	0	0
Printing and stationery	0	0
Rental costs	0	0
Security costs	0	0
Telecommunication	0	0
Bank Charges	480	24,440.00
Hospitality	0	0
Depreciation and amortization costs	0	0
Other expenses	0	0
Total	480	24,440.00

Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2019/2020	2018/2019
	KShs	KShs
Interest on Bank overdrafts	0	0
Interest on loans from banks	0	0
Total	0	0

10. Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Car loan account	0	0
County mortgage account	0	0
Fixed deposits account	0	0
Call deposits-Repayment account	3,592,379	2,977,098.00
Current account	2,418,319	2,509,940.00
Others-Deposit	126,051	598,521.00
Total cash and cash equivalents	6,136,749	6,085,558.00

(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	2019/2020	2018/2019
		KSh	KSh
a) Fixed deposits account			
Kenya Commercial bank		0	0
Equity Bank, etc		0	0
Sub- total		0	0
b) On - call deposits			
Kenya Commercial bank		0	0
Equity Bank - etc		0	0
Sub- total		0	0
c) Current account			
Kenya Commercial bank		0	0
Equity Bank	0190164557091	3,592,379	2,977,098.00
Equity Bank	0190264375530	2,418,319	2,509,940.00
Sub- total		6,010,698	5,487,037.00
d) Others(specify)			
Cash in transit		0	0
Cash in hand		0	0
M Pesa		126,051	598,521.00
Sub- total		126,051	598,521.00
Grand total		6,136,749	6,085,558.00

12. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	0	0
Current loan repayments due	34,056,766	12,740,233.00
Other exchange debtors	0	0
Less: Impairment allowances	(0)	(0.00)
Total Current receivables	34,056,766	12,740,233.00
Non-Current receivables		
Long term loan repayments due	0	21,459,704.00
Total Non- current receivables	0	21,459,704.00
Total receivables from exchange transactions	34,056,766	34,199,937.00

Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020

Additional disclosure on interest receivable

Description	2019/2020	2018/2019
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	0	0
Accrued interest receivable from of long-term loans of previous years	0	0
Interest receivable from current portion of long-term loans issued in the current year	0	0
Current loan repayments due		
Current portion of long-term loans from previous years	0	0
Accrued principal from long-terms loans from previous periods	0	0
Current portion of long-term loans issued in the current year	0	0

13. Revenue from Non-Exchange transaction

Description	KShs	KShs
	2019/2020	2018/2019
	KShs	KShs
Transfer to County Executive	0	0
Transfer to XXXX Fund	0	0
Total receivables from non-exchange transactions	0	0

Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

Description	2019/2020	2018/2019
	KShs	KShs
Prepaid rent	0	0
Prepaid insurance	0	0
Prepaid electricity costs	0	0
Other prepayments(specify)	0	0
Total	0	0

15. Inventories

Description	2019/2020	2018/2019
	KShs	KShs
Consumable stores	0	0
Spare parts and meters	0	0
Catering	0	0
Other inventories(specify)	0	0
Total inventories at the lower of cost and net realizable value	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1 st July 2018	0	0	0	0	0
Additions	0	0	0	-	0
Disposals	(0)	(0)	-	-	(0)
Transfers/adjustments	0	(0)	0	(0)	(0)
At 30 th June 2019	0	0	0	0	0
At 1 st July 2019					
Additions	0	0	0	-	0
Disposals	(0)	-	-	-	(0)
Transfer/adjustments	(0)	0	0	(0)	(0)
At 30 th June 2020	0	0	0	0	0
Depreciation and impairment					
At 1 st July 2018	(0)	(0)	(0)	(0)	(0)
Depreciation	(0)	(0)	(0)	(0)	(0)
Impairment	(0)	-	-	-	(0)
At 30 th June 2019	0	0	0	0	0
At 1 st July 2019					
Depreciation	(0)	(0)	(0)	-	(0)
Disposals	0	-	-	-	0
Impairment	(0)	(0)	-	-	(0)
Transfer/adjustment	0	(0)	(0)	0	0
At 30 th June 2020	0	0	0	0	0
Net book values					
At 30 th June 2019	0	0	0	0	0
At 30 th June 2020	0	0	0	0	0

Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

Description	2019/2020	2018/2019
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions	0	0
At end of the year	0	0
Amortization and impairment		
At beginning of the year	0	0
Amortization	0	0
At end of the year	0	0
Impairment loss	0	0
At end of the year	0	0
NBV	0	0

18. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Trade payables	0	0
Refundable deposits	0	0
Accrued expenses	0	0
Other payables	0	0
Total trade and other payables	0	0

19. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilised	(0)	(0)	(0)	(0)
Change due to discount and time value for money	(0)	(0)	(0)	(0)
Transfers from non-current provisions	0	0	0	0
Balance at the end of the year (30.06.2019)	0	0	0	0

Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

Description	2019/2020	2018/2019
	KShs	KShs
Balance at beginning of the period	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	(0)	(0)
Repayments of domestics borrowings during the period	(0)	(0)
Balance at end of the period	0	0

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

	2019/2020	2018/2019
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	0	0
Sterling Pound denominated loan from 'yyy organisation'	0	0
Euro denominated loan from 'zzz organisation'	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	2019/2020	2018/2019
	KShs	KShs
Short term borrowings(current portion)	0	0
Long term borrowings	0	0
Total	0	0

(NB: the total of this statement shall be 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)

Embu County Youth Trust Fund
Reports and Financial Statements
 For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	34,199,937	35,623,775
Account receivable issued during the year (B)	0	220,500
Account receivable settled during the Year (C)	143,171	1,644,338
Net changes in account receivables D= A+B-C	34,056,766	34,199,937

22. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 st July 2019 (A)	0	0
Accounts Payable held during the year (B)	0	0
Accounts Payable paid during the Year (C)	0	0
Net changes in account receivables D= A+B-C	0	0

23. Employee benefit obligations

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

Embu County Youth Trust Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Cash generated from operations

	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax	(91,500)	(78,000)
Adjusted for:		
Depreciation	0	0
Amortisation	0	0
Gains/ losses on disposal of assets	(0)	(0)
Interest income	(0)	(0)
Finance cost	480	24,440
Working Capital adjustments		
Increase in inventory	(0)	(0)
Increase in receivables	(0)	(0)
Increase in payables	0	0
Net cash flow from operating activities	(91,980)	(91,980)

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

25. 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;
- e) Board of Trustees; etc

Embu County Youth Trust Fund
Reports and Financial Statements
 For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	0	0
Transfers to related parties	0	0

c) Key management remuneration

	2019/2020	2018/2019
	KShs	KShs
Board of Trustees	0	0
Key Management Compensation	0	0
Total	0	0

d) Due from related parties

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry	0	0
Due from County Government	0	0
Total	0	0

e) Due to related parties

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
Total	0	0

f) Contingent assets and contingent liabilities

Contingent liabilities	2019/2020	2018/2019
	KShs	KShs
Court case xxx against the Fund	0	0
Bank guarantees	0	0
Total	0	0

(Give details)

PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

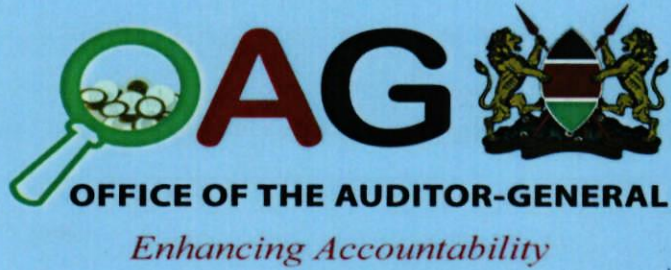
Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

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

Scanned 9/5/2022

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE KILIFI COUNTY WARD
SCHOLARSHIP
FUND**

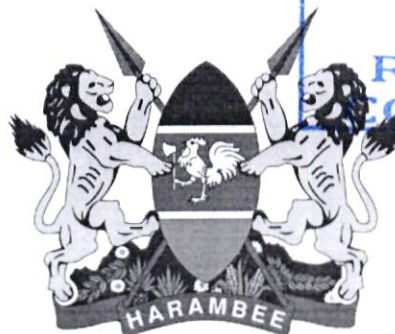
**FOR THE YEAR ENDED
30 JUNE, 2020**

PAPERS LAID	
DATE	02/03/2022
TABLED BY	Dsmw
COMMITTEE	—
CLERK AT THE TABLE	CHANIA

OFFICE OF THE AUDITOR GENERAL
P. O. Box 95202, MOMBASA

15 DEC 2020

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**COUNTY GOVERNMENT OF KILIFI
KILIFI WARD SCHOLARSHIP FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

KILIFI WARD SCHOLARSHIP FUND

Reports and Financial Statements

For the year ended June 30, 2020

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Kilifi County Ward Scholarship Fund is established by and derives its authority and accountability from the Kilifi County Ward Scholarship Fund Administration Act, 2013.

The Fund is wholly owned by the County Government of Kilifi and is domiciled in Kenya. The fund's objective is to provide funds to be used for granting scholarship to assist needy and deserving students.

