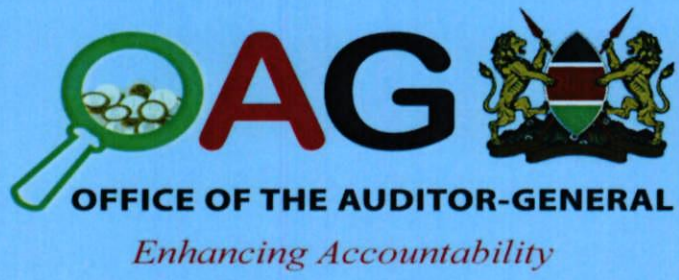


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**REPORT**

**OF**

PAPERS LAID	
DATE	08-03-2022
TABLED BY	Sen. Dullo
COMMITTEE	CPAC
CLERK AT THE TABLE	J. Mbaya

**THE AUDITOR-GENERAL**

**ON**

**MANDERA COUNTY EDUCATION  
BURSARY FUND**

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

22 MAR 2021

RECEIVED

P. O. BOX 88-70100 GARISSA HUB

# MANDERA COUNTY EDUCATION BURSARY



P.O BOX 562-70300

Mandera

Tel :+254 720 400449

Manderacountybursary@gmail.com



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## MANDERA COUNTY BURSARY 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)

**MANDERA COUNTY BURSARY FUND**

**Reports and Financial Statements**

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

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**1. KEY MANDERA COUNTY BURSARY FUND INFORMATION AND MANAGEMENT**

**a) Background information**

The Mandera County Bursary Fund was established under the Mandera County Assembly Act 2014, Mandera County Education Bursary Fund is domiciled in Mandera County to provide for establishment of a fund for bursaries tenable in secondary schools and tertiary institutions and County Education Bursary Board to provide for management and administration of the fund.

**b) Principal Activities**

- **Mission**

To promote an integrated strategic approach in addressing education, training and skills development.

- **Vision**

To become a leading model and alternative framework in funding education and social programs.

- **Objective**

To provide an open, honest and accountable in our relationship with our stakeholders.

**2. THE BOARD MEMBERS**

The *Mandera County Bursary Board's* day-to-day management is under the following key organs:

- Board Members
- CEO/Secretary to the Board

The executive committee members for education cause the names of persons constituting the board to be established in the Mandera county gazette as follows.

<b><u>Board members</u></b>	<b><u>Name</u></b>
One person representing the civil society	HUSSEIN MOHAMUD IBRAHIM
One person representing the ministry of education	ISSAK MAALIM ADOW
One person representing the women	AMRAN ABDI AHMED
One person representing the person with disabilities	ABDIMAJID HUSSEIN MOHAMED
One person representing religious leaders	MOHAMUD ABDULLAHI MOHAMED
One person representing the youth	HAWA ABDI MAHAT

## **MANDERA COUNTY BURSARY FUND**

### **Reports and Financial Statements**

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

Chief Officer Finance
-----------------------

Alinoor Mohamed
-----------------

The chairperson of the board and the CEO including six (6) persons nominated by the CEC of education are approved by the county assembly.

#### **CEO/Secretary to the Board**

As per the provision of Mandera County Education Act section 6(1) (d) the CEO shall be the accounting officer of the board and has overall financial and administrative responsibilities for the fund.

The day to day activities of the board is strictly done by the board members and other supportive staff. The board meet regularly to give directives on how to run the Fund effectively.

#### **c) Fiduciary Management**

The key management personnel who held office during the financial year 2019/2020 ending 30<sup>th</sup> JUNE 2020 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Chairperson	<b>Aftin Kullow Dube</b>
2.	CEO	<b>Abdullahi M Abdi</b>
3.	CCO-Education	<b>Abdi M ALI</b>
4.	Head of Treasury	<b>IDRISS HAJI</b>

#### **Mandera County Bursary Fund Headquarters**

P.O. Box 562-70300,  
County Education Offices.  
Mandera, KENYA

#### **d) Mandera County Bursary Fund Contacts**

Telephone: (254) 720400449  
E-mail: [abdullahishebe74@yahoo.com](mailto:abdullahishebe74@yahoo.com)

#### **e) Mandera County Bursary Fund Bankers**

##### **Central bank of Kenya**

Haile Selassie Avenue  
P.O. Box 60000  
City square 002000  
Nairobi, Kenya.

