

REPUBLIC OF KENYA



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REPORT

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THE AUDITOR-GENERAL

ON

**TAITA TAVETA COUNTY
EDUCATION FUND**

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

PAPERS LAID	
DATE	7/8/2023
TABLED BY	S.M.C
COMMITTEE	
CLERK AT THE TABLE	Chand



**TAITA TAVETA COUNTY
EDUCATION FUND BOARD**

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

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

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Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
CPA	Certified Public Accountant
CCO	County Chief Officer
CEO	Chief Executive Officer
HELB	Higher Education Loans Board

b) Glossary of Terms

Key Management Team	The key management personnel who had financial responsibility
Fund Management Team	A body corporate with perpetual succession and a common seal.

Taita Taveta County Education Fund Board
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2. Key Entity Information and Management

a) Background information

The Taita Taveta Education Fund is established by and derives its authority and accountability from Taita Taveta Education Fund Board Act on 2013. The Fund is wholly owned by the County Government of Taita Taveta and is domiciled in Kenya.

The fund's objectives are to grant loans, bursaries and scholarships to assist student residents of Taita Taveta County to obtain post primary and higher education at recognized institutions within and outside Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to Provide quality basic education, promote and coordinate accessible quality life-long education for the county's sustainable development

c) Fund Management Board

Ref	Position	Name
1	Chairman of the Board	David Mombo
2	Vice Chairperson	Leah K. Kamau
3	Chief Officer Education	Lonyce W. Mwakio
4	Ag.CEO Education Fund	Lawrence Mwakio
5	Fund Administrator	Eunice N Mwanyamba
6	Fund Accountant	Rodgers G. Mwavala
7	Member	Simon Mwakughu
8	Member	Aggrey N. Msangi
9	Member	Ven Renson Shake
10	Member	Granton Mwaliko
11	Member	Humphrey M. Mng'ongo
12	Member	Philisia M. Selina
13	Member	Dorcas Tama

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d) Key Management

Ref.	Name	Position
1	Lonyce W. Mwakio	CCO Education, Libraries and VTC's
2	Lawrence Mwakio	Ag. CEO Education Fund
3	CPA Eunice N Mwanyamba	Fund Administrator
4	CPA Rodgers G. Mwavala	Fund Accountant

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	CPA MOHAMED A.ALI

f) Registered Offices

P.O. Box 1066-80304

Wundanyi

Taita Taveta, Kenya

g) Fund Contacts

Telephone:(254) 0713164527

E-mail: loansboardtaitataveta@gmail.com

h) Fund Bankers

1. Kenya Commercial Bank
Wundanyi Branch
P.O Box 1067-80304
Kenya

Key Entity and Management (Continued)

i) Independent Auditors

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

j) Principal Legal Adviser






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

k) County Attorney





County Attorney
County Government of Taita Taveta
P.O Box 1066
Wundanyi

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3. The Fund Management Board

Name	Details of qualifications and experience
<p>1. Lonyce. W Mwakio</p> 	<p>Lonyce is the CCO of the Department of Education, Vtc's and Libraries. She holds a master of Arts degree from the University of Nairobi and a Bachelors degree from Egerton University. She has worked with TSC as a secondary school teacher for the last 17years.</p>
<p>2. Lawrence Mwakio</p> 	<p>Lawrence is the Ag. head of Education Fund board secretariat and secretary to the Education Fund Board. Born in 10th March 1978 he has a diploma in ICT and he joined the county government in 2015 and the fund board in 2017.</p>
<p>3. Eunice N. Mwanyamba</p> 	<p>Eunice is an accountant by profession and is the fund administrator, holds a Bachelors degree in Commerce finance Option from Kenyatta University and is a CPA K and a member of ICPAK. Has worked with Taita Taveta County Executive since 2016</p>
<p>4. Rodgers G. Mwavala</p> 	<p>Rodgers is a CPA K and a member of ICPAK. Has worked with Taita Taveta County Executive since 2021.</p>
<p>5. David Mombo</p> 	<p>David is the Chairman of the board and has been a teacher in Kenyatta high school and is currently the deputy principal at Marungu</p>