The Kilifi County Ward Scholarship Fund day to day management is under the following key organs:

- The Ward Scholarship Committees
- Kilifi Ward Scholarship Fund Board
- The Kilifi County Assembly Scholarship Committee

b) Principal Activities

The principal activity/mission/ mandate of the fund is the provision of funds to be used for granting scholarship to assist needy and deserving students.

c) Scholarship Fund Board

No.	Designation	Name
1	Fund board chairman & Chief Officer Education &ICT	Everlyne Mwenda Karisa (w.e.f17 th March, 2020)
2	Fund Board Chair & Chief Officer Education &ICT	Mullewa S. Katana (11-6-2018-16 -3- 2020)
3	Board Member	Benjamin kai
4	Board Member	Adan Mohamed
5	Board Member	Justin Kittu
6	Secretary to Fund Board & Fund /administrator	Neema Sirya

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2020

d) Key Management

No.	Name	Position
1	Neema Sirya	Fund Administrator
2	Anderson Sheban	Fund Accountant

e) Registered Offices

Headquarters.
County Government of Kilifi
Treasury Building
Bofa Road before Kilifi police station
Kilifi, KENYA

f) Fund Contacts

P.O. Box 519 – 80108, Kilifi
Telephone: (254) 41 752 2227
E-mail: scholarshipfund.klf@gmail.com
Website: www.kilifi.go.ke

g) Fund Bankers

1.
National Bank of Kenya
P.O. Box 1392-80108
Kilifi

2.
Equity Bank
P.O. Box 381-80108
Kilifi

h) Independent Auditors

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


KILIFI WARD SCHOLARSHIP FUND
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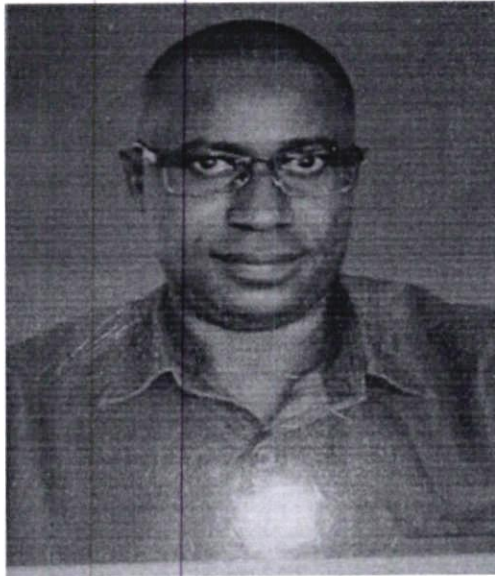
i) Principal Legal Adviser

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

2. THE KILIFI WARD SCHOLARSHIP FUND BOARD

The Kilifi ward scholarship Fund board during the financial year consisted of:

	<p>Everlyne Mwenda karisa- Chair – Kilifi Ward Scholarship Fund</p> <p>Mwenda Karisa was appointed the Scholarship Board Chair on 17.03.2020. Madam Mwenda is also the Chief Officer – Education and ICT Department.</p> <p>Mwenda has previously worked as the chief officer – Department of Gender Culture and Social services–Kilifi County Government . She also worked as The Sub-County Administrator – kilifi north Sub-county - County Government of Kilifi. Previously Mwenda worked as a district officer who served in quite a number of divisions for the period of 10 years she worked with the National Government.</p> <p>Mwenda holds a masters degree in Gender and Development studies from the university of Nairobi.</p>
	<p>Mr.Mullewa S Katana- Chair – Kilifi Ward Scholarship Fund Board. (11.6.2018 – 16-03.2020)</p> <p>Mr.Mullewa S. Katana was appointed the Scholarship Board Chair on 11.6.2018. Mr.Mullewa is also the Chief Officer – Education and ICT Department.</p> <p>Mr.Mullewa has previously worked as The Sub-County Administrator – Rabai Sub-county - County Government of Kilifi.</p> <p>Mr.Mullewa holds a Masters Degree in Education from Kenyatta University and is pursuing a Ph.D from Kenyatta University. Mr Mullewa is a Member of The Institute of Directors (I.O.D) Kenya.</p>



CPA Benjamin Kai – Member –Kilifi Ward Scholarship Fund Board.

CPA Benjamin Kai was appointed as a member of the Kilifi Ward Scholarship Fund Board in Dec 2013. He is also the Chief Officer Finance & Economic planning in the County Government of Kilifi. CPA Benjamin Kai previously worked as County Budget Controller with the office of the Controller of Budget. He has also served as the Head of Finance at Mombasa Water & Sewerage Co.

CPA Benjamin Kai holds MBA Finance from The University of Nairobi and a Bachelor of Business Management from Moi University. He is also a member of the Institute of Certified Public Accountants of Kenya



Adan Mohamed – Member –Kilifi Ward Scholarship Fund Board.

Mr Adan was appointed as a Board member in 2015. He is also the Chief Officer of Devolution, Public Service and Disaster Management department of Kilifi County Government.

