

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

PAPERS LAID	
DATE	13/04/2023
TABLED BY	DEPUTY MAJORITY ICHP
COMMITTEE	_____
CLERK AT THE TABLE	Ms ANGELA MACHARIA

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

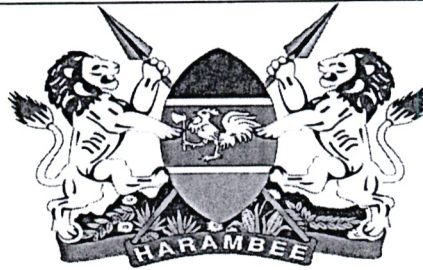
**BUNGOMA COUNTY EDUCATION  
SUPPORT SCHEME**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



**Bungoma County Education Support Scheme  
Reports and Financial Statements  
For the year ended June 30, 2022**

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**BUNGOMA COUNTY EDUCATION SUPPORT SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE, 2022**

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

**Bungoma County Education Support Scheme  
Reports and Financial Statements  
For the year ended June 30, 2022**

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**1. KEY BUNGOMA COUNTY EDUCATION SUPPORT SCHEME INFORMATION  
AND MANAGEMENT**

**a) Background information**

Bungoma County Education Support Scheme is established by and derives its authority and accountability from The Bungoma County Education Support Scheme Regulations, 2015 of Kenya (revised in 2019) on December, 2019. The Fund is wholly owned by the County Government of Bungoma and is domiciled in Kenya.

The fund's objective is to support needy students proceeding with secondary, tertiary and technical studies.

The Fund's principal activity is to disburse funds to schools and tertiary institutions for the support of needy students.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to support needy students and increase accessibility to secondary schools and tertiary institutions.

**c) Fund Administrator**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Cyrus Wanyonyi	Fund administrator

**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Betty Mayeku	CECM Education and Vocational Training
2	Rose Situma	Chief officer Education and Vocational Training
3	Cyrus Wanyonyi	Director
4	Vickie Chesori	Finance officer
5	Mark Domian	Accountant

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**e) Fiduciary Oversight Arrangements**

The fund operations are overseen by the internal audit department. The key management personnel who held office during the financial year ended 30<sup>th</sup> June, 2022 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Director Internal Audit	CPA, Brian Makokha

**f) Registered Offices**

P.O. Box 437  
Blackhouse Building/House/Plaza  
Moi Avenue/Road/Highway  
Bungoma, KENYA

**g) Fund Contacts**

**h) Fund Bankers**

Kenya Commercial Bank  
Bungoma  
Moi Avenue 50200  
Bungoma, Kenya

**i) Independent Auditors**






Office of the Auditor General  
Kenya National Audit Office  
Kakamega, Kenya

**j) Principal Legal Adviser**





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

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**2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE**

Name	Photo(s)	Date of birth	Details of qualifications and experience	Work experience
1. Rose Situma		1969	Masters in education	Over 30 years
2. Cyrus Wanyonyi		1973	Masters in agricultural economics and postgraduate diploma in education	Over 20 years
3. Caleb Omondi		1965	Master's in education	Over 30 years
4. Laura Doresi Magomere		1980	Degree in public health	Over 10 years
5. Walter Boit Tarus		1977	Degree	Over 20 years

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6. Bishop Lirhu Wafula		1969	Masters in education	Over 30 years
7. Micheal Kisabuli Musambu		1965	Degree in theology	Over 30 years
8. Moses Makhakha		1963	Degree in education	Over 35 years
9. Rosemary wanaswa		1964	Master in education	Over 35 years

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**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 Bungoma County Government Entity's 2021-2022 plans are to:

- a) Provide for the establishment, administration, management and winding up of the Bungoma County Education Support Scheme.
- b) Make provision for the granting of scholarships and bursaries to eligible students from the County
- c) The principles for the establishment of the scheme are to-
  - increase access to quality education and training
  - support needy students proceeding to secondary, vocational, tertiary and higher education
  - promote an integrated strategic approach in addressing education, training and skills development
  - fulfil the department's social responsibility through funding of education institutions within the county
  - reduce disparities and inequalities in provision of education and training within the County
  - model an alternative framework in funding education and training programs







**Progress on attainment of Strategic development objectives (*Adopted from Bungoma County*)**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Disbursement of scholarship and bursary funds	To provide for scholarships and bursaries to students from the county	Increased transition levels from secondary to higher institutions of learning	% of students transiting to institutions of higher learning	<b>In FY 2021/22 The scheme realised an increased number of scholarship students by 7,000</b>