**Taita Taveta County Education Fund Board
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	<p>Secondary School. David has a degree in Education and 20 years of experience in his field of duty</p>
<p>6. Leah Kamau</p> 	<p>Leah is a retired teacher and has been a School principal for over 30 years. She taught chemistry and Biology and represents the women in the Board.</p>
<p>7. Dorcas Tama</p> 	<p>Dorcas is a member of the Board and has a degree of psychology from Maseno University. She has an experience of 8 years in her field.</p>
<p>8. Aggrey Msangi</p> 	<p>Aggrey is a member of the board and has a diploma in Education management and has an experience of 30 years in the field.</p>

**Taita Taveta County Education Fund Board
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<p>9. Granton Mwaliko</p> 	<p>Granton is a representative of education in the Board and has a diploma in special education management with an experience of 20years in his field of profession.</p>
<p>10. Humphrey Mwandonyi</p> 	<p>Humphrey is a representative of youth in the Board. He is currently working with the County government in the department of revenue. He has a diploma in mechanical engineering and an experience of 13 years in this field.</p>
<p>11. Philisiah Mghoi Selina</p> 	<p>Philisiah is a member of the board representing persons with disability. She attended college at Machakos Teachers Training College and Kenya Institute of Special Education. She is currently a teacher at Mwatate primary school and has a diploma in special education.</p>
<p>12. Ven. Renson Shake</p> 	<p>Ven Renson is an Arcdeacon and is currently based in the Archdeaconry of Taveta. He holds a degree in Bachelor of Divinity. He has an experience of 14 years and 22 years in theology</p>
<p>13. Simon Mwakughu.SS S</p> 	<p>Simon is a career teacher and has been a School principal for over 22 years and a teacher for 33 years and holds a Degree in Bachelor of Education (Arts).</p>

4. Board/Fund Chairperson's Report

It is my pleasure to present, on behalf of the Taita Taveta County Education Fund Board annual report and financial statements for the period ended 30th June 2023. The financial statements present the financial performance of the fund over the financial year.

The Taita Taveta Education Fund was established with the aim of:

- I. Cushioning households from impact of poverty by increasing access, retention and completion rates in primary, secondary and tertiary learning institutions.
- II. Enabling our children an opportunity to pursue further education especially the bright and needy.

Sustainability

The Taita Taveta Education Fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long-term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

Board and management Changes

During the financial year under review changes were made in the management team as follows;

Change of CCO from Evelyn Shighi to Lonyce Mwakio

Change of CEO from Philip Mwangwale to Lawrence Mwakio as the new Ag. CEO and secretary to the board.

Review of performance

Income

In the period ended 30th June 2023, the Taita Taveta Education Fund had projected revenue of Kshs 165,000,000 from the Exchequer releases which was later reduced to 147,840,000 in the County third supplementary budget. The Fund received an actual amount of ksh142,000,000.

Expenditures

The total expenditure during the period amounted to KShs.147,443,095 representing an absorption rate 99%

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Expenditures

The total expenditure during the period amounted to KShs.147,443,095 representing an absorption rate 99%

Future outlook

The fund focus is looking to build a sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the county government and support from development partners to the realization of its mandate.

Appreciation

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

I look forward to your continued support in the year 2023/2024



.....

Name: David Mombo

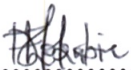
Fund Board Chairperson

5. Report of The Fund Administrator

The Taita Taveta County Education Fund Board was established by Taita Taveta County Education Fund Board Act, 2013 to provide for the management an education fund to be used for granting loans, bursaries and scholarships to assist resident students of Taita Taveta County to obtain post primary and higher education.

In the financial year 2022/2023, the total budget allocation for the fund is a total of Kshs. 165,000,000. In the financial year under review the fund managed to disburse a total amount of Ksh.102, 817,178.00 to bursaries, Ksh. 32,338,188.00 to scholarship and transferred ksh 10,000,000 to HELb.

In this financial year the fund has received 96% of its budget and therefore has been able to execute its services better than it did in the previous financial year.



