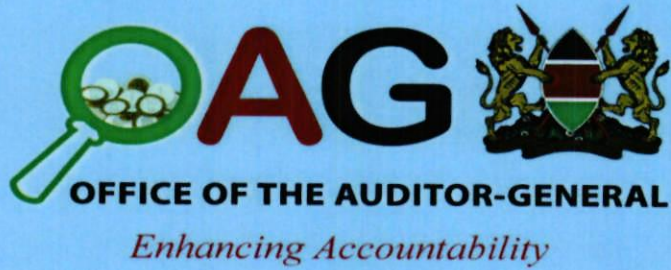


REPUBLIC OF KENYA



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**REPORT**

**OF**

PAPERS LAID	
DATE	20/2/22
TABLED BY	DEP. MADRIT
COMMITTEE	WHIP
CLERK AT THE TABLE	M. ADJIBAU

**THE AUDITOR-GENERAL**

**ON**

**MARSABIT COUNTY EDUCATION  
FUND**

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



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**MARSABIT COUNTY EDUCATION FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

---

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

**MARSABIT COUNTY EDUCATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**MARSABIT COUNION FUND**  
**Reports and Finances**  
**For the year ended J**

**1. KEY ENTITY IDION AND MANAGEMENT**

**a) Background info**

Marsabit County Fund is established by and derives as Marsabit County Acts, 2018 and its accountability from Public Finance Management Act 2012. The Fund is wholly owned by the County Government of Marsabit and is domiciled in Kenya.

The fund's objective is:

- ✓ Ensure access to higher learning, vocational and special categories of students by granting scholarship to students in institution of higher learning, education and special categories of students.
- ✓ Increase enrolment and improve transition from one level of education to the next
- ✓ Enhance equitable access to education for all residents of the County.
- ✓ Improve human resource gaps in designated fields in the County.
- ✓ Ensure a portion of the County annual budget is devoted to the education fund for the purposes of the

The Fund's principal activity is to sponsor any student who meets the criteria and conditions for the grant of scholarship in the following designated fields.

- i. Hydrology/Geology/energy and petroleum –related courses
- ii. Livestock production/ Animal health/Veterinary medicine and fisheries
- iii. Human medicine and Nursing
- iv. Law
- v. Engineering/architecture/quantity survey
- vi. Actuarial science
- vii. Teaching
- viii. Specialized artisan and vocational courses, including masonry, woodwork, metalwork, electrical works and mechanical works.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to ...

- a) The social, economic, political religious, cultural and other diversities of people of Marsabit County.

**MARSABIT COUNTY EDUCATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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- b) Inclusiveness, non – discrimination, gender equality and gender equity.
- c) Integrity, transparency and accountability.
- d) Prudence and responsibility in utilization and management of public funds and assets, as well as clarity in fiscal reporting.
- e) The need to ensure equity in allocation of resources.
- f) The rights of the public to participate in policy –making and legislative processes
- g) The need to ensure impartial, responsive, prompt, effective, efficient and equitable service provision.
- h) The rights of the public to be provided timely and accurate information.
- i) The need for protecting of the vulnerable and the marginalised groups and communities.
- j) The rules of natural justice.

**c) Fund Administration Committee**

Ref	Name	Position
1	Umuro G Roba	CEC – Education Skill development youth \$ sport
2	Samuela Lolokuru	CO – Education
3	Dominic Dabalen	Chairperson
4	Emmanuel B Chorodo	Funds administrator

**d) Key Management**

Ref	Name	Position
1	Dominic Dabalen	Chairperson
2	Fatuma Nur	secretary
3	Emmanuel B Chorodo	Funds administrator

**MARSABIT COUNTY EDUCATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**e) Registered Offices**

P.O. Box 384 – 60500  
County Headquarters - Marsabit  
Marsabit, KENYA

**f) Fund Contacts**

Telephone:(254) 0720336776  
E-mail: info@treasury.marsabit.go.ke  
Website: www.Marsabitcounty.go.ke

