

Enhancing Accountability

PAPERS LAID	
DATE	10-26-22
TABLED BY	Majority Whip
COMMITTEE	
CLERK AT THE TABLE	A. Macharia

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

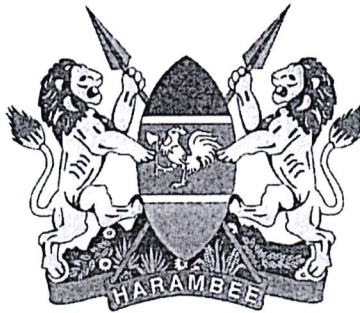
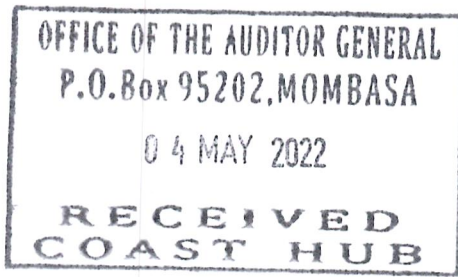
ON

**KILIFI COUNTY WARD SCHOLARSHIP
FUND**

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



Revised Template 30th June 2021



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

AMENDED ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

Table of Contents

I. KEY ENTITY INFORMATION AND MANAGEMENT	I-III
2. THE SCHOLARSHIP FUND BOARD	IV-VI
3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY PREDETERMINED OBJECTIVES.....	VII
4. MANAGEMENT TEAM	VIII-IX
5. BOARD CHAIRPERSON'S REPORT	X-XI
6. REPORT OF THE FUND ADMINISTRATOR.....	XII-XIII
7. CORPORATE GOVERNANCE STATEMENT	XIV-XV
8. MANAGEMENT DISCUSSION AND ANALYSIS	XVI-XVII
9. STATEMENT OF MANAGEMENT RESPONSIBILITIES.....	XVIII-XIX
10. REPORT OF THE INDEPENDENT AUDITOR	XX
11. FINANCIAL STATEMENTS.....	1-17
10.1. STATEMENT OF FINANCIAL PERFORMANCE	1
10.2. STATEMENT OF FINANCIAL POSITION	2
10.3. STATEMENT OF CHANGES IN NET ASSETS	3
10.4. STATEMENT OF CASH FLOWS	4
10.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
10.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	6-14
10.7. NOTES TO THE FINANCIAL STATEMENTS	15-17
11. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITORS RECOMMENDATIONS.....	18-23

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

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, 2018.

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 Funds 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) Board of Trustees/Fund Administration Committee

Ref	Position	Name
1	Fund board chair-person & Chief Officer Education & ICT	Mwenda Karisa
2	Board Member	Mullewa S. Katana
3	Board Member	Benjamin kai
4	Board Member	Adan Mohamed
5	Secretary to Fund Board & Fund administrator	Neema Sirya

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Neema Sirya
2	Fund Accountant	Paul Menza Karisa

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 7522227
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
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

i) Principal Legal Adviser

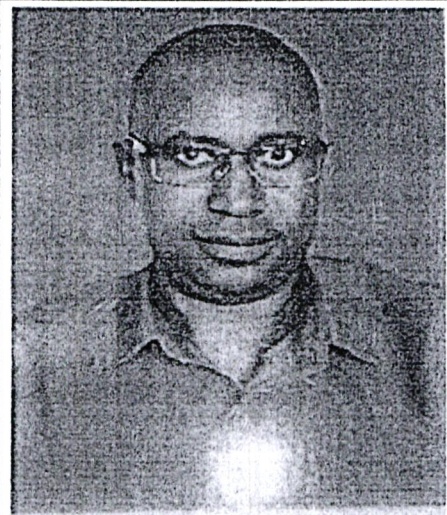

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.