.....
Name: Eunice Nyokabi

Fund Administrator

6. Statement of Performance against the County Fund’s Predetermined Objectives

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of 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 objective of the Fund as per the strategic plan for 2019-2023 is

- a) Ensure inclusive and equitable quality education and promote lifelong opportunity for all.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Education scholarship,	Ensure inclusivity and equitability	Increased allocation for scholarship,	No. Of students supported Scholarship report	In FY 22/23 the fund was able to disburse scholarship amounting to Ksh. 32,338,188.00
Bursaries program	Ensure equality and lifelong opportunity for all	Increased allocation for Bursaries	No. Of students supported Bursaries report	In FY 22/23 the fund was able to disburse bursaries amounting to Ksh. 102,817,178].00

Taita Taveta County Education Fund Board
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7. Corporate Governance Statement

Board Meetings

The Taita Taveta County Education Fund board holds a minimum of four sittings every financial year as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets as outlined in the charter. The board also plays an oversight role over all other financial and operational issues.

Members	14/09/2022	20/12/2023	04/04/2023	05/04/2023
Mombo David	✓	✓	✓	✓
Leah Kamau	✓	✓	✓	✓
GrantonMwaliko	✓	✓	✓	✓
Dorcas Tama			✓	✓
Simon Mwakughu	✓	✓	✓	✓
Humphrey M. Mng'ong'o	✓	✓	✓	✓
Ven Renson Shake	✓	✓	✓	✓
Aggrey Ndelejai	✓	✓	✓	✓
Philisia Mghoi		✓	✓	✓
Lonyce Mwakio			✓	✓
Lawrence Mwakio	✓	✓	✓	✓
Eunice Nyokabi	✓	✓		
Rodgers Mwavala			✓	✓

Succession Plan

The members of the Board shall hold office for a period of 3 years and may be eligible for re-appointment for one more term of three years.

Appointment of Board Members

The Governor shall be the Patron of the board who shall;

- Appoint a chairman with the approval of the County Assembly;

Taita Taveta County Education Fund Board
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- Appoint the Secretary to the board who shall be the Chief Executive Officer of the board with approval of the County Assembly.
- The following representatives are also in the board
 - a) a vice Chair elected by the members;
 - b) a representative of the finance docket;
 - c) a representative of the youth;
 - d) a representative of persons with disabilities
 - e) three members representing special interest group namely;
 - Administration;
 - Religion;
 - Education; (c-e shall be appointed by the County Executive Committee Member, In-charge of Education with the approval of the county assembly.)

The legal advisor appointed by the Governor

Key responsibilities of the Board Members

The Taita Taveta county Education Fund Board has undertaken the following

- Formulated sound policies for regulating the management the Fund
- Set the criteria and conditions governing the granting of loans
- Held public information and engagement forums in the County to facilitate public participation
- Held its four mandatory meetings as prescribed in the Act.

Remuneration of Board Members

The Board members do not receive a salary. However, they are paid a sitting allowance for board meetings at the rate of Kshs 15,000 for the Chairperson, Kshs 12,000 for the Vice Chairperson and the other members Kshs 10,000. per meeting. County employees are paid at the rate of Kshs 4,000 per meeting which is as per the Salaries & Remuneration Commission circular SRC/ADM/CIR/1/13(122).

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8. Management Discussion and Analysis

Operational and Financial performance

The Taita Taveta Education Fund Board budget allocation has not matched the actual funding. The only source of funding is the County government since its inception.

Financial Information

YEAR	BUDGETED	EXCHEQUER ISSUE
FY 2013/14	50,000,000	50,000,000
FY 2014/15	50,000,000	52,421,741
FY 2015/16	93,600,000	86,142,658
FY 2016/17	116,000,000	42,000,000
FY 2016/17 - TO HELB		20,000,000
FY 2017/18	121,648,046	40,700,000
FY 2017/18 – TO HELB		10,000,000
FY 2018/19	151,175,000	97,000,000
FY 2018/19 – TO HELB		8,000,000
FY 2019/2020	72,000,000	32,100,570
FY 2020/2021	137,000,000	100,000,000
FY 2021/2022	145,000,000	58,400,000
FY 2022/2023	147,840,000	142,000,000

It is important to note that adequate financing for the fund can be achieved through increased allocation from the County and funding from donors.

The fund has a phone number where residents of the County can enquire on issues of the fund. In line with that we have been engaging HELB to build capacity by training the ward administrators on how residents can benefit from the County loans and HELB products.