**MANDERA COUNTY BURSARY FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**Kenya Commercial Bank**  
P.O. Box 275-70300  
Mandera, Kenya

**f) Independent Auditors**

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

**g) Principal Legal Adviser**





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

**MANDERA COUNTY BURSARY FUND**

**Reports and Financial Statements**

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






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

Name	Details of qualifications and experience
<p>1. AFTIN KULOW DUBE</p> 	<p>Mr. Aftin has experience in education sector for over 20 Years. He is the Principal Elwak Secondary School and Sub-County KESSHA Chairman Mandera Central. He holds a MSc in Education Kenyatta University and Currently pursuing PhD Educational Management Policy And Curriculum Studies. He also served as a principal for both Wargadud Secondary School and Sheikh Ali High School. He also holds a diploma in Education from Kagumo College. He was born in 1974.</p>
<p>2. HAWA ABDI MAHAT</p> 	<p>Mrs. Hawa Holds a B.Sc. from Great Lakes University of Kisumu (GLUK), B.Sc. Environmental Health and Diploma in Community Health and Development. She is also has a Certificate in Medical Laboratory Technologist. She was born in 1992 and her competence is based Upon Customer/Citizen focus, Professionalism, Communication and Teamwork.</p>
<p>3. ISSAK MAALIM ADOW</p> 	<p>Mr. Issack is a Principal Wayam Secondary School. He is a Seasoned Teacher with Over 20 Years' Experience gained. He hold a an M.ED Education Management, Administration and Leadership and Ongoing PhD Education Management, Administration and Leadership in Mount Kenya University. He also holds a B.ED (ARTS) English/Literature from Kampala International University and Diploma in Education from Kagumo College. He was born in 1977</p>
<p>4. ABDIMAJID HUSSEIN MOHAMED</p> 	<p>Mr. Abdimajid has completed his KCSE Exams in 2005. He also served as Councilor Shirshir Ward from 2007 to 2013. Has also served as a board member in various Organizations Kenya Rural Roads Authority (KERRA) Kenya Red Cross Mandera and Mandera North Education Board. He was born in 1985.</p>
<p>5. ABDI M ALI</p>	<p>Chief Officer Education -</p>

**MANDERA COUNTY BURSARY FUND**

**Reports and Financial Statements**

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




	
<p>6. HUSSEIN MOHAMUD IBRAHIM</p> 	<p>Mr. Hussein is a County Drought Information Officer for the National Drought Management Authority (NDMA). He also served in the Arid Lands Resource Management Project in the ministry of state for Development of Northern Kenya and other Arid lands. He has a Bachelor's Degree in Environmental Management In Busoga University-Uganda. A higher diploma in Medical Laboratory Technology in Mombasa Polytechnic. He was born in 1975.</p>
<p>7. ALINOOR MOHAMED</p> 	<p>Chief Officer Finance and Accounting Services</p>
<p>8. AMRAN ABDI AHMED</p> 	<p>Miss Amran has worked in different Capacities including a clerk in the 2017 general election and as Enumerator in 2019 KNBS census. She acquired her KCSE in 2010. She was born in 1994.</p>
<p>9. MOHAMUD ABDULLAHI MOHAMED</p> 	<p>Mr. Mohamud has over 40 Years of Experience in the Education sector hence a lucrative member in the Mandera County Education Bursary Board. He acquired his P3 Certificate from Shanzu Teachers College in 1973 and Various merit promotions and appointment in the Education Sector. He also served in various Education sector positions i.e. Deputy and Head teacher for various public schools between 1974-2000. Education officer D.E.Os office Mandera between 2004-2014. He was born in 1955.</p>

**MANDERA COUNTY BURSARY FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

<p>10. Abdullahi Mohamed:</p> 	<p>Master in leadership and Policy Studies. Currently working as CEO and Secretary to Mandera Bursary Board.</p>
---	--

**MANDERA COUNTY BURSARY FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

**11. MANAGEMENT TEAM**

NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
<p><b>12. AFTIN KULOW DUBE</b></p>  	<p>Mr. Aftin has experience in education sector for over 20 Years. He is the Principal Elwak Secondary School and Sub-County KESSHA Chairman Mander Central. He holds a MSc in Education Kenyatta University and Currently pursuing PhD Educational Management Policy And Curriculum Studies. He also served as a principal for both Wargadud Secondary School and Sheikh Ali High School. He also holds a diploma in Education from Kagumo College. He was born in 1974.</p> <p>Master in leadership and Policy Studies. Currently working as CEO and Secretary to Mander Bursary Board.</p>
<p><b>14. ABDI M ALI :</b></p> 	<p>Master in Education Administration with vast experience in Education Field. He is currently working as Chief Officer Education.</p>
<p><i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i></p>	