Mr Adan previously worked at Kenya Medical Research Institute (KEMRI), from 2007 to 2013. Mr. Adan holds a Bachelors degree in Bio Medical. He is currently pursuing a Masters degree in Business Administration, Strategic Management option at Pwani University.



Justin Kitti –Member –Kilifi Ward Scholarship Fund Board.

Mr. Justin Kitti was appointed as member of The Kilifi Ward Scholarship Fund Board in 2013. Mr Justin Kitti is a representative of the Clerk of the County Assembly of Kilifi in the Scholarship Board.

Mr.Kitti works with the County Assembly of Kilifi as the First Clerk Assistant supervising the clerks of the various committees of the Assembly. Mr.Kitti previously worked as an Administrative Officer and committee clerk with the defunct Municipal Council of Malindi.

Mr.Kitti is a holder of a Diploma in Business Administration from the then Mombasa Polytechnic, now The Technical University of Mombasa.



CPA Neema Sirya – Secretary –Kilifi Ward Scholarship Fund Board & Fund Administrator.

CPA Neema Sirya was appointed as The Fund Administrator and a member of the Kilifi Ward Scholarship Fund Board on 1st November 2017. She is also the Deputy Director Corporate Services in charge of managing the general administration functions, human capital, ICT among others in the Finance & Economic planning department in the County Government of Kilifi. CPA Neema Sirya previously worked as the Payroll Manager in the county government of Kilifi.

CPA Neema Sirya holds a Bachelors of Business Administration from Kenya Methodist University and is a member of the Institute of Certified Public Accountants of Kenya.

3. MANAGEMENT TEAM

The management during the financial year consisted of:



CPA Neema Sirya – Secretary –Kilifi Ward Scholarship Fund Board & Fund Administrator.

CPA Neema Sirya was appointed as The Fund Administrator and a member of the Kilifi Ward Scholarship Fund Board on 1st November 2017. She is also the Deputy Director Corporate Services in charge of managing the general administration functions, human capital, ICT among others in the Finance & Economic planning department in the County Government of Kilifi. CPA Neema Sirya previously worked as the Payroll Manager in the county government of Kilifi.

CPA Neema Sirya holds a Bachelors of Business Administration from Kenya Methodist University and is a member of the Institute of Certified Public Accountants of Kenya.



CPA Anderson Sheban – Fund Accountant

CPA Anderson Sheban was appointed as the Fund Accountant on 12TH February 2015.

He previously served as an accountant with the County government of Kilifi and the defunct Municipal council of Malindi.

CPA Anderson Sheban holds a Bachelors of Business Management from Mt. Kenya University and is a member of the Institute of Certified Public Accountants of Kenya.

4. THE SCHOLARSHIP FUND BOARD CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of The Scholarship Fund board, The Kilifi Ward Scholarship Fund financial statements for the year ended 30th June 2020. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its finance base with an objective of ensuring that the fund's going concern is secured.

Board and Management Changes

The Scholarship Fund Board Chair was appointed on 17.03.2020 upon transfer to other County duties of the previous chair. The Fund Administrator was appointed on 11.11.2017 following the transfer of the previous Administrator to other services of the County.

Review of performance

Income

In the financial year 2019/2020 the budgeted amount of Kshs 350,000,000.00 was received from the County treasury for disbursement as bursaries for the 35 Wards of the County at kshs 10M for each Ward.

Expenditures

The Fund total expenditure in the year was kshs 332,144,702 where kshs 326,916,811 was paid to various learning institutions being bursaries as per Ward beneficiaries' allocation schedules, and kshs 52,146 was expended as bank charges. The other funds administrative costs amounting to kshs 5,175,745 were paid for directly by the mother department i.e Education and ICT department.

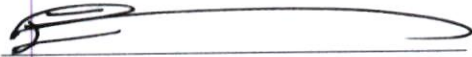
Future outlook

The outlook of the Fund for 2019/2020 looks brighter. The fund hopes to focus more on enhancing efficiency and effectiveness in the service delivery by improving service delivery processes. The fund looks forward to continued support from the county government and development partners to the realization of its mandate.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the county government, development partners, stakeholders, management, staff and fellow board members for their support which made us achieve these results.

I look forward to your continued support in the year 2020/2021.

Signed: 

Everlyne Mwenda Karisa

Scholarship Fund Board Chairperson

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2020

5. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present The Kilifi Ward Scholarship Fund financial statements for the year ended 30th June 2020. The financial statements present the financial performance of the fund over the past year.

The Scholarship fund came into existence after the enactment of Ward Scholarship Fund Act 2013.

The Fund started the financial year 2019/2020 with Kshs 399,942 being balance brought forward from the year 2018/2019. During the financial year the fund received a total of kshs 350,000,000 being the 2019/2020 budgeted amount.

