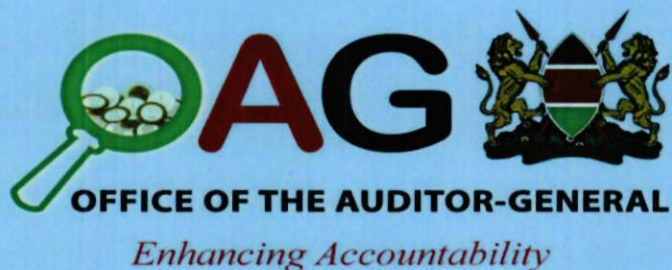


REPUBLIC OF KENYA



REPORT

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THE AUDITOR-GENERAL

ON

**NANDI COUNTY EXECUTIVE
EDUCATION FUND**

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

PAPERS LAID	
DATE	22/2/23
TABLED BY	DEP. MAJORITY
COMMITTEE	WHIP
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NANDI COUNTY EDUCATION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2020

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

Nandi County Education Fund
Reports and Financial Statements
For the year ended June 30, 2020

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Nandi County Education Fund is established by and derives its authority and accountability from Nandi County Education Act 2016. The Fund is wholly owned by the County Government of Nandi, a county domicile in Kenya.

The fund's objectives is to:

- Improved access to Education by all residents of Nandi County by providing funds to grant bursaries;
- Enhanced equity in education for all residents of Nandi County;
- Improvement of literacy level within Nandi County; and
- Ensuring that a specific portion of the County annual budget is devoted to the Education Fund for the purposes of this Act.

b) Principal Activities

Improving access to Education by all residents of Nandi County by providing funds to grant bursaries.

c) Key Management

Ref	Name	Position
1	Christopher Kosgei	Chair Person
2	Rev. Elizabeth Cheruiyot	Deputy Chair Person/ Rep of religious group
3	Fabian Too	Member – Rep Emgwen sub County
4	Rose Namuli	Member- Rep Aldai Sub County
5	Benson Mutai	Member – Rep Chesumei Sub County
6	Simion Ngetich	Member – Rep Nandi Hills Sub County
7	Peter Sang	Member – Rep Tindiret Sub County
8	Wilfridah Rotich	Member – Rep Mosop Sub County
9	Lilian Konuche	Member – Rep PWD
10	Joshua Tum	Member – Rep Youth
11	Daniel Sang	Secretary- C.O Education Department
12	Nicholas Kosgei	Fund Administrator
13	Julius K. Too	Member-Rep Education Department

Nandi County Education Fund
Reports and Financial Statements
For the year ended June 30, 2020

d) Registered Offices

Nandi County Education Fund,
P.O. Box 802-30300,
Education Department Buildings,
Kapsabet.

e) Fund Contacts

Telephone: 0720-826 069
Website: www.nandicounty.go.ke

f) Fund Bankers

Equity Bank
Kapsabet Branch
P. o Box 272-30300
Kapsabet.







g) Independent Auditors

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







h) Principal Legal Adviser

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

2. THE BOARD OF TRUSTEES

Name	Date of Birth	Qualifications	Work Experience
1. Christopher Kosgei 	10/09/1954	Undergraduate	35 year- Education -Teacher
2. Elizabeth Cheruiyot 	12/10/1974	Undergraduate	10 years - Theological Work
3. Simion Ngetich 	27/11/1973	Undergraduate	15 years- Theological Work
4. Lilian Konuche 	21/12/1986	Post Graduate	7 Years – Human Resource Officer
5. Jushua Tum 	03/11/1985	Diploma	5 years- Youth Leader –Nandi County
6. Rose Namuli 	6/11/1955	Diploma	7 years - Accountant

**Nandi County Education Fund
Reports and Financial Statements
For the year ended June 30, 2020**

<p>7. Fabian Too</p> 	<p>29/01/1994</p>	<p>Diploma</p>	<p>5 years – Banking Sector</p>
<p>8. Wilfridah Rotich</p> 	<p>27/2/1955</p>	<p>Certificate –P1</p>	<p>34 years - Teacher</p>
<p>9. Benson Mutai</p> 	<p>21/07/1956</p>	<p>Diploma</p>	<p>20- Security Officer –Banking industry</p>
<p>10. Daniel Sang</p> 	<p>5/7/1966</p>	<p>Post Graduate</p>	<p>30 years- Education Sector</p>
<p>11. Julius Too</p> 	<p>01/02/1970</p>	<p>Undergraduate</p>	<p>25 years – Education Sector</p>
<p>12. Nicholas Kosgei</p> 	<p>9/9/1984</p>	<p>Post graduate MBA(Financia l and Strategic Management)</p>	<p>12 years- Finance officer</p>