**MANDERA COUNTY BURSARY FUND**

**Reports and Financial Statements**

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

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

The Mandera Bursary Board had fruitful and engaging financial year. We have experience minimal challenges in terms of disbursing the fund to the needy students. We are looking forward to ensure the same trends is adopted in the consequent years. There was no change in the organization of the Board and the same team has been handling the affairs and management of the Fund.

The performance of the Fund for the current ended financial year is quite impressive putting into considerations the fact that the amount of the fund is better than the previous years.

In future we are also anticipating the increase and effective use of the resources of the Board. As the numbers of students are growing so is the demand of the needy students. We are lobbying for the increase of the allocation to the bursary board to help ease the growing needs of the bursary.

In conclusion I would to appreciate the ministry of education and finance and management team at the bursary board for their dedications and commitment to ensure the success of the Fund.

Signed:           Aftin Kulow          

Mr Aftin Kulow Dube

**MANDERA COUNTY BURSARY FUND**

**Reports and Financial Statements**

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

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**16. REPORT OF THE FUND ADMINISTRATOR**

The Mandera County Bursary Fund was established through an Act of Mandera County Assembly of 2014 with the aim of benefiting the poor and the needy students in realizing their education dreams so that the disparity between the poor and the rich is minimized.

Additionally, there was need to increase the human capital in the job market in Mandera county especially in the field of education, engineering and health sector.

This was motivated by the fact that most of non-local civil servants fled the county after several terror attacks by Al-Shabaab terror group in 2014 and 2015.

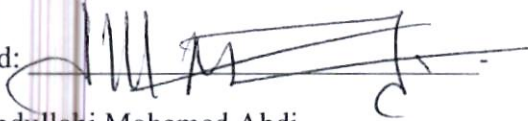
The bursary fund being the only fund that has uplifted the poor in the vast Mandera County has benefited the larger population by reducing the burden of paying the school fees among the poor population of Mandera.

Additionally, the bursary board has satisfactorily come out of the task by awarding the needy students equitably among the wards. This has improved transition rates, accessibility and retention rates among school going age.

The bursary fund has motivated the poor students who were in despair to achieve their educational needs and pursue their goals in the right manner.

The Fund Administrator should sign the Fund Administrator report.

Signed:



Mr Abdullahi Mohamed Abdi

## **17. CORPORATE GOVERNANCE STATEMENT**

Mandera County Education Fund is an incorporated body with perpetual succession and a common seal.

The fund board members can have a maximum of twelve times board meeting in every financial year and not more than four months shall elapse between one meeting and the next meeting.

The board meeting is presided over by the chairperson or in his or her absence by the deputy-chairperson or in both their absence by a member of the board elected by the members present from among the members.

### **Role, Functions, Induction and Training of the Board.**

- Supervise all the assets of the education bursary fund.
- Provide the overall management, design and oversight the fund.
- Approve disbursement of the fund
- Receive reports on the performance of the fund from the ward education bursary committee.
- Develop relevant guidelines and review them as the need arises, to guide the operations and implementation of the fund.
- Monitor and evaluate the programs and activities under the fund.
- To ensure timely and efficient disbursement of the funds to respective ward bursary committee.

The board members were not inducted since inception and there was need to do so, initially the board lacked fund to transact any business. However, the ward bursary committees were inducted on the criteria of bursary disbursement and their roles as the ward committee.

The Mandera Bursary board carries out number of meetings that are always attended by all the members without fails. The current financial years the numbers of meetings that are fully attended are 10 meetings that are used to discuss various issues pertaining to management of the fund. Board remuneration is based on the number of seating that is held and for this financial year it is only 10 meetings paid in accordance with SRC regulations.

The board has in place a sound succession plans and other matters of management.

**MANDERA COUNTY BURSARY FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**Remuneration of Bursary Boards**

The Bursary Boards, other than the Chief Executive Officer do not receive a salary. They are however paid sitting allowance for every meeting attended at the rate of Kshs. 5,000 to 10,000 per meeting.