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**4. THE MANAGEMENT TEAM**

Name	Photo(s)	Date of birth	Details of qualifications and experience	Work experience
1. DR. Betty Mayeku		1977	PHD in computer science	Over 20 years
2. Rose Situma		1969	Masters in education	Over 30 years
3. Cyrus Wanyonyi		1973	Masters in agricultural economics	Over 20 years
4. Vickie Chesori		1990	Degree in commerce	Over 6 years
5. Mark Domian		1985	Degree in commerce	Over 8 years
6. Peter nyukuri		1977	Degree in education	Over 20 years

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**5. FUND CHAIRPERSON'S REPORT**

The ministry of Education plays an integral role in overseeing educational activities in the county. This is because by providing bursaries to many beneficiaries in their secondary school, literacy levels are achieved which sparks economic development. The number of students who remain in schools for periods of three and four years has significantly improved since the establishment of the bursary scheme at the inception of the county.

In the financial year 2021/2022, the fund received a total of ksh 550,000,000.00 out of which ksh. 100,000,000.00 were received during the first quarter and ksh. 75,000,000.00 were received during the second quarter. In the third quarter, ksh 175,000,000 was received. The fund received additional funding of ksh. 60,000,000 and ksh. 140,000,000 in the fourth quarter. An approximate of 12,378 beneficiaries have been supported from the Scholarship kitty and about 20,000 students from the ward bursary.

The bursary has however faced a lot of challenges which can be summarised into inadequacy of funds disbursed to the wards against the needy students leading to low allocations of the funds per student.

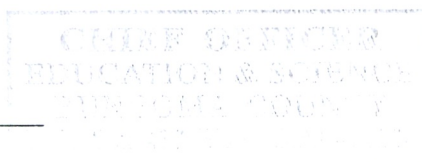
However, the bursary is doing great in uplifting the socio-economic livelihoods of the needy and bright students in the county.

Signed: \_\_\_\_\_



Name: Saphia Awil

Chief Officer: Education and Vocational Training



**Bungoma County Education Support Scheme  
Reports and Financial Statements  
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**6. REPORT OF THE FUND ADMINISTRATOR**

The ministry of Education plays an integral role in overseeing educational activities in the county. This is because by providing bursaries to many beneficiaries in their secondary school, literacy levels are achieved which sparks economic development. The number of students who remain in schools for periods of three and four years has significantly improved since the establishment of the bursary scheme at the inception of the county.

In the financial year 2021/2022, the fund received a total of ksh 550,000,000.00 out of which ksh. 175,000,000.00 were received during the first half and ksh. 375,000,000.00 were received during the second half of the financial year. An approximate of 32,378 beneficiaries have been supported from this kitty.

The bursary has however faced a lot of challenges which can be summarised into inadequacy of funds disbursed to the wards against the needy students leading to low allocations of the funds per student.

However, the bursary is doing great in uplifting the socio-economic livelihoods of the needy and bright students in the county.

Signed: \_\_\_\_\_



Cyrus Wanyonyi

**Bungoma County Education Support Scheme  
Reports and Financial Statements  
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**7. CORPORATE GOVERNANCE STATEMENT**

The Bungoma county scholarship and bursaries scheme was established in 2018 through a regulation of the county assembly with the purpose being to provide financial support to needy students pursuing their education and training in secondary and post-secondary institutions. The scheme is arc governed through the Bungoma county scholarship and bursaries regulation of 2019. The scheme has a two level governance structure, namely county education support management and ward bursary management committees. Currently the county scholarship committee is comprised of seven members who were appointed by county executive committee members with representation from various interest groups, such as youth, women, professional and faith based groups. The committee is chaired by the chief officer in charge of education while the fund administrator is the secretary. The fund administrator who is appointed by the county executive committee member in charge of finance is responsible for the day to day operation of the fund. The function of the committee is to receive and consider applications for scholarships, mobilise resources in support for the scheme, advice on scholarship and bursaries allocations among other functions. In the last financial year, the committee held a total of eight meeting to consider applications for scholarships from across the county. During the meeting the committee usually review the performance of the previous awards and suggest to the fund administrator mechanisms of improving performance.