Nandi County Education Fund
Reports and Financial Statements
For the year ended June 30, 2020

13. Peter Sang	01/01/1967	Certificate	15 Years –Administration
			

**Nandi County Education Fund
Reports and Financial Statements
For the year ended June 30, 2020**

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

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity 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 objectives of the Nandi County Education Fund's 2018-2022 plan are to:

- a) To Improve access to Education by all residents of Nandi County by providing funds to grant bursaries;
- b) To Enhance equity in education for all residents of Nandi County;
- c) To Improve on literacy level within Nandi County; and
- d) To ensure that a specific portion of the County annual budget is devoted to the Education Fund for the purposes of this Act.






Progress on attainment of Strategic development objectives of Nandi County Education Fund

Program	Objective	Outcome	Indicator	Performance
Bursary Disbursement	To Improve access to Education by all residents of Nandi County by providing funds to grant bursaries;	Increased number of beneficiaries from the bursary fund.	Increase of Bursary beneficiaries from 6,182 beneficiaries in FY 2018/2019 to 6,330 beneficiaries in FY 2019/2020.	In FY 19/20 we increased number of beneficiaries by 2.3%. 148 more beneficiaries were facilitated.

4. MANAGEMENT TEAM

Name	Date of Birth	Qualifications	Work Experience
1. Christopher Kosgei 	10/09/1954	Undergraduate	35 ear- Education -Teacher
2. Elizabeth Cheruiyot 	12/10/1974	Undergraduate	10 years - Theological Work
3. Simion Ngetich 	27/11/1973	Undergraduate	15 ears- Theological Work
4. Lilian Konuche 	21/12/1986	Post Graduate	7 Years – Human Resource Officer
5. Jushua Tum 	03/11/1985	Diploma	5 years- Youth Leader – Nandi County
6. Rose Namuli 	6/11/1955	Diploma	6 years - Accountant
7. Fabian Too 	29/01/1994	Diploma	5 years – Banking Sector

**Nandi County Education Fund
Reports and Financial Statements
For the year ended June 30, 2020**

<p>8. Wilfridah Rotich</p> 	27/2/1955	Certificate –P1	34 ears - Teacher
<p>9. Benson Mutai</p> 	21/07/1956	Diploma	20- Security Officer –Banking industry
<p>10. Daniel Sang</p> 	5/7/1966	Post Graduate	30 years- Education Sector
<p>11. Julius Too</p> 	01/02/1970	Undergraduate	25 ears – Education Sector
<p>12. Nicholas Kosgei</p> 	9/9/1984	Post graduate	11 ears- Finance officer
<p>13. Peter Sang</p> 	01/01/1967	Certificate	15 Years –Administration

5. FUND COMMITTEE CHAIRPERSON'S REPORT

On behalf of the Fund Management Committee, it is my pleasure to present the Nandi County Education Fund financial statements for the year ended 30th June 2020. The financial statements reflect the financial performance of the Fund over the past one year.

Sustainability

In order to ensure sustainability, 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 to ensure the Fund is a going concern.

Review of performance

Income

The Fund Received income amounting to KShs.41,160,000 as Transfers from the County Government, which was part of the original approved budget allocation of Ksh 74,000,000.

Expenditures

The total expenditures during the period amounted to KShs.45,953,439 out of which the fund administrative expenses amounted to KShs. 2,256,000.

Future outlook

The Fund focuses on building a robust and sustainable fund with a motivated workforce and operational structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the County Government and well-wishers in the execution of its mandate.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the County Government of Nandi, stakeholders, management, staff and fellow committee members for support and teamwork which made us achieve these results.

I look forward to a better year 2020/2021

Signed:  _____

Christopher Kosgei

Nandi County Education Fund
Reports and Financial Statements
For the year ended June 30, 2020

6. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Nandi County Executive Education Fund financial statements for the year ended 30th June, 2020. The financial statements reflect the financial performance of the fund over the past year.

The fund was established on 8th June, 2016 as an Act of the County Assembly of Nandi to provide for the establishment of the County Education Fund; to provide for the management, governance and administration of the Fund; and for the connected purposes.