**Conflict of Interest**

The Trustees are under a fiduciary duty to act honestly and in the best interest of the organization. Accordingly, Trustees ought to refrain from discussing or voting on a matter of real, perceived or potential conflict of interest.

**Board Evaluation**

In pursuit of promoting Board effectiveness, the Board undertook self-evaluation facilitated by State Corporations Advisory Committee (SCAC.) The recommendations from the evaluation are being considered with a view to implementing them to enhance Board effectiveness.

**18. MANAGEMENT DISCUSSION AND ANALYSIS**

**SECTION A**

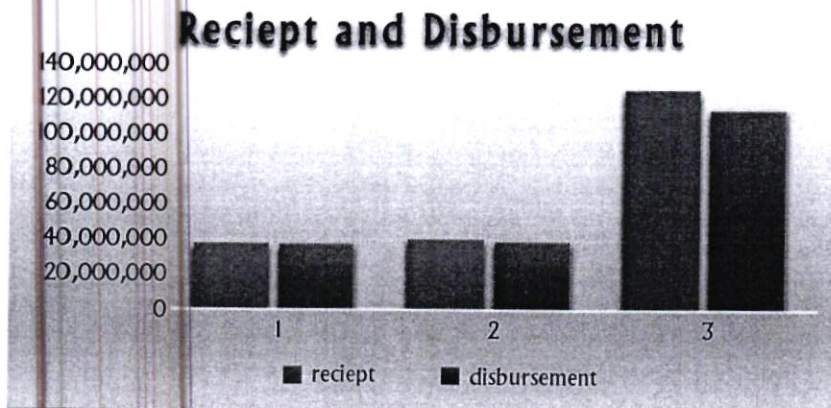
Mandera Bursary Board is mandated to give bursary to students pursuing higher education. The Board has a strategic plan 2013-2018 that contains four major strategic objectives that the board strives to achieve to live its vision and mission. These objectives are;

- Financial sustainability
- Customer Excellence and centricity organization
- Business processes re-engineering
- Institutional capacity building and Good governance.

**OPERATIONAL AND FINANCIAL PERFORMANCE OF THE ORGANISATION**

As at the period ended 30 June 2020 in the financial year 2019/2020, Mandera Bursary Board received funds from the exchequer totalling Kshs. 110 million.

Disbursements to supplier and payment of other services have tremendously increased over the last three years as shown in the graph below.



**Receipt and Expenditure for Year 2019-2020**

**RECEIPT AND PAYMENT**



**MANDERA COUNTY BURSARY FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

**SECTION B**

**Mandera County Bursary Fund's compliance with statutory requirements**  
 There is no non-compliance issue raised by the auditor. All statutory requirements have been complied with.

**SECTION C**

**Key projects and investment decisions the Mandera County Bursary Fund is planning/implementing**  
 Mandera Bursary Board will be implemented an Enterprise Resource Planning system which has led to increased efficiency in service delivery to our customers.

**SECTION D**

Major risks facing the Mandera County Bursary Fund		
Technology Risks	Emerging possible risk of cyber attacks	Enhance IT Security and Firewalls
	Slow connectivity to core IT system	Consistent monitoring and prompt responses to noted failure
Reputational	Delayed disbursement of Casual Wages	Advance planning and budgeting
Operational Risks	Highlighted internal audit/regulatory issues	Full compliance to guidelines and timelines
	Inadequate skills and experienced staff in some critical areas	Recruitment to close gaps
Financial Risks	Wages delay due to lack of funds	Priority given to very needy cases through bursary and Scholarships
Compliance/ Legal Risks	Litigation by stakeholders	Both judicial and out of court settlements pursued

**SECTION E**

**Material arrears in statutory financial obligations**  
 The Board has no outstanding arrears and will continue planning its activities in a prudent manner to avoid pending bills.

**SECTION F**

**The Mandera County Bursary Fund's financial probity and serious governance issues**  
 The Board has no reported financial improbity reported by either the internal or external auditor. The governance structures put in place continue to be enhanced to ensure any area that may be prone to exposure is addressed promptly.

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

**Introduction**

The Mandera Country Bursary Fund was established under the Mandera County Assembly Act 2014, Mandera County Education Bursary Fund is domiciled in Mandera County to provide for establishment of a fund for bursaries tenable in secondary schools and tertiary institutions and County Education Bursary Board to provide for management and administration of the fund.

