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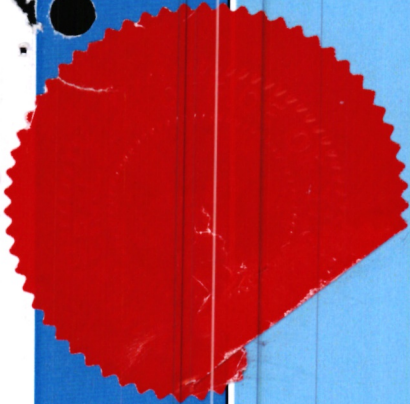
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OFFICE OF THE AUDITOR-GENERAL

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COMMITTEE	—
CLERK AT THE TABLE	I. Mbaya

REPORT

OF

THE AUDITOR-GENERAL

ON

KISUMU COUNTY EDUCATION FUND

FOR THE YEAR
ENDED 30 JUNE, 2021





COUNTY GOVERNMENT OF KISUMU

KISUMU COUNTY EDUCATION FUND

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)

**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

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**Kisumu County Education Fund
Reports and Financial Statements
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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Bursary Fund is established by and derives its authority and accountability from 2014 Act (*Kisumu County Education Fund (Amendment Act 2016)*) on 19th Dec 2018. The Fund is wholly owned by the County Government of Kisumu and is domiciled in Kenya.

The fund's objective is to recognise and support bright needy students in the county.

The Fund's principal activity is support education to needy students

b) Principal Activities

- To grant bursary and scholarship to eligible students.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Oliver Oloo Otunga	Chairman
2	Penina Onyango	Fund Administrator
3	Rosemary Akinyi Yande	Committee member
4	Hildah Aoko Ohore	Committee member
5	Isaac Owich	Accountant

d) Key Management

Ref	Name	Position
1	Oliver Oloo Otunga	Chairman
2	Penina Onyango	Fund Administrator
3	Hildah Aoko Ohore	Committee member
4	Rosemary Akinyi Yande	Committee member

**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

e) Registered Offices

P.O. BOX 2837
PROSPERITY HOUSE KISUMU BUILDING
KENYA

f) Fund Contacts

Telephone: (254) 0721750964
E-mail: peninaonyango@gmail.com

g) Fund Bankers

1. Kenya Commercial Bank
A/C NO 1151900184
KISUMU BRANCH

h) Independent Auditors

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

i) Principal Legal Adviser

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

**Kisumu County Education Fund
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2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)

Name	Details of qualifications and experience
<p>1. Insert each Trustee's passport-size photo and name</p> <p>Penina Onyango</p>	<p>DoB:- 22nd June, 1971. Academic and professional qualifications MBA – Strategic Management-UON BED – MOI UNIVERSITY CPS 11 – KASNEB Education Leadership and Management- Agakhan University. Trustee: - Executive (Fund Administrator).</p>
<p>2. Trustee 2</p> <p>Oloo Oliver</p>	<p>DoB:- 12TH Nov, 1971 Academic and professional qualifications M.A – (Literature)- Kibabii University B.ED (Arts) – KU Experience TEACHER AND TRAINER Board Chairperson</p>
<p>3. Trustee 3</p> <p>Rosemary Yande</p>	<p>DoB:- Academic and professional qualifications DIPLOMA IN EARLY CHILD EDUCATION – EAU NAIROBI. Experience TEACHER AND CHURCH LAY READER Committee Member</p>
<p>4.</p> <p>Helda Aoko Ohore</p>	<p>DoB:- Academic and professional qualifications B.ED – Arts – KU. Experience TEACHER Committee Member</p>
<p>5.</p> <p>Owich Isaac</p>	<p>DoB:- Academic and professional qualifications BBM – MASAI MARA UNIVERSITY CPA FINAL – KCA UNIVERSITY Fund Accountant.</p>

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

The Financial Year 2020/2021 the approved annual budget for scholarships and Bursaries was Kshs. 205,000,000.00.