Financial Performance

a) Revenue

In the year ended 30th June 2020, the fund budgeted for and received the whole of the Kshs 350,000,000 representing 100% performance as per table below.

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realization (%)
Revenue	Kshs	Kshs	
Transfers from County Govt.	350,000,000	350,000,000	100%
Total income	350,000,000	350,000,000	100%

b) Expenditure

The Fund started the financial year 2019/2020 with Kshs 399,942 being balance brought forward from the year 2018/2019. Kshs 350,000,000 was received during the year making the total spendable amount kshs 350,399,942. The Fund disbursed kshs 326,916,811 to institutions as per Ward beneficiaries' allocation schedules, and administrative cost (Bank charges) of Kshs52,146 leaving a balance of Kshs 23,430,985 as at 30th June 2020. The other funds administrative costs of kshs 5,175,745 were paid directly by the Department of Education and ICT.

KILIFI WARD SCHOLARSHIP FUND

Reports and Financial Statements

For the year ended June 30, 2020

c) Cash flows

In the FY 2019/2020, the budgeted funds were received in various dates as follows :-
kshs70,000,000 on 02.09.2019,khs 175,000,000 on 05.02.2020 and kshs 105,000,000 on
11.03.2020.The cash and cash equivalents were kshs23,373,202 at the close of the year.

d) Conclusion

We hope to fast-track the operationalization of the enacted Kilifi County Ward Scholarship Fund Act, 2018 and conclusion of the draft Scholarship Policy and Regulations 2020 in a bid to improve the management of the Fund in the subsequent years.



Neema Sirya
Fund Administrator

6. CORPORATE GOVERNANCE STATEMENT

THE BOARD

The Kilifi Ward Scholarship Fund established by The Kilifi county Ward scholarship fund administration Act 2018. Its mandate is to cushion households from impacts of poverty, and table economy and the effects of HIV/AIDS by increasing access, retention and completion rates in primary, secondary and tertiary learning institutions and to provide for the procedure applicable to and requirements for scholarship allocation.

The Kilifi Ward Scholarship Fund main purpose is therefore to provide funds to be used for granting scholarships to assist needy and deserving students.

The Kilifi Ward Scholarship fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the scholarship Fund board at its apex.

BOARD MEETINGS

The Scholarship board meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the set targets.

The Scholarship board also plays an oversight role over all other financial and operational issues.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The Scholarship board is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve the Fund objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment.

Risk Management

The risk management is coordinated by the head of internal audit, who reviews all the risks in the fund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the scholarship board to assist the board in the management of risks.

Management Team

The management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Auditor-General.

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2020

7. MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The Fund started the financial year 2019/2020 with Kshs 399,942 being balance brought forward from the year 2018/2019. Kshs 350,000,000 was received during the year while kshs 5,175,745 was spent for the Fund administration costs directly by the department of Education and ICT making the total spendable amount kshs 355,575,687 as shown in the table below.

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)
Revenue	Kshs	Kshs
Fund balance b/f	-	399,942
Transfers from County Govt.	350,000,000	350,000,000
Direct payments by County Government of Kilifi	-	5,175,745
Total income	350,000,000	355,575,687

The Fund was able to disburse a total of kshs 326,916,811 to various learning institutions as per Ward beneficiaries' allocation schedules, and administration charges of Kshs 5,227,891 leaving a balance of Kshs 23,430,985 as at 30th June 2020 as below

- Universities	73,773,596
- Colleges	63,651,170
- Secondary schools	178,708,671
- Polytechnics	7,774,224
- Driving schools and others	3,009,150
- Administrative costs and Bank charges	<u>5,227,891</u>
Total	332,144,702

Key projects or investment. The Fund did not have any key projects in the financial year.

Compliance and/or arrears with statutory obligations. The Fund operations are supported by the Kilifi County Government as to personnel and other operational materials thus it does not incur costs that may result in statutory obligations arrears.

Major risks facing the Fund. The major risk that may be facing the Fund is political and other social group's interferences to its operations. This is because the core activity of the Fund is the distribution of bursaries to needy students within the society. This activity attracts a lot of interest from several social groups including the political class.

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2020

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

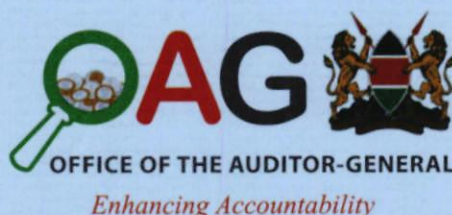
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. 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, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE KILIFI COUNTY WARD SCHOLARSHIP FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Kilifi County Ward Scholarship Fund set out on pages 18 to 33, which comprise of the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative 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 the Kilifi County Ward Scholarship Fund as at 30 June, 2020, 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 Kilifi County Ward Scholarship Fund Administration (Amendment) Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Bursary Awarded to Students without Registration Numbers

The statement of financial performance reflects general expenses-bursary payments amounting to Kshs.326,916,811 which, as disclosed in Note 3 to the financial statements which includes an amount of Kshs.40,403,065 in respect of bursary payments made to 361 institutions for 3,516 students without registration or admission numbers.

