REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

	PAPERS LAID
DATE	23/02/2022
TABLED BY	Smm .
COMMITTEE	———
CLERK AT THE TABLE	Daaid

OF

THE AUDITOR-GENERAL

ON

KISII COUNTY BURSARIES FUND

FOR THE YEAR ENDED 30 JUNE, 2021

KISII COUNTY GOVERNMENT

KISII COUNTY BURSARIES FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIALYEAR ENDED

30TH JUNE2021

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

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1. KEY KISII COUNTY BURSARIES FUND INFORMATION AND MANAGEMENT

a) Background information

Kisii County Bursaries Fund is established by and derives its authority and accountability from Kisii County Bursaries Act of 5th March, 2014. The Fund is wholly owned by the County Government of Kisii and is domiciled in Kenya.

The fund's objective is to provide bursary to needy and vulnerable students in Kisii County.

The Fund's principal activity is to provide bursaries to financially disadvantaged or needy students in the County, including those with disabilities who deserve support to pursue their education at recognised schools and educational institutions

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to is provide financial support in terms of bursaries to needy and bright students from disadvantaged backgrounds in the County, including those with disabilities to pursue their education at recognised educational institutions.

c) Fund Administration Committee

Ref	Position	Name
1	Chairman of the Board	John. D. King'oina
2	Secretary	John Onkoba
3	Member	Peter Omache
4	Member	Reuben Choi Moreka
5	Member	Naomi Ayiera

d) Key Management

Ref	Position	Name
1	CEC- Finance, Chairman	Moses Onderi
2	Chief Officer Education, Secretary	Dr. Doris Nyokang'i (PhD)
3	Chief Officer Finance & Accounting Service, Member	Wilfred Auma
4	Deputy Chief Finance Officer, Member	CPA. John Nyandanyi

e) Fiduciary Oversight Arrangements

Ref	Position	Name
3	Chief Officer Economic Planning	Zablon M. Ongori
4	Directorate of Finance Accounting Services	CPA Obwoge Lukio
5	Directorate Internal Audit	CPA Karori Nicodemus

f) Registered Offices

Kisii Municipality Building

P.O. Box 4550-40200

Kisii, KENYA

g) Fund Contacts

Telephone:(254) 020-8029160

E-mail: education@kisii.go.ke

Website: www.kisii.go.ke

h) Fund Bankers

1. Central Bank of Kenya
   Haile Selassie Avenue

P.O. Box 60000 City
Square 00200 Nairobi,
Kenya

2. Kenya Commercial Bank Limited
Kisii Branch
Account Number: 1180225465

i) Independent Auditors

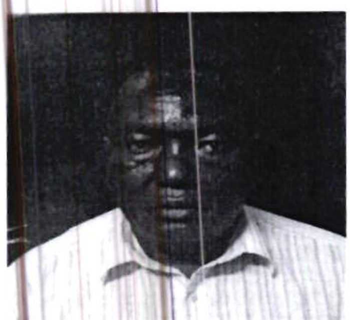
Auditor General
Office of The Auditor General (OAG)
Kisii Hub.

j) Principal Legal Adviser

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

2. FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience
 John Damascus Onyiego King'oina	Mr King'oina was born in the year 1950. He holds a Bachelor of Arts degree in Peace and Conflict studies. He is a S 1 grade teacher, professional mediator, Organizing Secretary for Abagusii Council of Elders and District Peace Committee Chairman. He worked as a teacher between 1974 – 2005. He is a Court Annex Mediator in the Judiciary since 2018 to date. He is the County Bursary Board Chairman from 2014 to date.
 Peter Omache Momanyi	Mr. Momanyi was born in the year 1947. He went to Mosando primary school, Homabay secondary school and later to Kamagambo Teachers Training College. He is a qualified A.T I. He worked for 35 years as TSC teacher and ministry of Education as Education Officer I. He has been a secretary to the County Bursary Board since the year 2014 to date.
 John Onkoba Marando	Mr Marando was born in 1951. He is a qualified P1 teacher from Kaimosi Teachers Training College. He has worked as a teacher from 1977- 1984, then as headteacher 1985 -1994. He also worked as a tutor from 1995-1997, ZQASO 1998-2004 and as AEO Sameta Division 2004-2007. He is a member of the County Bursary Board from the year 2019 to date.