Financial Performance

a) Revenue

During the reporting period, the fund had projected an income of KShs **74,000,000** which was the budgeted allocation for the Fund. Out of the projected income, the fund realised KShs **41,160,000**, representing 55% of performance. This was occasioned by the covid-19 pandemic which saw schools and colleges closed down, meaning the disbursements were suspended.

b) Bursary Disbursements

During the financial year 2019/2020, the fund disbursed bursary to 3,323 beneficiaries.

c) Cash flows

In the FY 2019/2020, we did not have many liquidity disruptions. This was as a result of proper planning. The cash and cash equivalents as at 30th June, 2020 was Kshs 1,361,252.

d) Conclusion

I take this opportunity to thank the Fund Management Committee for their support. I also thank Fund secretariat for their dedication and teamwork that saw Nandi County Education Fund achieve its objectives for the year under review.

Signed: _____



Nicholas K. Kosgei.

7. CORPORATE GOVERNANCE STATEMENT

During the financial year 2019/2020, the Board held a total of 5 meetings. In all the meetings held, the attendance was 100%. The committee is charged with the following specific roles:

- **Receive, deliberate and approve** applications for bursary education grants and loans;
- **Review the applications** for bursary and make the **awards** to the eligible and successful applicants;
- **Resolve disputes** arising from the award of bursary education grants and loans;
- **Ensure that fairness and equity** is adhered to in making the awards for bursary education grants and loans; and
- **Perform such other duties** as are allocated to them by the County Executive Committee Member.

The committee is representative in that it has membership incorporating a wide range of stakeholders including the youth, persons living with disability, regions, gender and the Department of Education in the County.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Lack of school fees among many students coupled with low prioritization in budgetary allocation is a critical issue on access to higher education in Nandi County. Evidence of abject poverty is prevalent and many individuals in the community are unable to pay for basic needs. Indicators show an upsurge in drop-outs, irregular attendance and even absenteeism. Poverty indicators show the County standing at 40per cent (i.e. the proportion of the population living below poverty line) compared to the national index of 45.2 as of 2009. Aware that education is an inalienable right, the County Government created an Education Fund through the NaCEF Act of 2016 to enable it to mobilize and utilize resources in an effective and efficient manner to help mitigate the impact of misery and agony on vulnerable groups unable to pay for their education. Thus it is hoped that, with increased funding and properly managed disbursement, the initiative will go a long way into alleviating the loss of attainment and completion of an education program.

The committee recommends that:

- i) Increase funding by reaching out to a wider field of financial sources.
- ii) Solicit for an equalization fund to cushion those extra-large wards such as Songhor-Soba and Kilibwoni.
- iii) Advocate for a more rational sizes of wards to avoid extremes.
- iv) Set a fund for public mobilization and community participation in order to create awareness and change of attitude towards vocational training.
- v) Compile, on continuous basis, data on children and students living with disability from the County to enable a more informed management of bursary.
- vi) County administrative structure should be existent down to the village to avoid over-reliance on National Government.
- vii) County Assembly members support should be sought after especially in mobilizing communities to educate the public and minimize conflicts.
- viii) Empower Ward administrators and the Committee to be able to make follow-up and to ensure assisted students are indeed in school.

The Community was involved in identifying the beneficiaries through public participation. The fund is continuously in compliance with all the statutory compliance in all material respects and the Committee is optimistic of future existence of the fund.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Nandi County Education Fund 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 the Funds objectives: to improve access to Education by all residents of Nandi County by providing funds to grant bursaries; to enhance equity in education for all residents of Nandi County; to improve on literacy level within Nandi County; and to ensure that a specific portion of the County annual budget is devoted to the Education Fund, putting the Citizen first and improving operational excellence. Below is a brief highlight of our achievements.

1. Sustainability strategy and profile -

The Nandi County Education fund devotes at least 20% of the total budget allocation for the Fund to facilitate extra beneficiaries under Government Social Responsibility (GSR).

2. Community Engagements-

During the year ended 30th June,2020 ,the fund supported 448 beneficiaries under the GSR. This has created a huge impact in the society where the needy students who would have otherwise discontinued their education are given a chance to proceed with their education chance.

10. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are:

- 1) To Improve access to Education by all residents of Nandi County by providing funds to grant bursaries;
- 2) To Enhance equity in education for all residents of Nandi County;
- 3) To Improve on literacy level within Nandi County; and
- 4) To ensure that a specific portion of the County annual budget is devoted to the Education Fund.

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 18 to 23.

Trustees

The members of the Board of Trustees who served during the year are shown on pages 4 to 8.