Consequently, the validity and regularity of general expenses-bursary payments amounting to Kshs.40,403,065 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kilifi County Ward Scholarship Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled

Report of the Auditor-General on the Kilifi County Ward Scholarship Fund for the year ended 30 June, 2020

other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Develop Regulations

As previously reported, the audit of the Scholarship Fund showed that the Fund was established in accordance with the Kilifi County Ward Scholarship Fund Administration Act, 2013. However, enquiries from the Management and review of records showed that the Fund had not completed developing regulations, policies and procedures for proper implementation of this Act. This is contrary to Section 26 of the Kilifi County Ward Scholarship Fund Administration (Amendment) Act, 2015 which requires the County Executive Member for Education to make regulations for the better carrying out of the provisions of this Act.

The Management was therefore in breach of the law.

2. Scholarship Beneficiaries

2.1 Students Awarded Scholarships by More Than One Ward

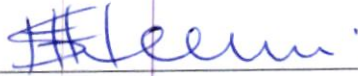
As previously reported, review of the scholarship beneficiaries schedule provided for audit showed that 331 students applied for and were granted scholarships totaling Kshs.326,916,811 in the year under review. Included in this amount are scholarships amounting to Kshs.4,009,862 which were awarded to students in various institutions from two (2) or more wards.

The beneficiaries who received bursaries from more than one (1) ward benefited at the expense of other needy students and which indicate lack of equity and fairness in the distribution of resources within the County, contrary to Section 149 of the Public Finance Management Act, 2012 which states that 'an Accounting Officer is

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2020

Approval of the financial statements

The Fund's financial statements were approved by the Board on 24th September 2020 and signed on its behalf by:



Neema Sirya
The Kilifi Ward scholarship Fund Administrator

accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized and effective, efficient, economical and transparent.

The Management was therefore in breach of the law.

2.2 Failure to Follow-up on Beneficiary's Performance

As disclosed in Note 3 to the financial statements, the statement of financial performance reflects bursary payments amounting to Kshs.326,916,811. Review of available records showed that no follow up was being done on the performance of the sponsorship recipients who should send their performance after every three months, contrary to Section 36(1-c) of the Kilifi County Ward Scholarship Fund Administration Act, 2018 which states that the County Department of Education shall monitor the performance of all the sponsorship recipients and Sub-Section (2) which states that a sponsorship recipient shall, in every three months or as soon as possible, submit to the County Department of Education the scholarship recipient's academic transcript .

The Management was therefore in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing 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 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.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to abolish 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 money is applied in an effective manner.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 February, 2022

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2020

10. FINANCIAL STATEMENTS

**10.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30th JUNE 2020**

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Transfers from the Kilifi County Government	1	350,000,000	350,000,000
Direct payments by Kilifi County Government (Administration costs)	2	5,175,745	7,982,237
		355,175,745	357,982,237
Revenue from exchange transactions		-	-
Total revenue		355,175,745	357,982,237
Expenses			
Fund administration expenses	2	5,227,891	8,079,137
General expenses (Bursary payments)	3	326,916,811	449,386,347
Total expenses		332,144,702	457,465,484
Surplus/(deficit) for the period		23,031,043	(99,483,247)

The notes set out on pages 31 to 33 form an integral part of these Financial Statements

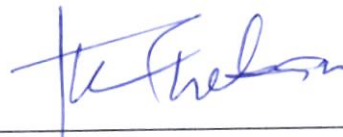
KILIFI WARD SCHOLARSHIP FUND**Reports and Financial Statements****For the year ended June 30, 2020****10.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	23,430,985	399,942
		-	-
Non-current assets			
Property, plant and equipment		-	-
Intangible assets		-	-
		-	-
Total assets		23,430,985	399,942
Total liabilities		-	-
Net assets		23,430,985	399,942
Revolving Fund		-	-
Reserves		-	-
Accumulated surplus		23,430,985	399,942
Total equity		23,430,985	399,942

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24th September 2020 and signed by:



Administrator of the Fund
Name: Neema Sirya



Fund Accountant
Name: Anderson Sheban
ICPAK Member Number: 19929

KHLIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2020

10.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	-	-	99,883,189	99,883,189
Surplus/(deficit) for the period	-	-	(99,483,247)	(99,483,247)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	-	-	399,942	399,942
Balance as at 1 July 2019	-	-	399,942	399,942
Surplus/(deficit) for the period	-	-	23,031,043	23,031,043
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	-	-	23,430,985	23,430,985