**g) Fund Bankers**

1. Equity Bank  
Marsabit Branch

**h) Independent Auditors**




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

**i) Principal Legal Adviser**

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

**MARSABIT COUNTY EDUCATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

**2. THE FUND COMMITTEE**

Name	Details of qualifications and experience
<p>1. Samuela Lolokuru</p> 	<p>Date of birth - 1975            key academic - Master in Peace studies            professional qualifications</p> <ul style="list-style-type: none"> <li>• Educationist</li> <li>• Social work</li> <li>• Consultant in NGO</li> </ul>
<p>2. Dominic Daballen</p> 	<p>Date of birth - 29/12/1967            key academic - MPHIL –HRD,BED            Professional qualifications</p> <ul style="list-style-type: none"> <li>• Lake Turkana Wind power (LTWP) winds of change Field program officer 2014- uptodate</li> <li>• Lecturer 2002-2014</li> <li>• Parliamentary service Commissioner -2009</li> <li>• Lake Turkana Wind power (LTWP) winds of change</li> <li>• Teacher in Various primary school 1990-1999</li> </ul> <p>Independent</p>
<p>3. Emmanuel Chorodo</p> 	<p>Date of birth – 1973            Key academic – BED            Professional qualifications</p> <ul style="list-style-type: none"> <li>• Teacher in Various primary school 1997-2016</li> <li>• Head teacher 2014-2016</li> <li>• Chief Education officer 2016-2020</li> </ul>

**MARSABIT 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 Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Marsabit County Education Fund are to:

- a) Improve human resource gaps in designated fields.
- b) Monitor the process of planning, formulation and adoption of development project.
- c) Provide competitive and transformative Education activities.
- d) Talent identification, development and nurturing of talent.
- e) Improve access, retention and completion rates .
- f) To improve quality of Education and transition rates in primary and secondary Education.




**Progress on attainment of Strategic development objectives** (*Adopted from Marsabit County- Customize as per specific county,*

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Education ,Skill Development Youth and Sports	Ensure access to Education by granting scholarship to students in institutions of higher learning , secondary Education and special categories of student	Improve enrolment, retention and completion of course	<ul style="list-style-type: none"> <li>• no dropout</li> <li>• High completion rate</li> </ul>	<b>In FY 19/20 number of beneficiaries increased by 10%</b>
Program 2	Objective	outcome	indicator	Performance

**MARSABIT COUNTY EDUCATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

**4. MANAGEMENT TEAM**

Name	Details of qualifications and experience
<p>1. Samuela Lolokuru</p> 	<p>Date of birth - 1975            key academic - Master in Peace studies            professional qualifications</p> <ul style="list-style-type: none"> <li>• Educationist</li> <li>• Social work</li> <li>• Consultant in NGO</li> <li>• CO Education</li> </ul>
<p>2. Dominic Daballen</p> 	<p>Date of birth - 29/12/1967            key academic - MPHIL –HRD,BED            professional qualifications</p> <ul style="list-style-type: none"> <li>• Lake Turkana Wind power (LTWP) winds of change Field program officer 2014-up-to-date</li> <li>• Lecturer 2002-2014</li> <li>• Parliamentary service Commissioner - 2009</li> <li>• Lake Turkana Wind power (LTWP) winds of change</li> <li>• Teacher in Various primary school 1990-1999</li> </ul> <p>Independent</p>
<p>3. Emmanuel Chorodo</p> 	<p>Date of birth – 1973            Key academic – BED            Professional qualifications</p> <ul style="list-style-type: none"> <li>• Teacher in Various primary school 1997-2016</li> <li>• Head teacher 2014-2016</li> <li>• Chief Education officer 2016-2020</li> </ul>

**MARSABIT COUNTY EDUCATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**5. BOARD/FUND CHAIRPERSON'S REPORT**

Marsabit County Education Fund has benefited 2693 scholars in this Financial year with a total monetary commitment of ksh.60, 650,541. The scholars were awarded through the vigorous but impartial process of application review and award continue to inspire but impartial process of application review and award continue to inspire the county government through their action in schools and at home. This year the education fund secretariat and office had mentorships programme where beneficiaries' student were subjected to counselling and guidance so as to groom a socially responsible, intellectually curious and became visionary youth in the county.

Additionally, the administration of fund which is shouldered mainly by the Department of Education Skills Development Youth and Sport has been effective reflecting the larger commitment by the County Government of Marsabit in service delivery. In view of this, there has been laudable appreciations by guardians of the first cohort of the scholars and the large county residents which will be a robust foundation for strengthening the effort towards enhancement of access of quality secondary Education.