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.

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 Nandi County Education Fund Act, 2016 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

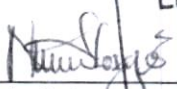
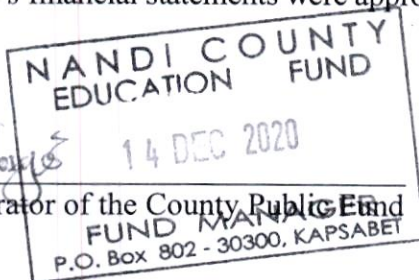
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i)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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

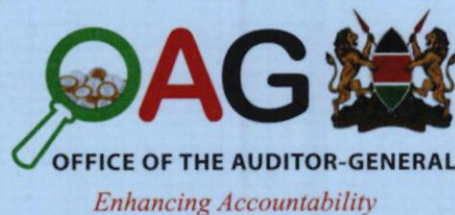
Approval of the financial statements

The Fund's financial statements were approved by the Board on June, 2019 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 NANDI COUNTY EXECUTIVE EDUCATION FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nandi County Executive Education Fund set out on pages 17 to 55, which comprise the statement of financial position as at 30 June, 2020 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nandi County Executive Education Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Nandi County Education Act, 2016 and the Nandi County Education Regulations, 2017.

Basis for Qualified Opinion

1.0 Comparative Figures and Non-Submission of 2016/2017 Financial Statements

As reported in the previous year, the financial statements presented for audit during 2017/2018 financial year reflected comparative figures for the year 2016/2017. However, Management has not to date prepared and submitted the financial statements for the year ended 30 June, 2017 contrary to Section 10(4)(a) of the Nandi County Education Act, 2016 which stipulates that within three (3) months after the end of financial year, the Fund Administrator shall submit the Funds financial statements to the Auditor-General.

Consequently, the accuracy and completeness of the opening balances for the year ended 30 June, 2020 could not be confirmed.

2.0 Irregular Payment of Allowances to Education Committee Members

The statements of financial performance for the year ended 30 June, 2020 reflects fund administration expense balance of Kshs.2,163,000. Included in this figure is an amount of Kshs.449,000 relating to committee expenses. However, the Management did not provide documents to confirm legality of appointment of the committee members.

In the circumstances, the validity and propriety of the expenditure of Ksh.449,000 on the committee members for the period ended 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Bursaries Disbursement

As disclosed under Note 8 to the financial statements and in the statement of financial performance as at 30 June, 2020 is an expenses figure of Kshs.45,953,439, which includes Bursaries disbursement of Kshs.43,687,479. The expenditure has been disclosed as general expenses in the statement of financial performance based on a cabinet memo dated 14 November, 2017, which authorized the CEC Education and Vocation Training to commence the amendment process of the Nandi County Education Fund Act to expense all disbursement made from the Fund. However, no evidence was provided to show that the Act has been amended.

In absence of an amended act, the Management was in breach of the law.

2.0 Implementation of Oversight Bodies Recommendations

Nandi County Education Fund Act, 2016 was established on 8 June, 2016. The objective is to establish a legal and Institutional framework to facilitate; improved access to education by all residents of Nandi County by providing funds and scholarships; enhanced Equity in education for all residents of Nandi County; improvement of literacy level within Nandi County; and ensuring that a specific portion of the County annual budget is devoted to the Education Fund for the purposes of this Act. Available information indicates that Nandi County has an internal audit function and an audit committee. Further, statutory audits of the fund for the year ended 30 June, 2017 were concluded and audit certificate issued to the Fund Management by the Auditor-General.

However, there was no evidence the financial statements have been submitted to the County Assembly contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that an accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is— (a) lawful and authorised; and (b) effective, efficient, economical and transparent and Regulation 19(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the standing committee shall generally be responsible for the following - (f) monitor the effectiveness of the corporate governance practices under which the entity operates and propose revisions as may be required from time to time; (g) monitoring timely resolution of audit issues;

Consequently, the Fund Management was in breach of the law and regulations and timely implementation of Auditor-Generals recommendations may not be achieved in absence of effective oversight of public funds.