 Naom Ayiera	Madam Naom Ayiera was born in the year 1970. She is a form 4 school leaver with a Division 4 in 1987. In 1992 she was employed as an ECDE teacher in Egetuki primary school up to 1999 and then Buyonge up to 2010. She is currently a member of the County Bursary Fund since 2014.
 Reuben Moreka Choi	Mr Moreka was born in the year 1966. He has A level and a Diploma in County Governance. He worked as a BOM teacher at Kiabigoria Secondary School. Then KPTC in 1992-1994, Telcom Kenya 1995-2011 and was a member of County Assembly for Bogetenga ward in 2013 – 2017. He is currently a member of the County Bursary Board.

3. STATEMENT OF PERFORMANCE AGAINST KISII COUNTY BURSARIES FUND'S PREDETERMINED OBJECTIVES

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of 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 Kisii County Bursaries Fund for the F/Y 2020/2021 plan is to provide bursary for needy students.

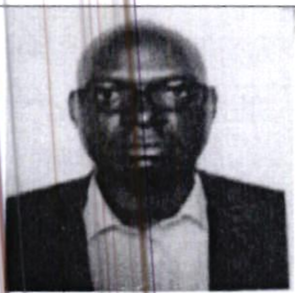
Progress on attainment of Strategic development objectives

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	Due to Covid-19 pandemic, we were unable to disburse the bursary.
Program 2	Objective	outcome	indicator	Performance

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
 Mr. Moses Onderi	Mr. Onderi holds a master of Education from University of Baroda, Bachelor of Education from Karnatak University, professional certificate in participatory monitoring, Evaluation and Impact Assessment from University of Wales Swansea and Higher Diploma in Human Resource Management. He has worked with CARE international in as Human Resource Coordinator and as CEC in lands and urban planning and currently is the CEC Finance and Economic Planning.
 Dr. Doris Nyokang'i (PhD)	Dr. Doris Nyokang'i was born on 28th November, 1961. She holds a PhD in Education from University of South Africa (UNISA). Masters' in Education from University of London (UK). She has been a lecturer at Egerton University. She has a vast experience in public sector where she has served in senior positions. She is currently the Chief Officer Education.
 Mr. Wilfred Auma	Mr Wilfred Auma heads the Finance and Accounting service as a chief officer. Prior to his appointment, he headed th department of Planning and Economic Development. He holc a Master's Degree in Business Administration (Finance) fror Kisii University, Bachelor of Commerce in Statistic Accounting, Income Tax, Business Management and Auditin from Devi AlhilyaVishwavid Valaya, Indore and a highe National Dilpoma in Finance analysis from Indian Managemer Training and research Institute. Until his appointment, he wa working with Wakenya Pamoja Sacco Society Ltd as a manager i Business growth development

 John Nyalaji Nyandanyi	Mr. Nyandanyi was born on 10th November, 1974. He holds a Bachelor of Commerce degree in Finance. Further, he is a holder of CPA (K) and CPS (K). He has over 24 years working experience in Treasury Accounts department. He is currently the Deputy Chief Finance Officer.

5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

The Bursaries fund was established through the Kisii County Bursary Fund Act, 2014 with the sole purpose of providing bursaries to needy and bright students from disadvantaged backgrounds in the County. During the financial year 2020/2021 we had budgeted a total of Ksh. 135 Million to beneficiaries in various institutions. The fund has positively impacted the learning process of students by ensuring that they maintain at school. These goes a long way in the overall improvement of retention and completion rates of students.

Going forward, I wish to appeal to County Assembly Members to consider allocating more financial resources to the fund. This will cater for ever increasing number of needy and deserving cases. In order to create a more resounding impact I could wish to see the fund fully support the identified needy and bright students throughout their learning cycle i.e cover all fees through secondary school, college or university education. In the same vein, more consideration should be given to students in technical and vocational education during the award of bursaries which is part of our core mandate.

Signed: ____________________

John D. King'oina

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

We have always made and maintained adequate financial management arrangements for the Bursaries Fund. This has been made possible by keeping proper accounting records together with internal controls using appropriate accounting policies in accordance with International Public Sector Accounting Standards. We always ensure that the Fund has complied with applicable Government policies and are used for the eligible purposes.