Consequently, this year, the ward selection committee submitted 437 eligible application; and of these 328 were awarded based on the amount so allocated for the year. The overwhelming responses remain a source of pride and acknowledgement of the improved performance of the student. And in the application review the various ward committees have had their fair share of tasks in generating a list that considers the special circumstances of the 2<sup>nd</sup> cohort scholars. Further the fund continues to provide bursaries for student in university, colleges and vocational training centres in Marsabit.

I sincerely appreciate the executive of Marsabit County , various committee formed for Education Fund, The County Assembly of Marsabit members , staff in the Department of Education and external stakeholders for unwavering support as we hand a better future for our children..



Dominic K. Daballen

Chairperson – MCEF

**MARSABIT COUNTY EDUCATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**6. REPORT OF THE FUND ADMINISTRATOR**

Marsabit County Education Fund Act, 2018 is an Act of the County Assembly of Marsabit to make provision for the establishment of a Fund to finance secondary and higher education courses in designated fields at recognized institution of learning.

The Fund, as per the ACT, shall consist monies allocated by the County Assembly for the purposes the fund, of an amount of not less than 1.5% of all the County government annual budget in every financial year while 97% of the funds goes directly to the grants and scholarships the remaining 3% of the approved budgets is meant for the lost incurred in connection with the administration of the fund.

The fund has been enhancing dreams igniting hope and remained ambition of gifted children who without this funds support will not access good secondary school education. Statistics from the applicant revealed that many of the bright students supported by the fund are children born in house where even a mere access to basic needs is God's grace. The excitement from the scholars has resulted to commitment through delivering in their examination performance. The fund therefore removes the payment of school fees burden on parents for their bright children allowing them to contribute sufficiently to other the spheres of the children's growth and bridge the gaps in access to quality secondary education for gifted children irrespective of their families circumstances.

The department of Education, skill development youth and sport which houses the fund is mandated to prepare and keep the account of the fund, submit financial statement relating to those accounts to auditor-General and present financial statement to the County Assembly every financial year. This financial year we were able to support 562 secondary student fees of ksh. 26,089,658 and ksh 34,560,883 to 2131 university and colleges students who meet a set down criteria. However the department is facing with facilitation challenges of the high number of selection committees whose mandates are vital for smooth running of the funds. We hope the legislative organ will address these issue in their next amendment.

  
Emmanuel Chorodo  
Fund Administrator – MCEF

## **7. CORPORATE GOVERNANCE STATEMENT**

Marsabit County Education Fund Act, 2018 An Act of the County Assembly of Marsabit to provide for the establishment of fund to finance secondary and higher Education courses in designated fields. The county Executive committee members responsible for finance shall designate a person who shall administer the fund. The fund administrator prepare and keep the accounts of fund in each financial year, present financial statement to the office of Auditor – General and County Assembly of Marsabit and prepare annual financial statements in compliance with accounting standard prescribed.

There is established committee to be known as the Marsabit County Education Fund selection committee consist of a chairperson, chief officer – Education, chief officer – finance and Fund Administrator. Their function among others include;

- a. To formulate sound policies for regulating management of the Fund and other related matters;
- b. To raise and solicit for funds and other assistance to promote the ideals of the Fund;
- c. To set and review the criteria and conditions governing the granting of scholarships and bursaries
- d. To receive any gifts, donations, grants or endowments made to the Fund;
- e. To make final determination on applications for scholarships and bursaries as received from the Sub-County Education Fund Selection Committee;
- f. To establish and maintain links with other persons, bodies or organizations within or outside Kenya as may be necessary for the furtherance of the object and purpose of the Fund;
- g. To mentor beneficiaries of the Fund;
- h. To advise the County Government on all matters relating to financing of education and development of the County's human resource; and
- i. To perform any other function as may be conferred by any county legislation or as may be necessary to ensure prudent management of the Fund.

A member of the County Education Fund selection committee shall hold office for a period of 3 years and shall be eligible for re-appointment for further one term. The members of the committee may be entitled to allowances as determined by the Salary Remuneration Commission.