The Departmental Plan: -

- a) The fund to address core devolved functions of Education covering all levels of education except primary Schools and post Graduate programmes.
- b) Support students to join VTCs for Market driven skills acquisition.
- c) Register more artisans in the informal sector with NITA for certification.
- d) Address middle level skills gaps and train for market uptake.
- e) Carry-out intense monitoring and mentorship for the beneficiaries to ensure return on investment.
- f) Source for more funds to meet the rising demand for bursaries and scholarship as specified in the Act 2014.

The key development objective of the Kisumu County Government Entity's 2018-2020 plan is to:

- 1) Improve the Education standard and increase the number of student's intake by Granting Bursaries and Scholarships to eligible students.

Progress on attainment of strategic development objectives

Program	Objective	Outcome	Indicator	Performance
Scholarship and bursary education	Recognize and support bright and very needy in students the County	Annual scholarship and bursary beneficiaries fee were not paid due to non-fund disbursement hence transfer to KCB Account.	Cash book, Bank statement, receipts, school report forms, fee structures, and also students	In financial year 2020/2021 the beneficiary's fees were paid to all Levels of Education except Primary Schools and Post Graduate levels of Education.

**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

				Institutions were closed indefinitely due to covid-19 pandemic out-break.
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**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Penina Onyango	DoB:- 22 nd June,1971. Academic and professional qualifications MBA – Strategic Management-UON BED – MOI UNIVERSITY CPS 11 – KASNEB Education Leadership and Management- Agakhan University. Trustee: - Executive (Fund Administrator).
2. Oloo Oliver	DoB:- 12 TH Nov,1971 Academic and professional qualifications M.A – (Literature)- Kibabii University B.ED (Arts) – KU Experience TEACHER AND TRAINER Board Chairperson
3. Rosemary A. Yande	DoB:- Academic and professional qualifications DIPLOMA IN EARLY CHILD EDUCATION – EAU NAIROBI. Experience TEACHER AND CHURCH LAY READER Committee Member
4. Helda Aoko Ohore	DoB:- Academic and professional qualifications B.ED – Arts – KU. Experience TEACHER Committee Member
Note: The Fund Administrator will feature under both the 'Board' and 'Management'.	

**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

5. BOARD/FUND CHAIRPERSON'S REPORT

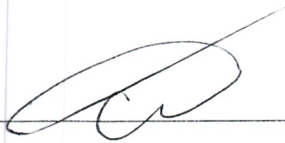
Ministry of Education accounts office is mandated to prepare an annual report on education fund and submit the same to the county assembly not later than three months after the end of each quarter in accordance with sec 166(4) of the Public Finance Management ACT 2012. It is upon this report has been sent to the relevant statutory bodies as provided for in PFM act. The report presents budget execution status covering the period 1st July 2020 to 30th JUNE 2021. It contains revenue transfers from the exchequer also included in the report are the annual budgeted revenue and the accumulative revenue and expenditure for 2020/2021 as at 30th JUNE 2021.

A detailed analysis of the revenue heads and their major classification together with a detailed analysis of payments has been included for better understanding of the consolidated figure contained herein. It is our hope that you will find this annual report a useful tool for your future management policy and decisions.

During the year ended 30th June 2021 the department received funding from the exchequer to the tune of Kshs. **205,000,000/=**

- Changes in the Fund during the year; -
- The county budgeted for **Ksh. 205,000,000.00/=** and received full-funding from exchequer during this period of the statement in question.

Signed: _____



NAME: OLOO OLIVER

**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

6. REPORT OF THE FUND ADMINISTRATOR

PREAMBLE

This Fund was established vide ACT 2016 of Kisumu County Assembly. The Fund, which has been in operation since 2016, is provided for by Kisumu County Education Fund (Amendment) Act, 2016.

In the meantime, we hope to; -

1. Support students to join VTCs for market driven skills acquisition.
2. Register more artisans in the informal sector with NITA for certification.
3. Address middle level skills gaps and train for market uptake.
4. Carry out intense monitoring and mentorship for the beneficiaries to ensure return on investment.
5. Source for more funds to meet the rising demand for bursaries and scholarships as specified in the Act 2014.
6. Review the Act to make it more responsive to the unique and emerging demand of Kisumu County.