2. THE KILIFI WARD SCHOLARSHIP FUND BOARD

Name	Details of qualifications and experience
<p>1.</p> 	<p>Mwenda karisa - Chairperson - Kilifi Ward Scholarship Fund</p> <p>Mwenda Karisa was appointed the Scholarship Board Chairperson on 17.03.2020. 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.</p> <p>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>2.</p> 	<p>Mr. Mullewa S. Katana- Member - Kilifi Ward Scholarship Fund Board.</p> <p>Mr.Mullewa S. Katana was appointed as a member of The Kilifi Scholarship Board in 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.</p> <p>Mr Mullewa is a Member of The Institute of Directors (I.O.D) Kenya.</p>

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

<p>3.</p>		<p>CPA Benjamin Kai - Member -Kilifi Ward Scholarship Fund Board.C PA 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</p>
<p>4.</p>		<p>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</p>

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

5.		<p>CPA Neema Sirya - Secretary -Kilifi Ward Scholarship Fund Board & Fund Administrator.</p> <p>CPA Neema Sirya was appointed as The Fund Administrator and a member of the Kilifi Ward Scholarship Fund Board on 15th 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.</p> <p>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.</p>
----	---	---

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

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

In the FY 2020/2021 Kshs. 350 million was allocated to the ward scholarship fund. Kshs. 343,522,987 was disbursed during the year translating to 98.15% absorption.

The scholarship fund had had its share of challenges as follows:

- The fund is inadequate to cater for all needy and deserving beneficiaries within Kilifi County.
- Shortage of technical personnel within the fund to effectively run the fund.
- Political interferences
- Lack of a robust system to run the daily operations of the fund.

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 Kilifi Ward Scholarship Fund are to:

- a) Provide bursary for needy and bright students within Kilifi county.


Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Bursary/ Education	To support bright and needy students to access quality education	Increased number of students accessing education in the County	% of students retained in school / transitioned to next level institutions	In FY 20/21 The bursary access remained 54 % for secondary school level. Bursary beneficiaries for Tertiary institution remained at 46 % in FY 2019/2020 and 2020/2021 respectively

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1. </p>	<p>CPA Neema Sirya - Secretary -Kiliti Ward Scholarship Fund Board & Fund Administrator.</p> <p>CPA Neema Sirya was appointed as The Fund Administrator and a member of the Kilifi Ward Scholarship Fund Board on 15t 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.</p> <p>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</p>

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

 <p>2.</p>	<p>CPA Paul Menza Karisa – Fund Accountant CPA Paul Menza was appointed as the fund accountant on 17th December, 2022. He is a senior accountant in the department of finance & economic planning. He previously worked as head of accounts section at County Public Service Board and department of trade tourism and cooperative development before joining the fund. CPA Paul Menza Karisa holds a Bachelors of Commerce finance option from Pwani University and a member of Institute of Certified Public Accountant of Kenya.</p>
---	---

5. THE SCHOLARSHIP FUND BOARD CHAIR PERSONS 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 2021. 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 1.11.2017 following the transfer of the previous Administrator to other services of the County.

Review of performance

Income

In the financial year 2020/2021 the budgeted amount of Kshs 350,000,000.00 was received from the treasury where Kshs 339,500,000 was for disbursement as bursaries for the 35 Wards of the County at kshs 9.7 M for each Ward, and Kshs 10.5 M for use on administrative expenses of the Fund.

. Expenditures

The Fund total expenditure in the year was kshs 347,719,130 where kshs 339,500,000 was paid to various learning institutions being bursaries as per Ward beneficiaries' allocation schedules. The total administrative expense was Kshs 10,219,130 where kshs 163,420 was bank charges. The other

administrative costs amounting to Kshs 10,055,710 were paid for by the Fund (Kshs 7,126,040) and

directly by the mother department i.e Education and ICT department (Kshs 2,929,670)

Future outlook

The outlook of the Fund for 2021/2022 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.

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

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 *2021/2022*

Signed:  _____

Mwenda Karisa

Scholarship Fund Board Chairperson

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

It is my pleasure to present The Kilifi Ward Scholarship Fund financial statements for the year ended 30th June 2021. 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 which was later repealed under section 37 of the Kilifi County Ward Scholarship fund Act 2018.