Any County that intends to make a breakthrough in industrialization and technological development must begin by ensuring that it has a critical mass of well qualified personnel

9. Environmental and Sustainability Reporting

The Taita Taveta County Education Fund Board exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 3 pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile -

The Taita Taveta County Education Fund Board has continued to structure its programs towards empowerment of Taita and Taveta residents and therefore has conducted basic assessment of available options for feasible financing tools that would ensure long the fund of its long term sustainability.

2. Environmental performance

To promote sustainable land use and environmental conservation the Taita Taveta County Education Fund Board undertook various capacity building and provision of materials geared towards environmental protection and sustainable land use.

3. Employee welfare

The Taita Taveta County Education Fund Board revamped its efforts in improving the welfare of its employees as a key ingredient to employee through motivation and satisfactory work performance.

4. Community Engagements-

The Taita Taveta County Education Fund Board together with various Departments and in collaboration with other stakeholders has been engaging in various community initiatives that have helped improved people's living standards. Several public participation exercises were conducted to collect views and contributions from the residents on issues such proposed projects, progress reports, budgets, etc having a bearing on service delivery.

10. Report of The Board of Management

Principal activities

The principal activity/mission/ mandate of the Fund is to Provide quality basic education, promote and coordinate accessible quality life-long education for the county's sustainable development

Results

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

Board of Management

The members of the Board of management who served during the period are shown on page (vii-ix).

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



.....
Chair of the Board : David Mombo

Date: 30.06.2023

11. Statement of Management’s Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the Taita Taveta Fund Board Act 2013 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, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of 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 the Taita Taveta Fund Board Act 2013. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2023, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of 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 30.06. 2023 and signed on its behalf by:



.....
Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TAITA TAVETA COUNTY EDUCATION FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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 Taita Taveta County Education Fund set out on pages 1 to 21, which comprise the statement of financial position as at

30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Taita Taveta County Education Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Taita Taveta County Education Fund Board Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Receivables from Non-Exchange Transactions

The statement of financial position and Note 6 to the financial statements reflects receivables from non-exchange transactions of Kshs.98,702,004 comprising of funds injected in Higher Education Loans Board (HELB) Kitty totalling to Kshs.62,000,000 as at 30 June, 2023 and Kshs.36,702,004 for students loans disbursed before the signing of a service agreement with the HELB.

However, Management did not provide for audit review evidence of fresh agreements between HELB and the beneficiary students. This is contrary to the provisions of Paragraph 4.4 of the Service Contract dated 20 May, 2016 between the Fund and HELB which provides that all loans awarded before the signing of the contract shall be transferred to HELB for recovery, only provided the Fund will ensure that all such students execute fresh loans agreements with HELB and that HELB will not be held responsible for failure to recovery of such loans. The Fund thus risks losing Kshs.36,702,004 of loans issued but are not being recovered.

In the circumstances, the accuracy, completeness and recoverability of outstanding loans balance of Kshs.36,702,004 as at 30 June, 2023 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.147,840,000 and Kshs.142,000,000 respectively resulting to an underfunding of Kshs.5,840,000 or 4% of the budget. Similarly, the Fund expended Kshs.147,443,095 against an approved budget of Kshs.147,840,000 resulting to an under-expenditure of Kshs.456,773.

The underfunding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is however, not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Bursaries and Scholarships Awards

The statement of financial performance and as disclosed under Note 2 to the financial statements reflects Kshs.135,155,366 as bursaries and scholarships.

However, examination of records revealed that thirty-six (36) beneficiaries were awarded bursary amounting to Kshs.347,200 and yet there was no evidence to prove that their bursary applications were deliberated on and approved by the respective Ward Bursary Committee as required of Section 8(1)(c) of the Taita Taveta County Education Fund Board Act, 2013.

Further, the bursaries and scholarships amount of Kshs.135,155,366 includes cheques issued totalling Kshs.85,000 that had been previously issued but later reversed. However, no explanations were provided as to why the cheques were reversed or evidence to show that the student to whom the cheques were re-issued were the applicants who had originally been vetted and qualified to be awarded.