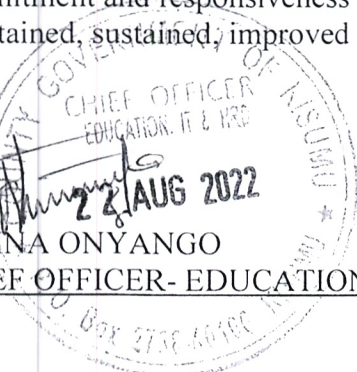
Challenges Experienced

- a) Late disbursement of the awards due to delayed remittances to the Fund.
- b) Many applications at the Ward level that the Fund was unable to accommodate due to lack of enough funds.
- c) Occasional conflicts between some Ward Administrators and some MCAs with regard to the operationalization of the Fund.
- d) Inadequate capacity on the part of officers administering the fund.

Conclusion

The Fund plays a key role in achieving socio- economic equality as is evidenced by the many applicants and the deserving cases that take it up. It has vindicated the County Government's commitment and responsiveness to educational needs of its youth. The Fund should therefore be maintained, sustained, improved and monitored to ensure return on investment.


PENINA ONYANGO
CHIEF OFFICER- EDUCATION.



**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

7. CORPORATE GOVERNANCE STATEMENT

There is established a committee known as the County Education Scholarship and Bursary Committee.

This consist of: -

- a) Chairperson appointed by County Executive Committee Member responsible for matters related to Education.
- b) Chief Officer of the County Department responsible for matters relating to Education.
- c) Chief Officer of the County Department responsible for matters relating to Finance/designated alternate not being below the level of Director.
- d) Director of ECD in the County Government designated alternate not being below the level of Director.
- e) One person not being Public Officer experienced in Education matters and who ordinarily reside in the county.
- f) One person representing faith-based organisation involved in Education matters in the county.
- g) Three persons who ordinarily reside in the County Representing marginalised groups. The people referred above shall be nominated by the County Executive Member responsible for matters of Education in the County, and they shall serve for a term of three years and they shall be eligible for nomination for one further term for three years.

FUNCTIONS OF THE COMMITTEE SHALL BE: -

- a) To raise monies for the Fund
 - b) Determine, approve and review the policies for administering the fund
 - c) Monitor application of the fund by the ward bursary committees and assess if fund is being administered in accordance with the fund's objectives and purpose.
 - d) Receive and consider appeals from wards bursary committees
 - e) Prepare and submit reports on funds to the County Executive Member in-charge of Education for onward submission to the County Assembly as may be appropriate.
 - f) Undertake such other activities as are necessary for the effective application of the fund
2. The number of meetings held per year is not more than 6 times and not more than 3 special meetings convened by the Chairperson in case there is need.
 3. The quorum should be met during attendance for the meetings to proceed.

Members are appointed by the CECM Education who takes charge for a period of three years. A member can be removed from the committee if he/she is absent from three consecutive meetings without good cause, if the member violates the Act or any other Law, if the member is guilty of gross misconduct, if the member is physically or mentally challenged.

**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

8. MANAGEMENT DISCUSSION AND ANALYSIS

PREAMBLE

This Fund was established vide ACT 2016 of Kisumu County Assembly. The Fund, which has been in operation since 2016, is provided for by Kisumu County Education Fund (Amendment) Act, 2016.

Management of the Fund

The Fund is managed by a committee of nine (9) constituted in accordance with section 5 of Kisumu County Education Fund (Amendment) Act, 2016. The present County Fund Committee was set up in January 2019.

Review of the Fund's performance

For the FY 2019/2020, the Fund had a budget estimate of **Ksh 205,000,000.00** million.