3.0 Unresolved Prior Year Audit Matters

During the year under review, it was observed that non-compliance issues raised in the audit report for 2018/2019 financial year remain unresolved contrary to Section 31(1)(a) of the Public Audit Act, 2015 which requires a state organ or public entity address the recommendations and findings of the previous year audit and Section 149(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

Consequently, the Fund Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance and Basis for Qualified Opinion sections of my report, 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 1230. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with international Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Nandi County Executive Education Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the County Government is aware of the intention to terminate the Nandi County Executive Education 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 Nandi County Executive Education Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address

key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 Nandi County Executive Education 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 going concern 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 Nandi County Executive Education Fund's ability to continue as a going concern or 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 Nandi County Executive Education Fund to cease to continue as a going concern or 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 Nandi County Executive Education 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

02 February, 2022

Nandi County Education Fund
Reports and Financial Statements
For the year ended June 30, 2020

12. FINANCIAL STATEMENTS

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

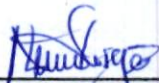
	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	41,160,000	74,000,000
Fines, penalties and other levies	3	-	-
Revenue from exchange transactions			
Interest income	4	-	-
Other income	5	-	1,800
Total revenue		41,160,000	74,001,800
Expenses			
Fund administration expenses	6	2,256,000	2,189,840
General expenses	8	43,687,479	83,234,228
Finance costs	9	9,960	4,390
Total expenses		45,953,439	85,428,458
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		(4,793,439)	(11,426,658)

The notes set out on pages 40 to 54 form an integral part of these Financial Statements


12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020 KShs	2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	11	1,361,252	6,154,691
Current portion of long- term receivables from exchange transactions		-	-
Prepayments	13	-	-
Inventories	14	-	-
Non-current assets			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions		-	-
Total assets		1,361,252	6,154,691
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings		-	-
Employee benefit obligations	20	-	-
Non-current liabilities			
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
Total liabilities		-	-
Net assets			
Revolving Fund		-	-
Surplus/Deficit for the period		(4,793,439)	(11,426,658)
Accumulated surplus		6,154,691	17,581,349
Total net assets and liabilities		1,361,252	6,154,691

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


 Administrator of the
 Nicholas K. Kosgei

**NANDI COUNTY
 EDUCATION FUND**
 14 DEC 2020
FUND MANAGER
 P.O. Box 802 - 30300, KAPSABET


 Fund Accountant
 Skammel J. Tallam

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

	Revolving Fund	Revaluati on Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018				
Surplus/(deficit) for the period	-	-	6,154,691	6,154,691
Funds Receive During the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019		-	6,154,691	6,154,691
Balance as at 1 July 2019	6,154,691	-	6,154,691	6,154,691
Restated Accumulated Surplus	-	-	45,953,439	45,953,439
Surplus/(deficit) for the period	-	-	(4,793,439)	(4,793,439)
Funds Receive During the year	41,160,000	-	(41,160,000)	-
Funds Applied During the Year	(45,953,439)		-	(45,953,439)
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	1,361,252	-	-	1,361,252

P.O. BOX 802 - 20300, KARISUMBI
 FUND MANAGER
 NANDI COUNTY
 EDUCATION FUND

**Nandi County Education Fund
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For the year ended June 30, 2020**

12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government	2	41,160,000	74,000,000
Interest received		-	-
Receipts from other operating activities	5	-	1,800
Total Receipts		41,160,000	74,001,800
Payments			
Fund administration expenses	6	2,256,000	2,189,840
General expenses	8	43,687,479	83,234,228
Finance cost	9	9,960	4,390
Total Payments		45,953,439	85,428,458
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)			
Increase/(Decrease) in Accounts Payable: (deposits and retention)		-	-
Net cash flows from operating activities	23	(4,793,439)	(11,426,658)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-

**Nandi County Education Fund
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Net increase/(decrease) in cash and cash equivalents		(4,793,439)	(11,426,658)
Cash and cash equivalents at 1 JULY	11	6,154,691	17,581,349
Cash and cash equivalents at 30 JUNE	11	1,361,252	6,154,691

(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)

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

	Original budget	Adjustm ents	Final budget	Actual on comparab le basis	Perform ance differen ce	% utilisa tion
	2019/2 020	2019/20 20	2019/20 20	2019/2020	2019/20 20	2019/ 2020
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	74,000,000	(30,000,000)	44,000,000	41,160,000	2,840,000	93.5%
Interest income	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total income	74,000,000	(30,000,000)	44,000,000	41,160,000	2,840,000	93.5%
Expenses						
Fund administration expenses	2,256,000	-	2,256,000	2,256,000	-	100%
General expenses	71,734,000	(30,000,000)	41,734,000	43,687,479	(1,953,479)	104.6%
Finance cost	10,000	-	10,000	9,960	40	99.6%
Total expenditure	74,000,000	(30,000,000)	44,000,000	45,953,439	(1,953,439)	104.6%
Surplus for the period	-	-	-	(4,793,439)	4,793,439	-

Budget notes: The variance of Ksh. 30,000,000 between the original and the final budget was as a result of re-allocation of those funds in the supplementary budget

12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

**Nandi County Education Fund
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Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p>

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

c) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

4. Revenue recognition

iii) 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.

iv) 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.

5. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on 14th June, 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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.

Nandi County Education Fund
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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 5.5 of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. 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.

7. 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.

8. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. 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.

10. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

11. Nature and purpose of reserves

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

12. 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.

13. 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.

14. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. 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.

16. 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.

17. 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.

18. Comparative figures

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

19. Events after the reporting period

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

20. Ultimate and Holding Entity

The entity is a County Public Fund established by Nandi County Education Fund Act, 2016 under the department of Education and Vocational Training. Its ultimate parent is the County Government of Nandi.

21. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

23. Financial risk management

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

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

a) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

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

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The Fund manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2020: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2019 – KShs xxx)

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

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

12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

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

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	41,160,000	74,000,000
Payments by County on behalf of the entity	-	-
Total	41,160,000	74,000,000

3. Fines, penalties and other levies

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

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	-	-

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5. Other income

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	1,800
Total other income	-	1,800

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	2,256,000	2,189,840
Total	2,256,000	2,189,840

7. Staff costs

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Bursaries Disbursement	43,687,479	83,234,228
Total	43,687,479	83,234,228

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2019/2020	2018/2019
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Bank Charges	9,960	4,390
Total	9,960	4,390

10. Gain/(loss) on disposal of assets

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

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	1,361,252	6,154,691
Others	-	-
Total cash and cash equivalents	1,361,252	6,154,691

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2019/2020	2018/2019
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank		-	-
Equity Bank		1,361,252	6,154,691
Sub- total		1,361,252	6,154,691
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		1,361,252	6,154,691

12. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables	-	-
Non-Current receivables		
Long term loan repayments due	-	-
Total Non- current receivables	-	-
Total receivables from exchange transactions	-	-

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Additional disclosure on interest receivable

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

Revenue from Non-Exchange transaction

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

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

14. Inventories

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

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

17. Trade and other payables from exchange transactions

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

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2019)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Balance at the end of the year (30.06.2020)	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

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

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

	2019/2020	2018/2019
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from 'zzz organisation'	-	-
Domestic Borrowings	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	2019/2020	2018/2019
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 – 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	-	-
Account receivable issued during the year (B)	-	-
Account receivable settled during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

21. CHANGES IN ACCOUNTS PAYABLE

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

22. Employee benefit obligations

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Cash generated from operations

	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax	(4,793,439)	(11,426,658)
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	(4,793,439)	(11,426,658)

24. Related party balances

a) Nature of related party relationships

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

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

c) Key management remuneration

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

d) Due from related parties

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

e) Due to related parties

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

25. Contingent assets and contingent liabilities

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

(Give details)

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26 PRIOR YEAR ADJUSTMENTS a prior period adjustment really applies to the correction of an error in the financial statements of a prior period

	Balance b/f as per Financial statements	Adjustments	Adjusted Balance b/f
Description of the error	Kshs	Kshs	Kshs
Bursary Disbursements 2016/2017	32,850,130	-	32,850,130
Bursary Disbursements 2017/2018	4,478,040	4,184,480	8,662,520
Bursary Disbursements 2018/2019	(11,426,658)	20,660,886	9,234,228
Bursary Disbursements 2019/2020	(4,793,439)	-	(4,793,439)
Accumulated Surplus/Deficit			45,953,439

2017/2018- The bursary disbursement for the year had included prior year disbursements brought forward which affecting the reported surplus for the period, now adjusted.

2018/2019- The bursary disbursement for the year had included prior year disbursements brought forward which affecting the reported surplus for the period, now adjusted.

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Comparative figures and Non submission of 2016/2017 Financial Statement	The Financial statements relating to F/Y 2016/2017 was submitted to Auditor general during F/Y 2017/2018 Audit. The same financial statements are available and we are advised to Audited through a special Audit.	Fund Administrator	Pending	During the special Audit organised by the Auditor General.
1.2	The Audit report for 2018/2019 is not yet out together with the certificate	Audit report not yet out for consideration.	Fund Administrator	Pending	Immediately once the issues raised are provided.