In the financial year 2020/2021, the Kisii County Government budgeted Ksh.135 Million for bursaries. There is an overwhelming demand from the increasing numbers of the target group for bursary support. The financial resources have never been able to meet these demands. The Ward Bursary Committees have done extra work in identifying the beneficiaries from the huge numbers of applicants. It is for this reason that we could wish to appeal for more allocation to the fund so as to meet some of these demands from very vulnerable students. With the increase in the fund, the allocation will make an impact and will scale up our education in terms of quality.

Signed: ____________________

Dr. Doris Nyokang'i (PhD)

7. CORPORATE GOVERNANCE STATEMENT

In the course of the financial year, the Board managed to hold five (5) sittings which were all attended by members of the board of trustees. As a best practice and in line with the law relating to meetings, they were all presided by the chairman. In cases of his or her absence the members elect one of their members to preside over the meeting.

The Fund is a semi-autonomous entity being managed by the Fund Administrator. The management intends to develop Board Service Charter. The process of appointment and removal of trustees, roles and functions of the Board and their remuneration are clearly stated in the Kisii County Bursary Fund Act 2014.

The members of the board recommended that a programme be developed on induction and training members on their roles to enable them offer better services to the public and a budgetary provision to be made in the forward budget.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The Kisii County Bursaries Fund is specifically for financially disadvantaged or needy students including persons with disabilities from Kisii County admitted at various recognised educational institutions. The management of the Fund shall be vested in a management Board consisting of

1) Chairperson appointed by the Governor
2) One officer representing the County department for the time being responsible.
3) Two members representing the community and civil society.

The Ward Bursary Committees are charged with the responsibility of vetting applicants and identifying beneficiaries using a set out criteria. The committee shall consider all applicants submitted in accordance with the criteria set and may accordingly accept or reject any application for the bursary. Where it accepts the application, the committee shall recommend to the County Bursaries Fund Board, the grant of a bursary to the relevant qualified student. The secretary of ward bursary committee who is also the ward administrator has the responsibility of disbursing of cheques to the schools where the beneficiaries are schooling. The bursary award mainly covers part of tuition or boarding fees.

The strategic objectives of the Bursaries Fund are set out in Kisii County Bursary Fund Act, 2014. The main objective of the fund among others is to provide bursaries to financially disadvantaged or needy students in the county who deserve support to pursue their education.
A student wishing to receive a bursary from the fund shall make an application to the relevant committee in a prescribed form.
The criteria for granting a bursary from the Fund shall be in accordance with the regulations set out in the Act.

9. CORPORATESOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The members appreciated their role in the board and took time to commend the county for taking a bold step in establishing and operationalizing the bursary fund which they believe has touched the hearts of more so the needy groups in the community hence improving the literacy levels especially to families that have bright students but face financial challenges.

The members indicated that since the promulgation of the new constitution which gave birth to devolved system of governance, services have been brought closure to the people and they are feeling the impact of county governments since resource allocation to the community at both levels i.e the sub-counties and even at ward levels have improved and even the public participation in identifying the needy cases from the grass root has been improved and appreciated by many.

The members through the chairman requested for more allocation since the needy cases are on the rise.

10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

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.

10.1 Principal activities

The principal activity of the Fund is to provide bursary to needy and vulnerable students in Kisii County

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 17.

10.3 Trustees

The members of the Board of Trustee who served during the year are shown on page 5

10.4 Auditors

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

By Order of the Board

Sign:

Name: Dr. Doris Nyokang'i(PhD)

Date: 28|10|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 Kisii County Bursaries Fund established by the Kisii County Bursary Act 2014 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 Kisii County Bursaries 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 Kisii County Bursaries 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 the Kisii County Bursary Act 2014. 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 Kisii County Bursaries 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 28 / 10 / 2021 and signed on its behalf by:

____
CECM- Finance and Economic Planning

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KISII COUNTY BURSARIES 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

Opinion

I have audited the accompanying financial statements of Kisii County Bursaries Fund set out on pages 18 to 37, which comprise 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, the financial statements present fairly, in all material respects, the financial position of Kisii County Bursaries 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 (Cash Basis) and comply with the Kisii County Bursary Fund Act, 2014.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison budget and actual amounts for the year ended 30 June, 2021 reflects final revenue budget and actual on comparable basis of Kshs.146,500,000 and Kshs.3,396,000 respectively, and resulting in an under-funding of Kshs.143,104,000 or 98% of the budget. Similarly, the Fund spent an amount of Kshs.3,398,337 out of the approved expenditure budget of Kshs.Kshs.146,500,000, resulting in under expenditure of Kshs.143,101,663 or 98% of the budget.