Expenditure

1. Scholarship Awards totalling to **Ksh. 57,863,532/=**.
2. Ward Bursary considered in this year's budget **Kshs. 114,207,758/=**.
3. Governor's Bursary Awards (based on requests through the Governor) **Ksh.2,100,000/=**
4. **Bank Charges amount is Ksh. 1,845,231/=**
5. Administrative costs **Ksh.6,150,000/=**

Future Outlook of the Fund

We are preparing bills that will enable this Fund address core devolved functions of education covering Pre-school Education and Vocational Training. This will call for some amendment on the existing Act and the creation of other Fund by means of which the Act is operationalized.

In the meantime, we hope to; -

7. Support students to join VTCs for market driven skills acquisition.
8. Register more artisans in the informal sector with NITA for certification.
9. Address middle level skills gaps and train for market uptake.
10. Carry out intense monitoring and mentorship for the beneficiaries to ensure return on investment.
11. Source for more funds to meet the rising demand for bursaries and scholarships as specified in the Act 2014.
12. Review the Act to make it more responsive to the unique and emerging demand of Kisumu County.

Conclusion

The Fund plays a key role in achieving socio- economic equality as is evidenced by the many applicants and the deserving cases that take it up. It has vindicated the County Government's commitment and responsiveness to educational needs of its youth. The Fund should therefore be maintained, sustained, improved and monitored to ensure return on investment.

**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Two-to-three pages

The Kisumu County education fund was established in 2014 under Kenya Gazette supplement No. 21 (Kisumu County Acts No. 6) of 2016 to assist Kisumu County needy students in various institutions to access education. Since incorporation, it has been used to grant bursaries and scholarships to assist needy students to pursue education in recognized educational institutions in Kenya.

Source of funds – sums of money which may from time to time voted by the County Assembly for that purpose.

KEY ACHIEVEMENTS

1. In the Financial Year **2014/2015** the fund assisted **17,675** beneficiaries in secondary schools, colleges and universities. Specifically, the fund supported **1,847** students in colleges, **13,767** in secondary schools, **94** in special schools, **1,433** in universities and **533** boda boda riders to acquire driving licences.
2. In the financial year **2015/2016** the fund assisted **15,594** beneficiaries in secondary schools, colleges and universities as well. Specifically, the fund supported **1,432** students in colleges, **11,880** in secondary schools, **128** in special schools, **1,532** in universities and **622** boda boda riders to acquire driving licences.
 - **210** students were selected for Form I 2016 Scholarship.
 - The fund further sponsored **90** boda boda riders for a benchmarking trip to Rwanda. The benchmarking trip was held for one week and involved sessions of learning and interaction.
 - The fund trained 35 students for Coxswain training course at Kisumu Maritime Centre ltd.
 -
3. In the Financial Year **2016/2017** the Fund supported a Leadership and Mentorship programme for the 2016 Form I Scholarship Beneficiaries held at Kisumu Girls High School from August 21st, 2016 to 27th August 2016.

The purpose of the program mentioned above was to educate the **230** Scholarship Beneficiaries on the ideal moral foundation which were essential for the development of the right values/virtues and principals, enhancing academic success character training and to enable the students to learn how to learn and be the best they can become, inculcating the spirit of leadership in the students and mentor them into responsible and disciplined citizens – able to provide African solutions to African challenges.

 - In the same financial year, the fund supported an additional **280** scholarship students who joined form 1 in 2017.

**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

- Coxswain training for 70 students who joined in 2017 at Maritime Training Centre was also supported by the Fund.
 - In the same financial year, the fund supported **11,902** bursary students from colleges, secondary schools, universities, special schools and driving schools
4. In the Financial year **2017/2018** the Fund has supported **280** more Scholarship students joining Form 1 in 2018. An additional **13629** students benefitted colleges, secondary schools, universities, special schools and driving schools.
5. In the Financial Year **2018/2019** the Fund supported an additional **350** Scholarship students to join form 1 in the Year 2019. An additional **14629** students benefitted colleges, secondary schools, universities, special schools and driving schools.
6. In the Financial Year **2019/2020** an additional 350 Scholarship beneficiaries were selected to join Form 1 in the year 2020 and **16694** students were awarded bursaries. In the year under review the fund did not receive funds from the National Treasury hence no Funds were disbursed to the various beneficiaries' institutions.