The Fund started the financial year 2020/2021 with Kshs 23,430,985 being balance brought forward from the year 2019/2020. During the financial year the fund received a total of kshs 350,000,000 being the 2020/2021 budgeted amount.

Financial Performance

a) Revenue

In the year ended 30th June 2021, 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 2020/2021 with Kshs 23,430,985 being balance brought forward from the year 2019/2020. Kshs 350,000,000 was received during the year. Kshs 2,929,670 was paid for The Fund administrative costs directly by the Department of Education and K'T, The total spendable figure was therefore kshs 376,360,655. A total amount of kshs 339,500,000 was disbursed to various learning institutions as per Ward beneficiaries' allocation schedules. Kshs 10,219,130 was spent as administrative costs where Bank charges was Kshs 163,420.00, and the other costs being Kshs 10,055,710 leaving a balance of Kshs 26,641,525 as at 30th June 2021

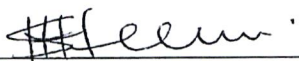
KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

c) Cash flows

In the FY 2020/2021, the budgeted funds were received in various dates as follows:- kshs 175,000,000 on 27.10.2020, kshs 60,000,000 on 08.02.2021, kshs 10,000,000 on 12.04.2021 and Kshs 105,000,000 on 30.04.2021. The cash and cash equivalents were kshs 22,618,538 as at the close of the year.

d) Conclusion

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

Signed: 

Neema Sirya

Fund Administrator

7. 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 Fund main purpose is therefore to provide funds to be used for granting scholarships to assist needy and deserving students.

The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the 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.

In the year under review the board held four meetings as tabulated below:

Name of board Member	Designation	24/9/2020	22/12/2020	1/4/2021	28/5/2021
Mwenda Karisa	Board Chair	attended	attended	attended	Attended
Adan Mohamed	member	attended			
Mullewa Katana	member		attended	attended	Attended
Ben Kai	member	attended	attended	attended	Attended
Neema Sirya	Secretary	attended	attended	attended	Attended

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, 2021.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The Fund started the financial year 2020/2021 with Kshs 23,430,985 being balance brought forward from the year 2019/2020. Kshs 350,000,000 was received during the year while kshs 2,929,670 was spent for the Fund administration costs directly by the department of Education and let making the total spendable amount kshs 376,360,655 as shown in the table below

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)
Revenue	Kshs	Kshs
Fund balance b/f	-	23,430,985
Transfers from County Govt.	350,000,000	350,000,000
Direct payments by County Government of Kilifi	-	2,929,670
Total income	350,000,000	376,360,655

The Fund was able to disburse a total of kshs 339,500,000 to various learning institutions as per Ward beneficiaries' allocation schedules, and administration charges of Kshs 10,219,130 leaving a balance of **Kshs 26,641,525** as at 30th June 2021 as below

- Universities	77,285,249
- Colleges	44,191,190
- Secondary schools	183,888,433
- Polytechnics	33,008,828
- Driving schools and others	1,126,300
-Administrative Cost and Bank Charges	10,219,130
Total	349,719,130

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

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.

9. 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, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances. The Administrator of 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.

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

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 Board on 27th September 2021 and signed on its behalf by:



Neema Sirya

The Kilifi Ward Scholarship Fund Administrator

KILIFI WARD SCHOLARSHIP FUND

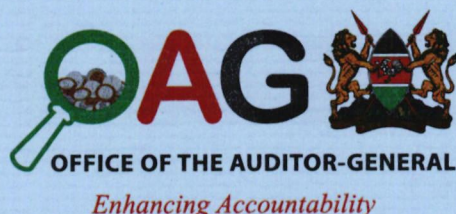
Reports and Financial Statements

For the year ended June 30, 2021.