There is established of ward Education Fund Selection Committee for each ward in the County. They comprise of chairperson, a ward administrator who shall be the secretary of the committee and ex-office members and maximum of 5 members who are residents of the ward. The ward selection committee are appointed by county committee members in charge of Education.

Function of the ward education fund selection committee among others include receiving, reviewing and approve application, determine amount of education grant, monitor and evaluate

***MARSABIT COUNTY EDUCATION FUND***

**Reports and Financial Statements**

**For the year ended June 30, 2020**

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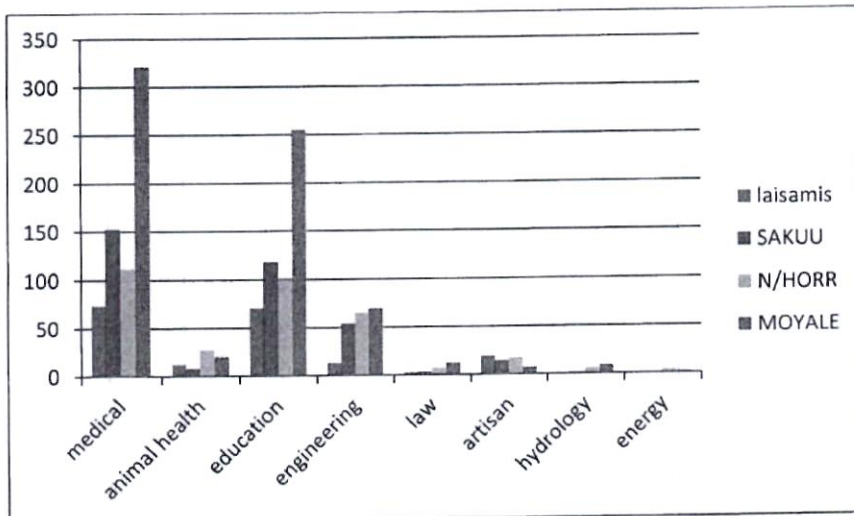
performance of beneficiaries, creating awareness among resident and participate in mentoring beneficiaries,

The Chairperson or a member of the County Education Fund Selection Committee may be removed from office in accordance with terms of service and conditions of service for;

- (a) Inability to perform the functions of the office of Chairperson arising out of physical or mental incapacity
- (b) Gross misconduct or misbehaviour
- (c) Incompetence or neglect of duty
- (d) Violation of the Constitution

**8. MANAGEMENT DISCUSSION AND ANALYSIS**

Summary of 2019/2020 application per designated course in sub counties



**MARSABIT COUNTY EDUCATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Two-to-three pages

*(The Fund gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation conserves the environment, promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives).*

*Marsabit 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 act 2018 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 top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.*

**2. Environmental performance**

*Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.*

**3. Employee welfare**

*Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).*

**4. Market place practices-**

*The organisation should outline its efforts to:*

*a) Responsible competition practice.*

*Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors*

*b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.*

*c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices*

*d) Product stewardship- outline efforts to safeguard consumer rights and interests*

**5. Community Engagements-**

*Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community*

**MARSABIT COUNTY EDUCATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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*(The organisation gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives)*

**MARSABIT COUNTY EDUCATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**10. REPORT OF THE FUND COMMITTEE**

The Fund Committee 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

- Mentor beneficiaries of the fund
- Formulate policies regulating management of the fund
- Raise and solicit for fund and other assistance to promote the ideal of the fund
- Review the criteria and conditions governing the granting of the scholarship
- Make final determination on application of scholarship and bursaries as received from sub county Education fund selection committee.
- Advise the county government mall matters relating to financing of Education and development of the county human resource

**Results** The results of the Fund for the year ended June 30, 2020 are set out on page 18

**Trustees**

The members of the Board of Trustees who served during the year are shown on page 7. There was no change of Board during this financial year.

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *Marsabit County Education Fund* for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board



Samuela Lolokuru

Member of the Board

Date: 18/11/2020 .