The Board also participates in Corporate Social Responsibility (CSR) activities so as to integrate our core business values and operations within the communities we operate in.

**The Main Areas of CSR focus areas are:**

**1. Education**

Under the UN Sustainable Development Goals [SDGs], SDG number 4 introduces fundamental view of higher education learning that governments must undertake to ensure inclusive and equitable quality lifelong learning opportunities for all. On behalf of the Government of Kenya, Mandera Bursary Board is well equipped to help Government achieve this goal by 2030. Mandera Bursary Board supports the achievement of education for children in the areas where we operate. This may include helping to equip and rehabilitate educational institutions as well as any other activity deemed to support financing of higher education, managed funds or potential partners to come on boards.

**2. Environmental Management**

Under the UN Sustainable Development Goals, SDG number 15 addresses the need to sustainably manage forests, combat desertification, and halt & reverse land degradation and halt biodiversity loss. Mandera Bursary Board will support efforts towards environmental stability, by engaging in conservation activities agreed upon from time to time as well as any other activity deemed to support financing of higher education, managed funds or potential partners to come on boards

**3. Charity Work**

In the spirit of participating in the communities we work and live in, Mandera Bursary Board has also considered undertaking charitable activities that include visiting children's homes, visiting the terminally sick and donating products that may be deemed needed at the time of the visit as well as sponsoring and participating in any other activity deemed to support financing of higher education, managed funds or potential partners to come on boards.

In the table below are the CSR activities the Board conducted in the 2019/2020 Financial Year

**MANDERA COUNTY BURSARY FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**20. REPORT OF THE TRUSTEES**

We the Trustees of Mandera Bursary Board submit the Annual report together with no Audited financial statements for the year ended 30th June 2019 which will have shown the state of the Board's affairs. Mandera County Bursary Fund was established through an

**Principal activities**

The principal activities of Mandera Bursary Board are stipulated in the Act of Mandera County Assembly of 2014 with the objective and the purpose for which Board was established with the aim of benefiting the poor and the needy students in realizing their education dreams so that the disparity between the poor and the rich is minimized.

**Our Mission**

To provide bursaries to Mandera students pursuing higher and secondary education through adequate mobilization and prudent management services

**Our Vision**

To ensure bursary available for every deserving Mandera Students enrolled in higher and secondary education

**Results**

The accounting surplus for the year 2019/2020 of Kshs 110 million has been added to accumulated surplus. The Financial Performance is set out in Management discussions and analysis; the results of Mandera Bursary Board for the year ended June 30, 2020 are set out as well in the above.

**Trustees**

The Bursary Boards who served during the year are shown on page in above.

**Auditors**

The Auditor General is responsible for the statutory audit of the Mandera Bursary Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2020.

By Order of the Board

**Mr. Abdullah Mohamed Abdi**

Member of the Board

Date: 

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**21. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the Mandera County Assembly Act 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.


The Administrator of the 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, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Mandera County Assembly Act 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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.

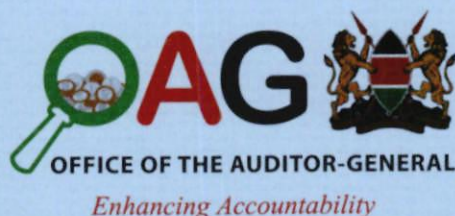
**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 15-3- 2021 and signed on its behalf by:

  
\_\_\_\_\_  
Administrator of the County Public 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 MANDERA COUNTY EDUCATION BURSARY FUND FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Mandera County Education Bursary Fund set out on pages 18 to 40, which comprise the statement of financial performance as at 30 June, 2020, statement of financial position, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Mandera County Education Bursary Fund as at 30 June, 2020, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Mandera County Education Bursary Act, 2014 and the Public Finance Management Act, 2012.

#### Basis for Adverse Opinion

##### 1. Inaccuracies in the Financial Statements

###### 1.1 Unsupported Balances

The Statement of financial performance reflects other income of Kshs.10,870,108. However, the balance was not supported with corresponding disclosure note, detailed schedules or ledgers analyzing the balance. Further, the numbering of the notes for the financial statements were incorrectly presented, as the numbering of the disclosure notes against the numbering in the financial statements are different.