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10.4. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Cash flow from operating activities			
Receipts			
Public contributions and donations		-	
Receipts from the Kilifi County Government		350,000,000	437,500,000
Interest received		-	-
Direct payments by Kilifi County Government		5,175,745	7,982,237
Total Receipts		355,175,745	445,482,237
Payments			
Fund administration expenses		5,227,891	8,079,137
General expenses (Bursary payments)		326,916,811	449,386,347
Finance cost		-	-
Total Payments		332,144,702	457,465,484
Net cash-flows from operating activities		23,031,043	(11,983,247)
Cash flows from investing activities			
Net cash-flows used in investing activities		-	-
Cash-flows from financing activities			
Net cash-flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		23,031,043	(11,983,247)
Cash and cash equivalents at 1 JULY		399,942	12,383,189
Cash and cash equivalents at 30 JUNE	4	23,430,985	399,942

10.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-	-	0%
Transfers from Kilifi County Govt.	350,000,000	-	350,000,000	350,000,000	-	100%
Interest income	-	-	-	-	-	-
Direct payments by Kilifi County Govt.	-	-	-	5,175,745	(5,175,745)	-
Fund balance B/F	399,942	-	399,942	399,942	-	100%
Total income	350,399,942	-	350,399,942	355,575,687	(5,175,745)	100%
Expenses						
Fund administration expenses	-	-	-	5,227,891	(5,227,891)	-
General expenses (Bursary payments)	350,399,942	-	350,399,942	326,916,811	23,483,131	93.3%
Finance cost	-	-	-	-	-	-
Total expenditure	350,399,942	-	350,399,942	332,144,702	18,255,240	94.3%
Surplus for the period	-	-	-	23,430,985	23,430,985	0%

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10.6. 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 2020

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 2020

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 the year.

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on 24th June 2019.

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 10.5 of these financial statements.

5. Property, plant and equipment

All property and equipment in use by the entity are not stated at any value in the financial statements. The furniture, office machines and computers being used by the entity were all donated by the Department of Education and ICT and the assets had not been valued as at 30.6.2020. Subsequently the value of these assets are excluded from the financial statements in accordance to IPSAS 33: First time adoption paragraph 36-62 of IPSAS accrual.

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,

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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 County Government of Kilifi Scholarship Award System which is used for management of scholarship payments was internally developed and no valuation is attached to it.

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.

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

Impairment of financial assets

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

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization

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- 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.

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.

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 did not create reserves in terms of any 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 does not provide retirement benefits for its employees and directors as they are employees of the County Government of Kilifi and all issues pertaining to retirement benefits are handled by the County Government.

13. Foreign currency transactions

The entity is not involved in any foreign currency transactions and therefore no creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date.

14. Borrowing costs

No borrowing costs were capitalized against qualifying assets as part of property, plant and equipment as all the assets were donated by the Department of Education and ICT..

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 exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the Fund Administrator and the Fund Accountant.

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.

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 Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the Kilifi county Government.

20. Currency

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

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

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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 18.

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.

22. Financial risk management

The Fund's activities are exposed to financial risks including liquidity risks as it relies on the Kilifi County Treasury for cash flows.

a) Credit risk

The Fund has no exposure to credit risk.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has a liquidity risk management policy of not maintaining any payables but issue cheques only when funds are availed by the County Treasury.

c) Market risk

The board uses the County Internal Audit unit which has in place an internal audit function to assist the board 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

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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 Administrator is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

i. Foreign currency risk

The entity has no foreign currency transactions.

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:

	2020	2019
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	0	0
Accumulated surplus	23,430,985	399,942
Total funds	23,430,985	399,942
Total borrowings	0	0
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
Gearing	0	0

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10.7. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from Kilifi County Government

Description	FY2019/2020	FY2018/2019
	KShs	KShs
1 st tranche transferred on 02.09.2019	70,000,000	87,500,000
2nd tranche transferred on 05.02.2020	70,000,000	87,500,000
3rd tranche transferred on 05.02.2020	105,000,000	87,500,000
4th tranche transferred on 11.03.2020	105,000,000	87,500,000
Total	350,000,000	350,000,000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2. Fund administration expenses**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Ward scholarship committee sitting allowances and other administrative costs paid directly by Kilifi County Government	5,175,745	7,982,237
Bank charges	52,146	96,900
Kilifi County scholarship board office expenses	-	-
Monitoring and evaluation exercise	-	-
Kilifi county scholarship board office expenses	-	-
Total	5,227,891	8,079,137

The other Fund administration expenses were met by the mother department – Education and ICT department.