In the circumstances, the disadvantaged or needy students in Kisii County, may have been denied support to pursue their education and consequently, affecting adversely their continuity in learning and performance in examinations.

In addition, non-utilization of bursaries budget may erode the stakeholders' goodwill and affect the County Assembly's appropriation decision and thereby threatening the sustainability of the Fund.

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

Irregular Transfers of Funds to County Treasury

Disclosed in Note 5 to the financial statements under Fund administration expenses are administration fees of Kshs.3,396,000 which includes an amount of Kshs.1,832,000 relating to a transfer to Kisii County Treasury for operations. The amount was to be repaid to the Fund after the County Government received its funding from the National Government but the balance was still pending as of 30 November, 2021.

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

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 (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Fund 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 Fund to express an opinion on the financial statements.

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

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 December, 2021

12. 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-exchange transactions			
Transfers from the County Government	1	3,396,000	-
Total revenue		**3,396,000**	**-**
		-	-
Expenses		-	-
Fund administration expenses	2	3,396,000	-
Bursary Disbursement	3	-	3,286,789
Finance costs	4	2,337	132,258
Total expenses		**3,398,337**	**3,419,047**
Surplus/(deficit)for the period		**(2,337)**	**(3,419,047)**

The notes set out on pages 34 to 35 form an integral part of these Financial Statements.

13.2 STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	5	48,823	51,160
Total current assets		**48,823**	**51,160**
Total assets		**48,823**	**51,160**
Net assets			
Revolving Fund		15,577,085	15,577,085
Accumulated surplus		-15,528,262	-15,525,925
Total net assets and liabilities		**48,823**	**51,160**

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 28/10/ 2021 and signed by:

Nyangi

Administrator of the Fund
Name: Dr. Doris Nyokangi

Fund Accountant
Name: John Nyandanyi
ICPAK Member Number:13373

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

	Revolving Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 July 2019	15,577,085	-12,106,878	3,470,207
Surplus/(deficit) for the period	-	-3,419,047	-3,419,047
Balance as at 30 June 2020	**15,577,085**	**-15,525,925**	**51,160**
Balance as at 1 July 2020	**15,577,085**	**-15,525,925**	**51,160**
Surplus/(deficit) for the period		-2,337	-
Balance as at 30 June 2021	**15,577,085**	**-15,528,262**	**48,823**

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

	Note	2020/2021	2019/2020
		KShs	KShs
Cashflowsfromoperatingactivities			
Receipts			
Transfers from the County Government	1	3,396,000	-
Total Receipts		**3,396,000**	**-**
Payments			
Fund administration expenses	2	3,396,000	-
Bursary Disbursement	3	-	3,286,789
Finance cost	4	2,337	132,258
Total Payments		**3,398,337**	**3,419,047**
Netcashflowsfromoperatingactivities		**(2,337)**	**(3,419,047)**
Net increase/(decrease) in cash and cash equivalents		**(2,337)**	**(3,419,047)**
Cash and cash equivalents at 1 JULY	5	51,160	3,470,207
Cashandcashequivalentsat30 JUNE	5	**48,823**	**51,160**

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

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

	Original budget	Adjustments	Final budget	Actualon comparable basis	% Utilisation
	2021	**2021**	**2021**	**2021**	**2021**
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	
Transfers from County Government	145,000,000	1,500,000	146,500,000	3,396,000	2.3%
Total income	**145,000,000**	**1,500,000**	**146,500,000**	**3,396,000**	**2.3%**
Expenses					
Fund administration expenses	10,000,000	1,500,000	11,500,000	3,396,000	30%
Bursary	135,000,000	-	135,000,000	-	0%
Finance cost	-	-	-	2,337	
Total expenditure	**145,000,000**	**1,500,000**	**146,500,000**	**3,398,337**	**2.3%**
Surplus for the period	**-**	**-**	**-**	**(2,337)**	**-**

Notes:

1. Underutilization of the budgeted amount was occasioned by covid 19 since schools were closed hence some of the beneficiaries who were candidates in various institutions had completed school forcing us to start the process afresh.