FAILURE

1. The major challenge/ failure has always been late remittance of funds from County Treasury to the Fund Account.

COMMUNITY ENGAGEMENTS

1. During formation of Ward Bursary and Scholarship committees the public is always involved during selection through public participation.
2. Form 1 selection is also normally done through public vetting by involving community members to ascertain eligibility of the applicants.
3. Bursary and Scholarship cheques are always issued at public gatherings to create public awareness.

CORPORATE GOVERNANCE STATEMENT

1. The number of meetings held per year is not more than 6 times and not more than 3 special meetings convened by the Chairperson in case there is need.
2. The quorum should be met during attendance for the meetings to proceed.

Members are appointed by the CECM Education who takes charge for a period of three years. A member can be removed from the committee if he/she is absent from three consecutive meetings without good cause, if the member violates the Act or any other Law, if the member is guilty of gross misconduct, if the member is physically or mentally

**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

10. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to support education to needy students from the County of Kisumu by granting bursary and scholarship to eligible students.

Results

The results of the Fund for the year ended June 30, 2021 are set out on page 5 (five).

Trustees

The members of the Board of Trustees who served during the year are shown on page 2,4 and 6 (refer to the key entity information and management page). The changes in the Board during the financial year are as shown below:

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. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2020 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

Oloo Oliver

Member of the Board

Date: _____


**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

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 KISUMU COUNTY EDUCATION (AMENDMENT) ACT 2016, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

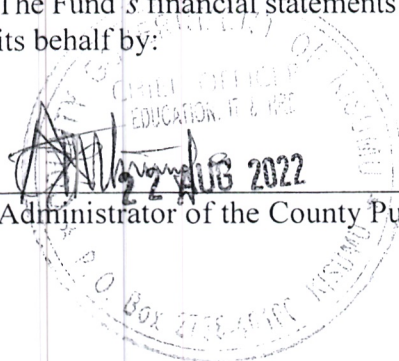
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) 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 and (KISUMUCOUNTYEDUCATION (AMENDMENT) ACT 2016). The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2021, 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

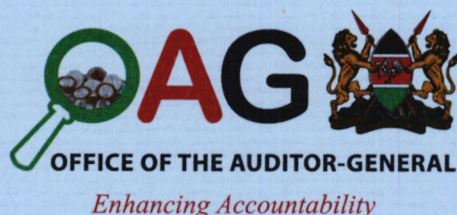
The Fund’s financial statements were approved by the Board on _____ 2021 and signed on its behalf by:


The stamp contains the text: "COUNTY PUBLIC OFFICER OF KISUMU COUNTY EDUCATION, P.O. BOX 27384 KISUMU" and a date stamp "22 AUG 2022".

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 KISUMU COUNTY EDUCATION 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 controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisumu County Education Fund set out on pages 17 to 45, which comprise of the statement of financial position as at

Report of the Auditor-General on Kisumu County Education Fund for the year ended 30 June, 2021

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 amount 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 Kisumu County Education 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 Kisumu County Education Fund (Amendment) Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Comparative Balances

Several comparative balances reflected in the financial statements differ with the balances reflected in respect to identical accounts in the audited financial statements for the previous year, as detailed in the attached **Appendix I**.

In view of the discrepancies the accuracy of the financial statements for the year under review could not be confirmed.

2. Total Net Assets and Liabilities

The statement of financial position reflects a total net assets and liabilities balance of Kshs.32,032,775. However, review of records provided for audit indicated that imprests totalling Kshs.6,150,000 outstanding as at 30 June, 2021 were not disclosed as receivables from non-exchange transactions under current assets in the statement of financial position.

In the circumstance, the accuracy of the net assets and liabilities balance totalling Kshs.32,032,775 reflected in the statement of financial position could not be confirmed.

3. Administration Expenses

The statement of financial performance reflects fund administration expenses totalling Kshs.6,150,000 However, the balance was not supported with payment vouchers and ledgers. Management instead provided imprests warrants which did not, however, indicate how the cash disbursements were accounted for by the respective recipients.