3. General expenses (Bursary payments)

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Universities	73,773,596	56,323,834
Colleges	63,651,170	46,698,632
Secondary schools	178,708,671	289,720,437
Polytechnics	7,774,224	38,695,736
Driving schools and others	3,009,150	17,947,708
	-	-
Total	326,916,811	449,386,347

4. Cash and cash equivalents

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Equity Bank – Kilifi – acct no. 0261812680	57,782	57,782
National Bank Kenya – Kilifi – acct no. 2706827490	23,373,203	342,160
Total cash and cash equivalents	23,430,985	399,942

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Non-current assets: Property, plant and equipment; and intangible assets.

Exemption affecting presentation and compliance of financial statements.

The furniture, office machines and computers being used by the Scholarship Fund secretariat were all donated to the Fund by the department of Education and ICT, and as at 30th June 2020 the assets had not been valued. Subsequently the value of these donated assets are excluded from the financial statements in accordance to IPSAS 33: First time adoption paragraph 36-62 of IPSAS Accrual.

6. 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 Department;
- c) Key management;
- d) The Kilifi County Scholarship Fund Board.

b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from The County Government of Kilifi	350,000,000	350,000,000
Board and Ward committees' expenses	5,175,745	7,982,237

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11. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	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)
Bases for qualified opinion 1.1	Non approval by the Scholarship Board of the bursary payments in the Fy2017/2018 kshs 256,776,739	The Board members who are Chief Officers were sent on terminal leave in January and February 2018 thereby disrupting the operations of the Board of deliberating on the funds that had been released on 27 th December 2017.	Hon Samuel KombeNzai CEC-M finance and Economic Planning	Resolved	-
1.2	Payments of bursaries for beneficiaries in non-registered Technical, Vocational Education and training (TVETS) institutions	Most of the TVETs are old public institutions offering various courses to the youth since time immemorial. Under the devolution structure they were placed under the County Governments to be registered with The Technical Vocational	EddystellaWanja- Assistant Director – TVETs	Resolved	-

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Other matters 1.1	Doubt on the strictness of the Revenue Budget preparation process because the budgeted amount of kshs 362,604,354 was realised in full.	Education Training Authority, a process they are undertaking while at the same time offering services. The budgeted amount was realised in full and reported based on the accrual approach of accounting. It constituted Bal b/f12,554,648 Budget Allocation 350,000,000 Interest Income 49,706 Total 362,604,354	Mwenda Karisa Chief Officer- Education and ICT/ Scholarship Fund Board chair	Resolved	-
1.2	Under-absorption. The Budget was for Kshs 362,604,354 against an actual expenditure of Kshs 262,721,165 resulting in an under-absorption of	The under-absorption was a result of the Fund receiving the last tranche of the funds early the following financial year i.e.Kshs 87,500,000 was received on 6.7.2018.	Mwenda Karisa Chief Officer- Education and ICT/ Scholarship Fund Board chair	Resolved	-

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	kshs99,883,189 (28%)				
Bases for conclusion 1.0	Failure to appropriate 10% of the development budget	The allocation to the fund is done through the Kilifi County Government budget process under the Department of Education and ICT. The management will engage the parties concerned for the allocation to be as per the scholarship Act.	Mwenda Karisa: Chief Officer- Education and ICT/ Scholarship Fund Board chair	Resolved	-
2.0	Failure to develop regulations to the Act	The Regulations have now been developed and awaits approval by the relevant authorities	Hon Racheal Musyoki CEC-M Education and ICT	Not resolved	30-6-2021
3.0	Scholarship beneficiaries receiving bursaries from more than one ward.	The spirit of the Scholarship Fund is to have a high retention of students in learning institutions while equitably distributing the bursary amongst deserving students.	Mwenda Karisa Chief Officer- Education and ICT/ Scholarship Fund Board chair	Not resolved	30-6-2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>However, the bursary allocation is not adequate and some wards allocate as low as Ksh.1,000 and Ksh. 2000 for secondary and tertiary institutions respectively resulting in applicants making applications to various ward dishonestly. It is noted that the scenario where other students benefit from more than one ward is detrimental to equitable distribution. The Scholarship Management is therefore moving fast to put in place more stringent controls and use of IT to curb this scenario.</p>			
4.0	<p>Failure of the Fund Board to hold meetings</p>	<p>As stated earlier in this report, the financial year 2017/2018 was affected by the General Election and other transitional</p>	<p>Mwenda Karisa Chief Officer- Education and ICT/ Scholarship Fund</p>	Resolved	-

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue <i>(Name and designation)</i>	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		activities as the County Government of Kilifi moved from its 1 st to 2 nd term. The Chief officers who were the Board Member were on terminal leave during this period.	Board chair		