**MARSABIT COUNTY EDUCATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**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 Marsabit County Education Fund established by County Assembly of Marsabit Act 2018 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

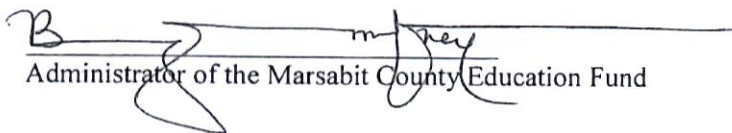
The Administrator of the Marsabit County Education Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (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 Marsabit County Education 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 Marsabit County Education Fund 2018. 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 13/07/ 2020 and signed on its behalf by:

  
Administrator of the Marsabit County Education Fund

# REPUBLIC OF KENYA

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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 MARSABIT COUNTY EDUCATION FUND FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Marsabit County Education Fund set out on pages 18 to 42, 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Marsabit County 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 County Government Act, 2012, Public Finance Management Act, 2012 and the Marsabit County Education Fund Act, 2018.

#### Basis for Qualified Opinion

##### 1.0 Cash and Cash Equivalents

The statement of financial position for the year under review reflects Kshs.3,724,425 in respect to cash and cash equivalents as at 30 June, 2020. However, respective bank reconciliation statements were not provided for audit review.

In the circumstance, the accuracy of the Kshs.3,724,425 in respect to cash and cash equivalents as at 30 June, 2020 could not be confirmed.

##### 2.0 Unaccounted for Bursary Fund

As disclosed in Note 3 to the financial statements, the statement of financial performance reflects Kshs.60,650,541 in respect to general expense/bursary award disbursed to various institutions. However, supporting documents including the Ward Education Fund Selection Committee minutes were not provided for audit review. It was therefore not possible to confirm the total applicants (longlist), successful applicants (short list) and selection criteria and the objectivity, equity and fairness of the vetting process.

In the circumstance, the accountability and value for money of Kshs.60,650,541 for the year ended 30 June, 2020 could not be confirmed.

### **3.0 Statement of Changes in Net Assets**

The statement of changes in net assets for the year ended 30 June, 2020 reflects a balance of Kshs.466,170 and Kshs.3,724,425 in respect to accumulated surplus as at 30 June, 2019 and as at 30 June, 2020 respectively. However, re-casting the balances gave Kshs.60,466,170 and Kshs.126,466,170 respectively resulting to unexplained variance of Kshs.60,000,000 and Kshs.122,741,745.

In addition, the statement of financial performance for the year ended 30 June, 2020 reflects Kshs.3,258,255 in respect to surplus for the year. However, the statement of changes in net assets reflects a nil balance on the same item resulting to an unexplained variance of Kshs.3,258,255.

In the circumstance, the accuracy and completeness of statement of changes in net assets for the year ended 30 June, 2020 could not be confirmed.

### **4.0 Presentation of Financial Statements**

The Fund's financial statements for the year under review provided for audit review showed the following anomalies:

- 1.1 The Public Sector Accounting Standards Board (PSASB) template issued in June, 2020 stipulates that the statement of financial position should include the names and signatures of the Administrator of the Fund and Fund Accountant who should also include his/her Institute of Certified Public Accountants of Kenya (ICPAK) member number. However, the financial statements do not include the said details for the Fund Accountant while the signature of the Administrator of the Fund is not visible.
- 1.2 Page 34 to 38 in the financial statements contains "xxx" in the body of the report which is not customize to capture the Fund's information.
- 1.3 The Fund's financial statements at pages 18, 20, 21, 34 to 40 contains tables whose headers are not visible and illegible.
- 1.4 Page 41 and 42 to the financial statements are not paginated.
- 1.5 The Fund's financial statements at page 1 reflects a table of content indicating that the statement of changes in net assets is "as at 30 June, 2020" instead of the "for the year ended 30 June" contrary to International Public Sector Accounting Standards (IPSAS) 1.

In the circumstances, the presentation of the financial statements for the year ended 30 June, 2020 did not conform to the prescribed PSASB format.

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

## **Key Audit Matters**

Key audit matters are those matters that, in my professional 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.

## **Other Matter**

### **1.0 Budgetary Control and Performance**

#### **1.1 Expenditure Analysis**

The statement of comparison of budget and actual amount for the year ended 30 June, 2020 reflects approved expenditure budget of Kshs.66,466,170 and an actual expenditure of Kshs.62,741,745 resulting to under expenditure of Kshs.3,724,425.

The under expenditure of Kshs.3,724,425 is equivalent to services promised but not delivered to the residents of Marsabit County.