In addition, the schedule supporting staff cost availed for audit review was Kshs.1,669,500 while the note reflected a balance of Kshs.11,178,808 on staff cost resulting to unexplained variance of Kshs.9,509,308. Similarly, the schedule supporting bursary disbursement to institutions reflected an amount of Kshs.36,430,794 while Note 3 reflected a balance of Kshs.28,686,968 on the same item resulting to unexplained variance of Kshs.7,743,826 between the schedule and the financial statements.

In the circumstances, the accuracy of the financial statements for the year ended 30 June, 2020 could not be confirmed.

## **1.2 Depreciation**

Note 5 to the financial statements reflects property, plant and equipment comprising of two category of assets being furniture and computers costing Kshs.930,000 and 294,000 respectively. However, the net book value of the assets as at 30 June, 2020 was not captured in the property, plant and equipment movement schedule. Further, although a total accumulated depreciation of Kshs.489,600 had been charged to the asset, the same was not disclosed in the statement of financial position.

Consequently, the accuracy, validity and completeness of accumulated depreciation balance of Kshs.489,600 as at 30 June, 2020 could not be confirmed.

## **1.3 Statement of Changes in Net Assets and the Statement of Financial Position**

The statement of changes in net assets for the year under review revealed that the column for the totals were not included. The balances were not correctly reflected under their correct financial years hence the statement is materially misstated.

Further, the comparative balances for the statement of financial position was not fully indicated and some of the figures were missing.

Consequently, the closing balance of the statement of changes in net assets for the financial year 2019/2020 could not be confirmed.

## **1.4 Non-Submission of a Trial Balance**

During the year under review, Management did not submit a trial balance for audit.

In the circumstance, the accuracy of the financial statements could not be confirmed in the absence of a trial balance.

## **1.5 Late Submission of the Financial Statements**

During the year under review, the Fund submitted their financial statements for audit on 21 October, 2020 almost one month after the statutory deadline of 30 September 2020. This is contrary to the requirements of Section 101(4) of the Public Finance Management (County Governments) Regulations, 2015.

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

## **1.6 Property, Plant and Equipment**

Note 5 to the financial statements discloses that during the year ended 30 June, 2020, the Fund had property, plant and equipment with a net value of Kshs.734,800 after charging a depreciation expense of Kshs.244,800. However, the Fund Management did not maintain an asset register showing the asset tag number for identification of assets owned by the Fund. In addition, the Fund Management has no depreciation policy in place to provide guidance on the different depreciation rates to be applied on different asset classes.

The property, plant and equipment balance reflected under Note 5 was not disclosed in the statement of financial position.

In view of the foregoing, the accuracy, validity and completeness of the net assets balance of Kshs.78,713,526 in the statement of financial position as at 30 June, 2020 could not be confirmed.

## **2. Unaccounted for Bursary Disbursement**

During the financial year under review, Management disbursed a total of Kshs.28,686,968 as bursaries to various institutions which included Kshs.8,691,379 which was not supported with documents such as invoice and fees structure. In addition, there was no acknowledgement receipts from the Universities. Further, out of the Kshs.8,691,379 an amount of Kshs.850,000 had no payment voucher for the expenditure.

It was noted that Kshs.10,441,238 relating to administration cost was wrongly classified under bursary disbursement and therefore increasing the administration costs above the 5% required by Section 16 of the Manderu County Education Bursary Act, 2014.

Consequently, the propriety of the expenditure on Bursary disbursement of Kshs.8,691,379 as at 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 Manderu County Education Bursary 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 adverse opinion.

### **Key Audit Matters**

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

### **Other Matter**

### **Prior Year Matters**

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues and has not given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

## **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, because of the significance of the matters discussed in the Basis for Adverse

Opinion section of my report, I confirm that public resources have not been applied lawfully and in an effective way.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm 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 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 such 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.

In preparing the financial statements, Management is responsible for assessing the 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 Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue 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**

**10 February, 2022**

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**23. FINANCIAL STATEMENTS**

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

	Note	FY2019/2020	FY 2018/2019
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	1	110,000,000	126,315,000
		<b>110,000,000</b>	<b>126,315,000</b>
<b>Revenue from exchange transactions</b>			
Other income	2	10,870,108	1,069,220
		10,870,108	<b>1,069,220</b>
<b>Total revenue</b>		<b>120,870,108</b>	<b>127,384,220</b>
<b>Expenses</b>			
Fund administration expenses	3	13,174,978	2,048,982
General expenses	4	29,716,405	116,242,473.73
<b>Total expenses</b>		<b>42,891,383</b>	<b>118,291,418.73</b>
<b>Other gains/losses</b>		-	-
<b>Surplus/( deficit) for the period</b>		<b>77,978,726</b>	<b>9,092,801.27</b>