**10. REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS
FOR KILIFI COUNTY WARD SCHOLARSHIP 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 KILIFI COUNTY WARD SCHOLARSHIP FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kilifi County Ward Scholarship Fund set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 Kilifi County Ward Scholarship Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Bursary Payments

The statement of financial performance and Note 3 to the financial statements reflects general expenses (bursary payments) amount of Kshs.339,500,000, which differs with the ledger amount of Kshs.343,522,987. The resulting difference of Kshs.4,022,987 was not explained or reconciled.

Further, the bursary payments were made to students from the thirty-five (35) wards in Kilifi County. However, the lists of beneficiaries were not provided for audit review.

In addition, bursary payments totalling to Kshs.120,000 were not included in the schedules of payments.

In the circumstances, accuracy and completeness of the general expenses amount of Kshs.339,500,000 could not be confirmed.

2. Un-reconciled Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.22,618,538 and as disclosed in Note 4 to the financial statements. However, the statement of cash flows reflects a balance of Kshs.26,641,525 as at the same date, resulting in a variance of Kshs.4,022,987. The variance was not explained or reconciled.

Further, unpresented cheques amounting to Kshs.150,000, issued to students were stale as at 30 June, 2021 while the cash book was not updated.

In the circumstance, accuracy and completeness of the cash and cash equivalents balance of Kshs.22,618,513 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 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 Matters

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects an expenditure budget of Kshs.373,430,985 against an actual expenditure of Kshs.349,719,130, resulting in under expenditure of Kshs.23,711,855 or 6%.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Requirements for Board Composition

The Fund operated without two Board members during the period under review, contrary to the provisions of Section 13(3)(d) of the Kilifi County Ward Scholarship Fund Act, 2018 on the composition of the Board. Further, regulations were not developed and approved to guide the operation and management of the Fund.

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

2. Failure to Adhere to the Budget Allocation

The County Government allocated Kshs.9,700,000 for bursaries to the thirty-five (35) wards in the County during the period under review. However, review of payment

schedules revealed that 16 wards spent Kshs.177,348,233 on bursary against their total allocation of Kshs.155,200,000, resulting in an over-expenditure of Kshs.22,148,233.

In addition, 19 wards with an allocation of Kshs.184,300,000 spent Kshs.166,174,754, resulting in an under-expenditure of Kshs.18,125,246.

The over-expenditure and under-expenditure could have denied needy and deserving students opportunity to pursue their education.

3. Unbudgeted for Receipts

The County Department of Education and ICT made direct payments totalling Kshs.2,929,670 on behalf of the Fund and the same was recognized as receipts by the Fund. The payment was for administration costs which had not been included in budget for the financial year 2020/2021.

In the circumstances, the Fund was in contravention of budgetary control.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability 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 overall 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 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 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 Kilifi County Ward Scholarship Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 the Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

06 September, 2022

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021.

11. FINANCIAL STATEMENTS

11.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021.

	Note	2020/2021	2019/2020
		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	2,929,670	5,175,745
		352,929,670	355,175,745
Revenue from exchange transactions			
Total revenue		352,929,670	355,175,745
Expenses			
Fund administration expenses	2	10,219,130	5,227,891
General expenses (Bursary payments)	3	339,500,000	326,916,811
Total expenses		349,719,130	332,144,702
Other gains/losses			
Gain/loss on disposal of assets	9		
Surplus/(deficit) for the period		3,210,540	23,031,043


The notes set out on pages 16 to 17 form an integral part of these Financial Statements.

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021

11.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	22,618,538	23,430,985
Non-current assets			
Long term receivables from exchange transactions			
Property, plant and equipment			
Intangible assets			
Recivable bursary		22,148,233	0
Total assets		44,766,771	23,430,985
Liabilities			
Non-current liabilities			
Long term portion of borrowings			
Non-current employee benefit obligation			
Payable bursary		18,125,246	0
Total liabilities		18,125,246	0
Net assets		26,641,525	23,430,985
Revolving Fund			
Reserves			
Accumulated surplus		26,641,525	23,430,985
Total net assets and liabilities		26,641,525	23,430,985

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 27th September, 2021 and signed by:



Administrator of the Fund

Name: Neema Sirya



Fund Accountant

Name: Paul Menza Karisa

ICPAK Member Number:28318.