In the circumstance, the occurrence, validity and accuracy of the fund administrative expenses totalling Kshs.6,150,000 could not be confirmed.

4. Disbursements

The Statement of financial performance reflects disbursements totalling Kshs.174,171,290. The balance includes bursary disbursements totalling Kshs.109,277,730 to universities, colleges and secondary schools, Kshs.7,740,000 to driving schools, and Kshs.57,169,560 for various scholarships. However, examination of the records on the balances indicated that only Kshs.72,790,649 was disbursed to universities, colleges and secondary schools resulting to an unexplained variance of Kshs.36,487,081. In addition, audit verification of bursaries disbursed to one of the schools revealed that of Kshs.538,000 disbursed, only Kshs.408,000 was received by the school resulting in an unexplained variance of Kshs.130,000.

Further, review of payment vouchers revealed that Kshs.2,218,000 paid to various driving schools was not captured in the ledger. In addition, the supporting schedule for scholarships provided reflected disbursements totalling Kshs.57,861,497 against the Kshs.57,169,560 reflected in the financial statements resulting to an unexplained variance of Kshs.691,937 between the two sets of records.

In the circumstance, the propriety and accuracy of the disbursements totalling to Kshs.174,171,290 could not be confirmed.

5. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents totalling Kshs.32,032,775. However, the respective bank reconciliation statements were not provided for audit and the certificate of bank balance as at 30 June, 2021 reflected a balance of Kshs.2,372,011.

In the circumstance, the accuracy of the cash and cash equivalents balance totalling Kshs.32,032,775 could not be confirmed.

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

Unresolved Prior Year Matters

The audit report for the year ended 30 June, 2020 highlighted , several issues under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, contrary to the reporting requirements set by the Public Sector Accounting Standards Board, Management has not appended on the financial statements for the year under review a report on progress made in resolving the issues. Further, no information has been provided on progress made in resolving the issues which, therefore, are considered as unresolved.

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 matter 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

Operation on Deficit Budget

The Statement of comparison of budget and actual amounts reflects a final revenue budget totaling Kshs.214,199,302 and a final expenses budget of Kshs.215,199,302 resulting in a budget deficit of Kshs.1,000,000. Therefore, deficit was contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires budgeted revenue and expenditure appropriations of public entities to balance.

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 audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has else come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Internal Control Oversight Reports

Management did not provide internal audit and Audit Committee reports on the Fund's operations for audit.

In the circumstance, it was not possible to confirm whether oversight on the internal control system, and risk management and overall governance structures was 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 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 the Board of Trustees

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2019.

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 manner.

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and overall 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:

Report of the Auditor-General on Kisumu County Education Fund for the year ended 30 June, 2021


- 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 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 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

09 September, 2022

Appendix

Unexplained Differences in Comparative Balances

Description		2020/2021 Financial Statements (Kshs.)	Audited Financial Statements 2019-2020 (Kshs.)
Statement of Financial Performance			
1.	Transfers from County Government	0	9,800,000
2.	Surplus(deficit)	(600,911)	9,199,089
Statement of Financial Position			
1.	Prior year adjustments	0	(1,274,044)
2.	Accumulated surplus	9,199,302	10,473,347
Statement of Changes in Net Assets			
1.	Fund received	205,000,000	140,000,000
2.	Accumulated funds	9,199,302	10,473,347
3.	Total fund	214,199,302	150,473,347
Statement of Cash flow			
1.	Transfer from the County Government	0	9,800,000
2.	Net cash flows from operating activities	(600,911)	9,199,089
3.	Net increase/(decrease) in cash and cash equivalents	(600,911)	7,925,044.
4.	Cash and cash equivalent at the beginning of the year	9,800,213	(1,274,258)

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Reports and Financial Statements
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13. FINANCIAL STATEMENTS