#### **1.2 Unbalanced Budget**

The statement of comparison of budget and actuals amounts reflects of Kshs.66,000,000 and Kshs.66,466,170 in respect to approved receipts and expenditure respectively resulting to Kshs.466,170 budgeted expenditure without corresponding budgeted receipts contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budgeted revenue and expenditure appropriation shall be balanced.

Consequently, the Fund's Management is in breach of the law.

## **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, 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**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Fund or 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 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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- 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 Fund's ability 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 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 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

03 February, 2022

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**13. FINANCIAL STATEMENTS**

**13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations		-	-
Transfers from the County Government	1	66,000,000	60,000,000
Fines, penalties and other levies		-	-
		<b>66,000,000</b>	<b>60,000,000</b>
<b>Revenue from exchange transactions</b>			
Interest income		-	-
Other income		-	-
		-	-
<b>Total revenue</b>		-	-
<b>Expenses</b>			
Fund administration expenses	2	2,005,000	1,802,400
General expenses	3	60,650,541	61,123,392
Finance costs	5	86,204	48,940
<b>Total expenses</b>		<b>62,741,745</b>	<b>62,974,732</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets			
<b>Surplus/( deficit) for the period</b>		<b>3,258,255</b>	<b>-2,974,732</b>

The notes set out on pages 39 to 40 form an integral part of these Financial Statements

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**13.2. STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	3,724,425	466,170
Current portion of long- term receivables from exchange transactions		-	-
Prepayments		-	-
Inventories		-	-
		<b>3,724,425</b>	<b>466,170</b>
<b>Non-current assets</b>			
Property, plant and equipment		-	-
Intangible assets		-	-
Long term receivables from exchange transactions		-	-
<b>Total assets</b>		<b>3,724,425</b>	<b>466,170</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions			
Provisions			
Current portion of borrowings			
Employee benefit obligations			
<b>Non-current liabilities</b>			
Non-current employee benefit obligation			
Long term portion of borrowings			
<b>Total liabilities</b>			
<b>Net assets</b>			
Revolving Fund			
Reserves		466,170	3,440,902
Accumulated surplus		3,258,255	-2,974,732
<b>Total net assets and liabilities</b>		<b>3,724,425</b>	<b>466,170</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Marsabit County Education Fund Financial Statements were approved on 13/7/ 2020 and signed by:



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 Administrator of the Fund  
 Emmanuel Chorodo

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**13.3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2018</b>	-	-	3,440,902	3,440,902
Surplus/(deficit) for the period	-	-	-2,974,732	-2,974,732
Funds received during the year	-	-	60,000,000	60,000,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	-	-	<b>466,170</b>	<b>466,170</b>
<b>Balance as at 1 July 2019</b>	-	-	<b>466,170</b>	<b>466,170</b>
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-	-	66,000,000	66,000,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	-	-	<b>3,724,425</b>	<b>3,724,425</b>

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

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government	1	66,000,000	60,000,000
Interest received		-	-
Receipts from other operating activities		-	-
<b>Total Receipts</b>		<b>66,000,000</b>	<b>60,000,000</b>
<b>Payments</b>			
Fund administration expenses	2	2,005,000	1,802,400
General expenses	3	60,650,541	61,123,392
Finance cost	5	86,204	48,940
<b>Adjusted for:</b>			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)		-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)		-	-
<b>Net cash flows from operating activities</b>		<b>3,258,255</b>	<b>-2,974,732</b>
<b>Cash flows from investing activities</b>			
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		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>

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<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,258,255</b>	<b>-2,974,732</b>
Cash and cash equivalents at 1 JULY		466,170	3,440,902
<b>Cash and cash equivalents at 30 JUNE</b>	<b>4</b>	<b>3,724,425</b>	<b>466,170</b>

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**13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	66,000,000	-	66,000,000	66,000,000	0	100%
Interest income	-	-	-	-	-	
Other income	-	-	-	-	-	
<b>Total income</b>	<b>66,000,000</b>	<b>-</b>	<b>66,000,000</b>	<b>66,000,000</b>	<b>0</b>	<b>100%</b>
<b>Expenses</b>						
Fund administration expenses	2,005,000	-	2,005,000	2,005,000	-	100%
General expenses	63,908,796	466,170	64,374,966	60,650,541	3,724,425	94%
Finance cost	86,202	-	86,202	86,202	-	100%
<b>Total expenditure</b>	<b>66,000,000</b>	<b>466,170</b>	<b>66,466,170</b>	<b>62,741,745</b>	<b>3,724,425</b>	<b>94%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>(466,170)</b>	<b>(466,170)</b>	<b>3,258,255</b>	<b>3,724,425</b>	<b>94%</b>