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021

11.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
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
Balance as at 1 July 2020			23,430,985	23,430,985
Surplus/(deficit) for the period			3,210,540	3,210,540
Funds received during the year				
Revaluation gain				
Balance as at 30 June 2021			26,641,525	26,641,525

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021

11.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Interest received		-	-
Transfers from the County Government		350,000,000	350,000,000
Direct payments by Kilifi County Government		2,929,670	5,175,745
Total Receipts		352,929,670	355,175,745
Payments			
Fund administration expenses		10,219,130	5,227,891
General expenses (Bursary payments)		339,500,000	326,916,811
Finance cost		-	-
Total Payments		349,719,130	332,144,702
Net cash flows from operating activities		3,210,540	23,031,043
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		3,210,540	23,031,043
Cash and cash equivalents at 1 JULY		23,430,985	399,942
Cash and cash equivalents at 30 JUNE	4	26,641,525	23,430,985

11.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2021.

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance Difference	% utilization
	2021	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-		
Transfers from County Govt.	350,000,000		350,000,000	350,000,000		100%
Interest income	xxx	-	xxx	xxx		
Direct payments by Kilifi County Govt.				2,929,670	(2,929,670)	
Fund balance <i>BIF</i>	23,430,985		23,430,985	23,430,985		100%
Total income	373,430,985	(xxx)	373,430,985	376,360,655	(2,929,670)	100%
Expenses						
Fund administration expenses	10,500,000	-	10,500,000	10,219,130	280,870	
General expenses	362,930,985	-	362,930,985	339,500,000	23,430,985	93.5%
Finance cost	xxx	(xxx)	xxx	xxx		
Total expenditure	373,430,985	-	373,430,985	349,719,130	23,711,855	93.6%
Surplus for the period	-	-	-	26,641,525	20,782,185	0%

11.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

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

Standard/ Amendments	Impact
Applicable: 1 st January 2021:	
a) IPSAS 39: Employee Benefits	Applicable: 1 st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee convergence of IPSAS 25 to the amendments done to IAS 19. The main objective IS to ensure liabilities arising from the defined benefit scheme by doing away with the corridor approach.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1 st 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; • 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

Standard	Effective date and impact:
	<p>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> <p><i>(State the impact of the standard to the entity if relevant)</i></p>

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

Standard	Effective date and impact:
<p>IPSAS 40: Public Sector Combinations</p>	<p>Applicable: 1st January 2019:</p> <p>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.</p>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 30th June 2020. 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

KILIFI WARD SCHOLARSHIP FUND

Reports and Financial Statements

For the year ended June 30, 2021

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 30.6.2021. Subsequently the value of these assets are excluded from the financial statements in accordance to IPSAS 33: First time adoption paragraph 36-62 of IPS AS 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, 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

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021

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
- 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.

KILIFI WARD SCHOLARSHIP FUND

Reports and Financial Statements

For the year ended June 30, 2021

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 labor 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

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021

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 leT ..

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

KILIFI WARD SCHOLARSHIP FUND

Reports and Financial Statements

For the year ended June 30, 2021

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 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.

KILIFI WARD SCHOLARSHIP FUND

Reports and Financial Statements

For the year ended June 30, 2021

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 control market risk exposures within acceptable parameters, while optimizing 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

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve		
Revolving fund		
Accumulated surplus	22,618,538	23,430,985
Total funds	22,618,538	23,430,985
Total borrowings		
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
Gearing	0%	0%

KILIFI WARD SCHOLARSHIP FUND**Reports and Financial Statements****For the year ended June 30, 2021****11.7 NOTES TO THE FINANCIAL STATEMENTS****1. Transfers from County Government**

Description	2020/2021	2019/2020
	KShs	KShs
1 st tranche transferred on 27.10.2020	175,000,000	70,000,000
2nd tranche transferred on 08.02.2021	60,000,000	70,000,000
3rd tranche transferred on 12.04.2021	10,000,000	105,000,000
4th tranche transferred on 30.04.2021	105,000,000	105,000,000
Total	350,000,000	350,000,000

2. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Ward scholarship committee sitting allowances and other administrative costs paid directly by Kilifi County Government	8,555,710	5,175,745
Bank charges	163,420	52,146
Scholarship board office expenses	190,000	-
Scholarship Board Members sitting allowances	50,000	-
Ward scholarship committees' elections expenses	1,260,000	-
Total	10,219,130	5,227,891

Part of the Fund administration expenses were met by the mother department - Education and ICT department

3. General expenses (Bursary payments)

Description	2020/2021	2019/2020
	KShs	KShs
Universities	77,285,249	73,773,596
Colleges	44,191,190	63,651,170
Secondary Schools	183,888,433	178,708,671
Polytechnics	33,008,828	7,774,224
Driving Schools and Others	1,126,300	3,009,150
Other expenses	-	-
Total	339,500,000	326,916,811

KILIFI WARD SCHOLARSHIP FUND**Reports and Financial Statements****For the year ended June 30, 2021****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4. Cash and cash equivalents**

Description	2020/2021	2019/2020
	KShs	KShs
Equity Bank account 0261812680	3,427,722	57,782
National Bank Kenya account 01001068274900	19,190,816	23,373,203
Total cash and cash equivalents	22,618,538	23,430,985

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 2021 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

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties'	350,000,000	350,000,000
Transfers to related parties	10,219,130	5,227,891

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021

12 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	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 khs 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 27th December 2017.	Hon Samuel Kombe Nzai CEC-M Finance and Economic Planning.	Resolved	
1.2	Payments of Bursaries for beneficiaries in non-registered Technical, Vocational Education and	Most of the TVETs are old public institutions offering various courses to the youth since time in immemorial. Under the devolution	Eddy Stella Wanja- Assistant Director - TVETs.	Resolved	

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal point person to resolve the issue	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	training (TVETS) institutions.	structure, they were placed under the County Governments to be registered with the Technical Vocational Authority, a process they are undertaking while at the same time offering services.			
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.	The Budgeted amount was realized in full and reported based on the accrual approach of accounting. It constituted Bal b/f 12,554,648 Budgeted Allocation 350,000,000 Interest Income 49,706 Total 362,604,354	Mwenda Karisa Chief Officer- Education and ICT / Scholarship Fund Board Chair	Resolved	

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal point person to resolve the issue	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.2	Under absorption. The Budget was for Kshs 362,604,354 against an actual expenditure of Kshs262,721,165 resulting in an under-absorption of ksh 99,883,189 (28%) Failure to appropriate 10% of the development budget	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 99,883,189 (28%)	Mwenda Karisa Chief Officer- Education and ICT / Scholarship Fund Board Chair	Resolved	
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-	Resolved	

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal point person to resolve the issue	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be 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	30.06.2022
	Scholarship beneficiaries receiving bursaries from more than one ward	The sprit of the Scholarship Fund is to have a high retention of students in learning institutions while equitably distributing the bursary amongst deserving students. However, the bursary allocation is not adequate and some wards allocate as low as kshs 1,000 and kshs 2,000 for secondary and tertiary institutions respectively resulting in applicants making applications to various	Mwenda Karisa Chief Officer- : Education and ICT / Scholarship Fund Board Chair	Not Resolved	30.06.2022

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal point person to resolve the issue	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		wards 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.			
	Failure of the Fund Board to hold Meetings	As stated earlier in this report, the financial year 2017/2018 was affected by the general Election and other transitional activities as the Government of Kilifi moved from its 1 st to 2 nd term. The chief officers who	Mwenda Karisa Chief Officer- Education and ICT 1 Scholarship Fund Board Chair	Resolved	

KILIFI WARD SCHOLARSHIP FUND
Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal point person to resolve the issue	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		were the Board members were on terminal leave during this period.			

Fund Administrator
Neema Sirya

Sign 

Fund Accountant
Paul Menza Karisa

Sign 