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 cash 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 : Applicable: 1st January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.

d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance ondeemed cost in IPSAS 33 to make it consistentwith the core principles in the Standard	***Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact***

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: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

Standard	Effective date and impact:
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. *(State the impact of the standard to the entity if relevant)*
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2022:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

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 appliesthis yield to the principal outstanding to determine interest income each period.

4. Budget information

The original budget for FY 2020/2021was approved by the County Assembly on xxxx (Date). 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.

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 xxx of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Nature and purpose of reserves

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

3. Changes in accounting policies and estimates

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes inaccounting policy are applied prospectively if retrospective application is impractical.

4. Related parties

The Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, orto exercise significant influence over the Entity, or vice versa. Members of key management are regarded asrelated parties and comprise the directors/ Trustee, the Fund Managers and Fund Accountant.

5. 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.

6. Comparative figures

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

7. Events after the reporting period

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

8. Ultimate and Holding Entity

The Kisii County Bursaries Fund is a County Public Fund established by Kisii County Bursaries Fund Act of 5th March,2014 under the Department of Education. Its ultimate parent is the County Government of Kisii.

9. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to makejudgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets andliabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertaintyabout these assumptions and estimates could result in outcomes that require a material adjustment to thecarrying amount of the asset or liability affected in future periods.
State all judgements, estimates and assumptions made

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date,that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities withinthe next financial year, are described below. The Entity based its assumptions and estimates on parametersavailable when the consolidated financial statements were prepared. However, existing circumstances andassumptions about future developments may change due to market changes or circumstances arising beyond thecontrol of the Entity. Such changes are reflected in the assumptions when they occur.IPSAS 1.140.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential futureuse 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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additionaldisclosure 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 atthe reporting date, and are discounted to present value where the effect is material.

11. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of financial assets recorded in the financial statements representing the Fund'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 2021				
Bank balances	48,823	48,823	-	-
Total	**48,823**	**48,823**	-	-
At 30 June 2020				
Bank balances	51,160	51,160	-	-
Total	**51,160**	**51,160**	-	-

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 xxx.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) 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.

c) 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 Fund capital structure comprises of the following funds:

	2020/2021	**2019/2020**
	KShs	**KShs**
Revolving fund	15,577,085	15,577,085
Accumulated surplus	-15,528,262	-15,525,925
Total funds	**48,823**	**51,160**
Total borrowings	-	-
Less: cash and bank balances	48,823	51,160
Net debt/(excess cash and cash equivalents)	-48,823	-51,160
Gearing	-%	-%

13. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	2020/2021	2019/2020
	Kshs	Kshs
Transfers from County Govt. – operations	3,396,000	-
Payments by County on behalf of the entity	-	-
Total	**3,396,000**	**-**

2. Fund administration expenses

Description	2020/2021	2019/2020
	Kshs	Kshs
Administration fees	3,396,000	-
Total	**3,396,000**	**-**

3. General expenses

Description	2020/2021	2019/2020
	Kshs	Kshs
Bursary Disbursement		3,286,789
Total	-	**3,286,789**

4. Finance costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Bank Charges	2,337	132,258
Total	**2,337**	**132,258**

5. Cash and cash equivalents

Description	2020/2021	2019/2020
	Kshs	Kshs
Current account	48,823	51,160
Total cash and cash equivalents	**48,823**	**51,160**

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

		2020/2021	2019/2020
Financial institution	**Account number**	**KShs**	**KShs**
Current account			
Kenya Commercial bank	1180225465	48,823	51,160
Total		**48,823**	**51,160**

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 of Kisii;
b) County Assembly;
c) Key management;
d) Board of Trustees;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2020/2021	2019/2020
	Kshs	**Kshs**
Transfers from related parties'	3,396,000	-

7. 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**	**Status:** ***(Resolved / Not Resolved)***	**Timeframe:** ***(Put a date when you expect the issue to be resolved)***

The Audit was conducted by the Office of Auditor General. However the certificate for 2019/2020 has not been issued.

8. APPENDIX I: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the County Executive of Kisii County Government			
	FY 2020/2021			
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Kisii County Bursaries Fund	09/06/2021	3,396,000	FY 2017/2018, 2018/2019
		Total	**3,396,000**	

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager

Sign ---------------

FOR. Head of County Treasury at
Kisii County Bursaries Fund

Sign-----------