**Budget notes**

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

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**13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Statement of compliance and basis of preparation**

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

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

**2. Adoption of new and revised standards**

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

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> 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**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> 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"><li>• 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;</li></ul>

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></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"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <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><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>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</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and</li> </ul>

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<b>Standard</b>	<b>Effective date and impact:</b>
	<p>Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</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**

***Interest income***

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

**4. Budget information**

The original budget for FY 2019/2020 was approved by the County Assembly on 27<sup>th</sup> June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of 66,000,000 on the FY 2019/2020 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13.5 of these financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. 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.

**6. Intangible assets**

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

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

**7. Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**8. Inventories**

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and 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.

**9. Provisions**

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

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

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

***Contingent liabilities***

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

**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.

**10. Nature and purpose of reserves**

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

**11. Changes in accounting policies and estimates**

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

**12. Employee benefits – Retirement benefit plans**

The Entity 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.

**13. 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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**14. 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.

**15. Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or 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.

**16. Cash and cash equivalents**

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

**17. Comparative figures**

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

**18. Events after the reporting period**

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

**19. Ultimate and Holding Entity**

The entity is a County Public Fund established by Marsabit County Education Fund Act 2018 under the Ministry of Education Skill Development Youth and Sports. Its ultimate parent is the County Government of County Government of Marsabit.

**20. Currency**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**21. Significant judgments and sources of estimation uncertainty**

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

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 1.

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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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**22. 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:

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from non exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from non exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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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 entity has significant concentration of credit risk on amounts due from

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

**b) Liquidity risk management**

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

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

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

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**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
<b>At 30 June 2019</b>			
Financial assets	xxx	xxx	xxx
Investments	xxx	xxx	xxx
Cash	xxx	xxx	xxx
Debtors/ receivables			
<b>Liabilities</b>			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

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

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**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
<b>2020</b>			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx
<b>2019</b>			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx

**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	xxx	xxx
Revolving fund	xxx	xxx
Accumulated surplus	xxx	xxx
<b>Total funds</b>	<b>xxx</b>	<b>xxx</b>
Total borrowings	xxx	xxx
Less: cash and bank balances	(xxx)	(xxx)
Net debt/(excess cash and cash equivalents)	xxx	xxx
<b>Gearing</b>	<b>xx%</b>	<b>xx%</b>

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**13.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfers from County Government**

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	66,000,000	60,000,000
Payments by County on behalf of the entity	-	-
<b>Total</b>	<b>66,000,000</b>	<b>60,000,000</b>

**2. Fund administration expenses**

Description	2019/2020	2018/2019
	KShs	KShs
Fund expenses	2,005,000	1,802,400
<b>Total</b>	<b>2,005,000</b>	<b>1,802,400</b>

**3. General expenses/ Bursary award**

Description	2019/2020	2018/2019
	KShs	KShs
Bursary disbursement	60,650,541	61,123,392
<b>Total</b>	<b>60,650,541</b>	<b>61,123,392</b>

**4. cash and cash equivalent**

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

Financial institution	Account number	FY2019/2020	FY2018/2019
		KShs	KShs
<b>a) Current account</b>			
Equity Bank	1010265975890	3,724,425	466,170
<b>Grand total</b>		<b>3,724,425</b>	<b>466,170</b>

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**5. Finance costs**

<b>Description</b>	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Bank Charges	86,204	48,940
<b>Total</b>	<b>86,204</b>	<b>48,940</b>

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

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
Fy 2018/2019, query no.1.1	Non-acknowledgement of bursary disbursed	<ul style="list-style-type: none"> <li>Refer to our response to management letter for financial year 2018/2019 dated 16/11/2019</li> <li>At the time of audit some universities/institutions did not submit the acknowledgement receipt.</li> </ul>	MR.Emmanuel B. Chorodo Fund administrator	Resolved	N/A

**Guidance Notes:**

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.