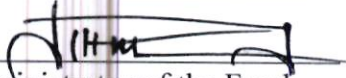
The notes set out on pages 37 to 39 form an integral part of these Financial Statements

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**b. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	FY2019/2020	FY2018
		Kshs	Ks
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	77,978,726	9,092,800
		77,978,726	9,092,800
<b>Total liabilities</b>		-	
<b>Net assets</b>		78,713,526	9,827,600
<b>Total net assets and liabilities</b>		78,713,526	9,827,600

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Mandera County Bursary Fund financial statements were approved on 15-3-2020 and signed by:

  
 Administrator of the Fund  
 Name: ABDULLAHI MOHAMED

  
 Fund Accountant  
 Name:

**Mandera County Bursary Fund  
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**c. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

	<b>Revolving Fund</b>	<b>Revaluation Reserve</b>	<b>Accumulated surplus</b>
		<b>KShs</b>	<b>KShs</b>
<b>Balance as at 1 July 2017</b>	-	-	-
Funds received during the year	126,315,000	-	126,315,000
<b>Balance as at 30 JUNE 2018</b>	<b>9,092,801</b>	-	<b>9,092,801</b>
<b>Balance as at 1 July 2018</b>	<b>9,092,801</b>	-	<b>9,092,801</b>
Funds received during the year	110,000,000	-	110,000,000
<b>Balance as at 30 June 2019</b>	<b>77,978,726</b>	-	<b>77,978,726</b>

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

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	1	110,000,000	126,315,000
Receipts from other operating activities:	2	10,870,108	1,069,220
<b>Total Receipts</b>		<b>120,870,108</b>	<b>127,384,220</b>
<b>Payments</b>			
Fund administration expenses	3	13,174,978	2,048,982
General expenses	4	29,716,405	116,242,437.73
<b>Total Payments</b>		<b>42,891,383</b>	<b>118,291,418.73</b>
<b>Net cash flows from operating activities</b>		<b>77,978,726.20</b>	<b>9,092,801.27</b>
<b>Cash flows from investing activities</b>			
Cash and cash equivalents at 1 JULY 2019	5	000	000
<b>Cash and cash equivalents at 30 JUNE 2020</b>	6	<b>77,978,726</b>	<b>9,092,801.27</b>



**e. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2020**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% utilization</b>
	<b>19-20</b>	<b>19-20</b>	<b>19-20</b>	<b>19-20</b>	<b>19-20</b>	<b>19-20</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	<b>110,000,000</b>	-	<b>110,000,000</b>	<b>110,000,000</b>	-	100%
Other income	10,870,108	-	10,870,108	10,870,108	-	100%
<b>Total income</b>	<b>120,870,108</b>	-	<b>120,870,108</b>	<b>120,870,108</b>	-	<b>100%</b>
<b>Expenses</b>						
Fund administration expenses	13,174,978	-	13,174,978	13,174,978	-	100%
General expenses	29,716,405	-	29,716,405	29,716,405	<b>77,978,726</b>	32%
<b>Total expenditure</b>	<b>42,891,383</b>	-	<b>42,891,383</b>	<b>42,891,383</b>	<b>77,978,726</b>	<b>32%</b>
<b>Surplus for the period</b>	<b>77,978,726</b>	-	<b>77,978,726</b>	-	<b>77,978,726</b>	<b>32%</b>

**Budget notes**

Due to Covid 19 crisis, the funds were not fully disbursed to the institutions as planned resulting to underutilization of the funds as shown above.

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**f. 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 2019**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 JUNE 2019**

<b>Standard</b>	<b>Effective date and 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 which are covered purely under Public Sector combinations as amalgamations.

**c) Early adoption of standards**

The Mander County Bursary Fund did not early – adopt any new or amended standards in year 2018.

**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 Mander County Bursary Fund 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 30<sup>TH</sup> June, 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional no appropriations are added to the original budget by the Mander County Bursary Fund upon receiving the respective approvals in order to conclude the final budget.

The Mander County Bursary Fund'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 E of these financial statements.