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

	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from non-Exchequer Transactions			
Public contributions and donations	1		-
Transfers from the County Government	2	205,000,000	
Fines, penalties and other levies	3	-	-
		-	-
Revenue from Exchequer transactions			
Interest income	4	-	-
Other income	5	-	-
			-
Total revenue		205,000,000.00	
Expenses			
Fund administration expenses	6	6,150,000.00	596,000.00
Disbursements	8	174,171,290.00	-
Finance costs	9	1,845,237.00	4,911.00
Total expenses		182,166,527.00	600,911.00
Other gains/losses			
Gain/loss on disposal of assets	10		
Surplus/(deficit) for the period		22,833,473.00	(600,911.00)

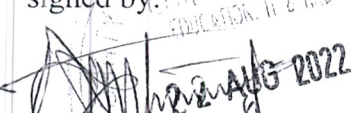
The notes set out on pages 16 to 35 form an integral part of these Financial Statements


**Kisumu County Education Fund
Reports and Financial Statements
For the year ended June 30, 2021**

13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	32,032,775.00	9,199,302.15
Current portion of long- term receivables from Exchequer transactions	12	-	-
Prepayments	14	-	-
Inventories	15	-	-
		-	-
Non-current assets			
Property ,plant and equipment	16	-	-
Intangible assets	17	-	-
		-	-
Total assets		32,032,775.00	9,199,302.15
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	-	-
Provisions	19	-	-
Current portion of borrowings	20	-	-
Employee benefit obligations	23	-	-
		-	-
Non-current liabilities			
Non-current employee benefit obligation	23	-	-
Long term portion of borrowings	20	-	-
Total liabilities		-	-
Net assets			
Revolving Fund		-	-
Reserves		-	-
Accumulated surplus		32,032,775.00	9,199,302.15
Total net assets and liabilities		32,032,775.00	9,199,302.15

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 30TH JUNE, 2021 and signed by:


Administrator of the Fund
Name: PENINA ONYANGO


Head of Treasury Accounting
Name: KEZIAH OKOTH
ICPAK Member Number: ...

**Kisumu County Education Fund
Reports and Financial Statements
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13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Fund Received	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019			9,800,213.15	9,800,213.15
Surplus/(deficit) for the period	-	-	(600,911)	(600,911)
Funds received during the year	205,000,000.00	-	-	205,000,000.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	205,000,000.00	-	9,199,302.15	214,199,302.15
Balance as at 1 July 2020	205,000,000.00	-	9,199,302.15	214,199,302.15
Surplus/(deficit) for the period		-	22,833,473.00	22,833,473.00
Funds received during the year	205,000,000.00	-	-	205,000,000.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	410,000,000.00	-	32,032,775.15	442,032,775.15

**Kisumu County Education Fund
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13.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	-	-
Transfers from the County Government	2	205,000,000.00	-
Interest received		-	-
Receipts from other operating activities		-	-
Total Receipts		205,000,000.00	-
Payments			
Fund administration expenses	6	6,150,000.00	596,000.00
General expenses	8	174,171,290.00	-
Finance cost	9	1,845,237.00	4,911.00
Total Payments		182,166,527.00	600,911.00
Net cash flows from operating activities		22,833,473.00	(600,911.00)
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		22,833,479.00	(600,911.00)
Cash and cash equivalents at the beginning of the year	10	9,199,302.15	9,800,213.15
Cash and cash equivalents at the end of the year	11	32,032,775.15	9,199,302.15

13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021

	Original budget	Adjustment s	Final budget	Actual on comparable basis	Performance difference	% utilization
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	205,000,000.00	9,199,305.15	214,199,302.15	214,199,302.15	0.00	100%
Interest income	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total income	205,000,000	9,199,305.15	214,199,302.15	214,199,302.15	0.00	100%
Expenses						
Fund administration expenses	6,150,000.00	-	6,150,000.00	6,150,000.00	0.00	100%
Disbursements	198,850,000.00	9,199,305.15	209,049,302.15	174,171,290.00	34,878,012.15	83%
Finance cost	-	-	-	1,845,237.00	0.00	-
Total expenditure	205,000,000	-	-	182,166,527.00	34,878,012.15	24%
Surplus for the period	-	-	-	32,032,775.15		-

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. 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.

3. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of *nil* on the FY 2020/2021 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. 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.

5. Comparative figures

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

6. Events after the reporting period

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

7. Ultimate and Holding Entity

The entity is a County Public Fund established by *Kisumu County Education Fund (Amendment) Act 2016* under the Ministry of *EDUCATION, ICT and HCD*. Its ultimate parent is the County Government of *KISUMU*.

8. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. 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)

10. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	-	-	-	-
Receivables from non- Exchequer transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Receivables from Exchequer transactions	-	-	-	-
Receivables from non- Exchequer transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the 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

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

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2019			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables			
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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/ deficit	Effect on Equity
	KShs	KShs	KShs
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs - (2020: Kshs -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs - (2020- Kshs xxx)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2019/2020	2018/2019
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2020/2021	2019/2020
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	205,000,000.00	-
Payments by County on behalf of the entity		
Total	205,000,000.00	-

3. Fines, penalties and other levies

Description	2020/2021	2019/2020
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from loans 3% of Kshs 16,095,	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	-	-

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5. Other income

Description	2020/2021	2019/2020
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income		
Total other income	-	-

6. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration expenses	6,150,000.00	596,000.00
Total	6,150,000.00	596,000.00

7. Staff costs

Description	2020/2021	2019/2020
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Disbursements

Description	2020/2021	2019/2020
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2020/2021	2019/2020
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Bank Charges	1,845,237.00	4,911.00
Total	1,845,237.00	4,911.00

10. Gain/(loss) on disposal of assets

Description	2020/2021	2019/2020
	KShs	KShs
Property ,plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	32,032,775.15	9,199,302.15
Others	-	-
Total cash and cash equivalents	32,032,775.15	9,199,302.15

(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:

		2020/2021	2019/2020
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc.		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc.		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank	1151900184	32,032,775.15	9,199,302.15
Bank B		-	-
Sub- total		32,032,775.15	9,199,302.15
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		32,032,775.15	9,199,302.15

12. Receivables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Current Receivables		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
Total Current receivables		
Non-Current receivables		
Long term loan repayments due	-	-
Total Non- current receivables	-	-
Total receivables from Exchequer transactions	-	-

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Additional disclosure on interest receivable

Description	2020/2021	2019/2020
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

Revenue from Non- Exchequer transaction

	KShs	KShs
Description	2020/2021	2019/2020
	KShs	KShs
Transfer to County Executive	-	-
Transfer to <i>Education</i> Fund	-	-
Total receivables from non- Exchequer transactions	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	2020/2021	2019/2020
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

14. Inventories

Description	2020/2021	2019/2020
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2020/2021	2019/2020
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

18. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2020/2021	2019/2020
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	(-)
Repayments of domestics borrowings during the period	(-)	(-)
Balance at end of the period	-	-

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

	2020/2021	2019/2020
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from zzz organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	2020/2021	2019/2020
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. CHANGES IN RECEIVABLE

Description of the error	2020/2021	2019/2020
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	-	-
Account receivable issued during the year (B)	-	-
Account receivable settled during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

21. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2020/2021	2019/2020
	KShs	KShs
Accounts Payable as at 1 st July 2019 (A)	-	-
Accounts Payable held during the year (B)	-	-
Accounts Payable paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

22. Employee benefit obligations

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	-	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	(-)	(-)
Interest income	(-)	(-)
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	(-)	(-)
Increase in receivables	(-)	(-)
Increase in payables	-	-
Net cash flow from operating activities	-	-

24. Related party balances

a) Nature of related party relationships

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

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

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b) Related party transactions

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	2020/2021	2019/2020
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2020/2021	2019/2020
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

e) Due to related parties

	2020/2021	2019/2020
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

25. Contingent assets and contingent liabilities

Contingent liabilities	2020/2021	2019/2020
	KShs	KShs
Court case xxx against the Fund	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

14. 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)

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

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d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.