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

2. Unauthorized Opening and Operating of Bank Account

The statement of financial position and as disclosed under Note 5 to the financial statements reflects cash and cash equivalents balance of Kshs.97,221 being an amount held in a commercial bank, current account under the name of Taita Taveta County Education Fund Account. However, no evidence was provided in support of the opening and operating of the account at a commercial bank contrary to Regulation 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that “all County exchequer accounts shall be opened at the Central Bank of Kenya except for imprest bank accounts for petty cash “.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 Fund Management Board

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 controls 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 controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

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


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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 January, 2024

Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023

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

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations		-	-
Transfers From the County Government	1	142,000,000	58,400,000
Fines, Penalties and Other Levies		-	-
		142,000,000	58,400,000
Revenue From Exchange Transactions			
Other Income		-	-
Total Revenue		-	-
Expenses			
Bursaries and Scholarship	2	135,155,366	69,108,552
Administration costs	3	2,225,731	3,900,660
General Expenses	4	61,998	385,992
Transfer to HELB	7	10,000,000	
Total Expenses		147,443,095	73,395,204
Other Gains/Losses		-	-
Gain/Loss on Disposal of Assets		-	-
Surplus/(Deficit)		(5,443,095)	(14,995,204)

.....
Name: CPA Eunice Nyokabi
Administrator of the Fund
ICPAK Member No.25272

.....
Name: CPA Rodgers Mwavala
Accountant
ICPAK Member No.30145

Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Position As at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	5	97,221	5,540,316
Prepayments		-	-
Inventories		-	-
Total current assets		97,221	5,540,316
Non-Current Assets			
Long Term Receivables from Non-Exchange Transactions	6	98,702,004	88,702,004
Total non- current assets		98,702,004	88,702,004
Total Assets		98,799,225	94,242,320
Liabilities			
Current Liabilities			
Total current liabilities		-	-
Non-Current Liabilities		-	-
Total Liabilities		-	-
Net Assets			
Revolving Fund	7	98,702,004	88,702,004
Reserves		-	-
Accumulated Surplus	8	97,221	5,540,316
Total Net Assets and Liabilities		98,799,225	94,242,320

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 2023 and signed by:


.....
Name: CPA Eunice Nyokabi
Administrator of the Fund
ICPAK Member No:25272


.....
Name: CPA Rodgers Mwavala
Accountant
ICPAK Member No.30145

Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	88,702,004	-	-	88,702,004
Surplus/(Deficit) For the Period	-	-	5,540,316	5,540,316
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	88,702,004	-	5,540,316	94,242,320
Balance As At 1 July 2022	88,702,004	-	5,540,316	94,242,320
Surplus/(Deficit) For the Period	-	-	(5,443,095)	(5,443,095)
Funds Received During the Year	-	-	-	-
Transfers	10,000,000	-	-	10,000,000
Revaluation Gain	-	-	-	-
Balance As At 30 June 2023	98,702,004	-	97,221	98,799,225


 Name: CPA Eunice Nyokabi
 Administrator of the Fund
 ICPAK Member No:25272


 Name: CPA Rodgers Mwavala
 Accountant
 ICPAK Member No.30145

Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Note	Current FY	Current FY
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the county government	1	142,000,000	58,400,000
Receipts from other operating activities		-	-
Total receipts		142,000,000	58,400,000
Payments			
Bursaries and Scholarship	2	(135,155,366)	(69,108,552)
Fund Administration costs	3	(2,225,731)	(3,900,660)
General expenses	4	(61,998)	(385,992)
Transfer to HELB	7	(10,000,000)	-
		(147,443,095)	(73,395,204)
Net cash flows from operating activities		(5,443,095)	(14,995,204)
Cash flows from investing activities			
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Additional borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash Equivalents		(5,443,095)	(14,995,204)
Cash and cash equivalents at 1 July 2022	5	5,540,316	-
Cash and cash equivalents at 30 June 2023	5	97,221	(14,995,204)

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

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 Name: CPA Eunice Nyokabi
 Fund Administrator
 ICPAK Member No:25272

.....
 Name: CPA Rodgers Mwavala
 Accountant
ICPAK Member No.30145



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17. Statement Of Comparison Of Budget And Actual Amounts For The Period

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers From County Govt.	165,000,000	17,160,000	147,840,000	142,000,000	5,840,000	96%
Interest Income		-				
Other Income		-				
Total Income	165,000,000	17,160,000	147,840,000	142,000,000	5,840,000	96%
Expenses						
Bursaries and Scholarship	118,800,000	-	106,444,800	135,155,366	(28,710,566)	127%
Fund Administration Expenses	4,888,002	-	4,373,202	2,225,731	2,147,471	50%
General Expenses	61,998	-	61,998	61,998	0	100%
Loans	41,250,000	-	36,960,000	10,000,000	26,960,000	27%
Total Expenditure	165,000,000	17,160,000	147,840,000	147,443,095	456,773	
Surplus For the Period				(5,443,095)	5,443,095	

Budget notes

1. The fund was able to spend all the amount budgeted for on bursaries in the financial year.
2. The changes between original and final budget were due to supplementary budgets.

Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023

18. Notes to the Financial Statements

1. General Information

The Taita Taveta Education Fund entity is established by and derives its authority and accountability from Taita Taveta Education Fund Board Act on 2013. The fund is wholly owned by the County Government of Taita Taveta and is domiciled in Kenya.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

(i) Relevant new standards and amendments to published standards effective for the period ended 30th June 2023

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	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.
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

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

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p>

**Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact:
for Sale and Discontinued Operations	<p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

The Taita Taveta County Education Fund Board did not early – adopt any new or amended standards in the financial year 2022/2023

3. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2022-2023 was approved by the County Assembly on . 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 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.

Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

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

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Investment property

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

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

h) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Taita Taveta County Education Fund Board
Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Summary of Significant Accounting Policies (Continued)

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at 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.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. 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.

a) Estimates and assumptions –

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts 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

c) Provisions

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

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

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6. Notes To The Financial Statements

1. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	142,000,000	58,400,000
Payments By County On Behalf Of The Entity	-	-
Total	142,000,000	58,400,000

2. Bursaries and Scholarship

Description	2022-2023	2021-2022
	Kshs	Kshs
Bursaries	102,817,178	37,998,228
Scholarship	32,338,188	31,110,324
Total	135,155,366	69,108,552

3. Administration Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Administration	2,225,731	3,900,600
Total Administration costs	2,225,731	3,900,600

4. General Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Charges	61,998	385,992
Total Other Income	61,998	385,992

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Notes to the Financial Statements Continued

5. Cash and Cash Equivalent

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Current Account			
Taita Taveta Education Fund A/C	1152801015	97,221	5,540,316
Total		97,221	5,540,316

6. Receivables from non-exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
HELB Loans	98,702,004	88,702,004
Total Receivables From Non-Exchange Transactions	98,702,004	88,702,004

The amount of ksh98,702,004 is inclusive of the total amount of loans issued to students as at 30.06.2023 out of which an amount of ksh8,033,310 is the total amount recovered to date which makes ksh90,668,694 the outstanding loan amount. From the total amount recovered an amount of ksh3,091,500 has been disbursed and therefore leaving a balance of ksh4,941,810 as the total recoveries balance.

7. Revolving Fund

Description	2022-2023	2021-2022
	Kshs	Kshs
Helb Loans	88,702,004	88,702,004
Transfer to Helb	10,000,000	-
Total	98,702,004	88,702,004

8. Accumulated surplus

	2022-2023	2021-2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax		
Adjusted For:		
Balance brought forward	5,540,316	20,535,520
Prior year Adjustment		
Surplus/ (Deficit) For the Year	(5,443,095)	(14,995,204)
Net Cash Flow From Operating Activities	97,221	5,540,316

Events after the reporting period

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

Ultimate and Holding Entity

The Taita Taveta Education Fund Board is a County Public Fund established by Taita Taveta Education Fund Board Act 2013. It's ultimate parent is the County Government of Taita Taveta

Currency

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

19. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Oag/cr/aud/5/7/2021/2022(16)	Undisclosed and doubtful disbursements	Management provided explanation on whose responsibility it is to recover Helb loans	Resolved	Resolved
Oag/cr/aud/5/7/2021/2022(16)	Budgetary control and performance	Improvement on funding has been made in the financial year under review and therefore a positive impact on the fund activities	Resolved	Resolved
Oag/cr/aud/5/7/2021/2022(16)	Prior year matters	Management effected the changes in the draft report but there was an oversight during the final printing of the amended financial statement	Resolved	Resolved

Funice Nyokali
.....
Fund Administrator
Sign.....
Date 30.06.23.....