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**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 Mander County Bursary Fund 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 Mander County Bursary Fund 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 Mandera County Bursary Fund 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 Mandera County Bursary Fund assesses at each reporting date whether there is objective evidence that a financial asset or a Mandera County Bursary Fund of financial assets is impaired. A financial asset or a Mandera County Bursary Fund 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 Mandera County Bursary Fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Mandera County Bursary Fund 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 Mandera County Bursary Fund 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

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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 labor 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 Mander County Bursary Fund.

**9. Provisions**

Provisions are recognized when the Mander County Bursary Fund 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 Mander County Bursary Fund 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 Mander County Bursary Fund 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.

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

***Contingent assets***

The Mander County Bursary Fund 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 Mander County Bursary Fund 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 Mander County Bursary Fund creates and maintains reserves in terms of specific requirements.

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

The Mander County Bursary Fund 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 Mander County Bursary Fund provides retirement benefits for its employees and Trustees. Defined contribution plans are post-employment benefit plans under which an Mander County Bursary Fund pays fixed contributions into a separate Mander County Bursary Fund (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 Mandera County Bursary Fund regards a related party as a person or an Mandera County Bursary Fund with the ability to exert control individually or jointly, or to exercise significant influence over the Mandera County Bursary Fund, or vice versa. Members of key management are regarded as related parties and comprise the Trustees, 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 Mandera County Bursary Fund**

The Mandera County Bursary Fund is a County Public Fund established by an Act of Mandera County Assembly of 2014 under the Ministry of Education and Sports. Its ultimate parent is the County Government of Mandera.

**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 Mander County Bursary Fund'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 Mander County Bursary Fund 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 Mander County Bursary Fund. 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 Mander County Bursary Fund
- 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)**

**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.

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**g. NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfers from County Government**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from County Govt. – operations	110,000,000	126,315,000
<b>Total</b>	<b>110,000,000</b>	<b>126,315,000</b>

**2. Fund administration expenses**

Description	FY 2019/2020	FY 2018/2019
	Kshs	Kshs
Staff costs	11,178,808	1,393,000
Bursary processing costs	1,996,170	655,982
Professional services costs	-	-
<b>Total</b>	<b>13,174,978</b>	<b>2,042,982</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. General expenses**

<b>Description</b>	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Electricity and water expenses	40,554.00	30,000
Postage	29,105.00	-
Printing and stationery	422,260.00	386,000
Hospitality	37,500.00	-
Other expenses	500,000.00	869,940
Bursary Disbursement to Intuitions	28,686,968	114,956,496.73
<b>Total</b>	<b>29,716,405</b>	<b>116,242,437</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. Cash and cash equivalents**

<b>Description</b>	<b>FY 2019/2020</b>	<b>FY 2018/2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Current account	77,978,726	9,092,801.27
<b>Total cash and cash equivalents</b>	<b>77,978,726</b>	<b>9,092,801.27</b>

**MANDERA COUNTY BURSARY FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**MANDERA COUNTY BURSARY FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
<b>At 1<sup>st</sup> July 2018</b>	-	-	930,000	294,000	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	930,000	294,000	-
<b>At 30<sup>th</sup> June 2019</b>	-	-	930,000	294,000	-
<b>At 1<sup>st</sup> July 2019</b>	-	-	930,000	294,000	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> JUNE 2020</b>	-	-	930,000	294,000	-
<b>Depreciation and impairment</b>					-
At 1 <sup>st</sup> July 2018	-	-	-	-	-
Depreciation	-	-	186,000	58,800	-
Impairment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	-	-	186,000	58,800	-
<b>At 1<sup>st</sup> July 2019</b>					-
Depreciation	-	-	186,000	58,800	-
Disposals	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
<b>At 30<sup>th</sup> JUNE 2020</b>	-	-	558,000	176,800	-
<b>Net book values</b>					-
<b>At 30<sup>th</sup> June 2019</b>	-	-	558,000	176,800	-
<b>At 30<sup>th</sup> JUNE 2020</b>	-	-	558,000	176,800	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. Related party balances**

**a) Nature of related party relationships**

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

- a) The County Government;
- 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) Key management remuneration**

	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Board of Trustees	<b>1,177,500.00</b>	<b>1,271,000</b>
<b>Total</b>	<b>1,177,500.00</b>	<b>1,271,000</b>



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**24. PROGRESS ON FOLLOW UP OF AUDITOR 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>

**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 Mandera County Bursary Fund 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.



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