At the ward level, the ward management committee is responsible for receiving and vetting applications for ward bursaries. The committee is comprised of 5 members elected from within the community with due consideration to regional balance and marginalized groups. The committee chairperson is elected by members on its first sitting and the ward administrator is the secretary. In the year under preview, the ward committees had several sitting ranging from 4 sitting to 6 sitting depending on the volume of applications received. Members of county and ward committees serve for a period of 3 years and are eligible for re-election. A member may be removed from the committee on the basis of chronic absenteeism, breach of chapter six on integrity, death among others. In the year under preview, some ward committees lost their members due to natural attrition. In order to ensure transparency, the county and ward committees publish all names of successful applicant on public notice boards. An annual performance report

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on performance of the scheme is normally prepared by the fund administrator and forwarded to forward to the county assembly.

The funds allocated to the funds are subject to audit by internal and external audit. In the years under review, the funds was audited by external auditor who returned a qualified opinion on its financial performance. In addition, to ensure prudence in financial management, the fund management strive to maintain proper financial records and tracks the utilization of the same to ensure that the funds reach the right beneficiaries. Among the steps being undertaken to ensure accountability and transparency, the fund management is developing a code of conduct for all its officials. The code will spell the do and don'ts of each official serving in the committee including issues of conflict of interest. The fund is also in the process of developing a Fund Information Management System (FMIS) to manage data both at county and ward level. The system will also enable applicants to apply online. The fund management has also put in place a robust training programme for all its officials. In the year under review, all the ward administrator were trained on the operations of the funds. It is envisioned that all committee members will be trained. The fund management is also in the process of developing a monitoring and evaluation framework. This will enable the fund to undertake periodic monitoring and evaluation of its activities. Consequently, recommendations from the monitoring and evaluation will be incorporated in future operations of the fund.

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**8. MANAGEMENT DISCUSSION AND ANALYSIS**

The scheme has continued to expand and support more students since its inception. The county government continues to put more emphasis on the education of the children of Bungoma County. Consequently, it continues to allocate funds on its budget estimate for this noble course. The table below shows the funds allocated by the county government towards the fund since 2018/19 financial year to date.

Table 1: Amount of Funds Budgeted Vs. Funds Released

<b>Year</b>	<b>Amount budgeted</b>	<b>Actual amount released</b>
2021/22	550,000,000	550,000,000
2020/21	110,000,000	110,000,000
2019/20	240,000,000	170,000,000
2018/19	190,000,000	190,000,000

Table 1.0 shows that in 2021/22 financial year, the county government allocated kshs 550,000,000 as budget for the scheme and all the money was released by the national treasury. This was an increase from the previous allocation of ksh. 110,000,000. The increase in allocation was occasioned by the high demand of scholarship students from an initial 5,378 students to 7,000 students. The county government had allocated kshs 240million in the financial year 2019/2020 for scholarship and bursaries but only kshs 170million was released. In 2018/19 financial year, kshs 190million was allocated for scholarships and bursaries and all the funds were released from national treasury.

As a result of the timely release of funds and support from the local communities, the funds has performed relatively well. Table 2.0 show the number of scholarship beneficiaries since 2019.

**Table 2.0: Number of Scholarship beneficiaries since 2018/2019**

<b>Financial Year</b>	<b>Number of scholarship beneficiaries</b>
2021/22	7,000
2020/21	1625
2019/20	550
2018/19	456

Table 2.0 shows the number of beneficiaries between 2018/19 and 2020/21. The number of beneficiaries under scholarship programme increased from 456 in 2018/19 to 1625 in 2020/21. In

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the financial year 2021/2022, the number of scholarship beneficiaries increased by 7,000. During the same period, the scheme provided bursaries to a number of students in secondary, tertiary and universities. Table 3 below show the distribution of bursary allocation from 2018/19 to 2020/21 financial year.

**Table 3: number of bursary beneficiaries since 2018/19 financial year.**

<b>Financial Year</b>	<b>Number of bursary beneficiaries</b>
2021/22	20,000
2020/21	9,000
2019/20	12,680
2018/19	22,367

In the performance of its mandate, the fund management strictly adhered to the provisions of the constitution of Kenya, article 43(1) which advocates for the right of the children including right to education, Article 53(1) (b) which states every child has the right to free and compulsory basic education. In schedule 4 of the constitution, the county government is also assigned the function of managing the education sector. The public finance management act (2012) provides for the establishment and management of funds. Under the act, section 116 provides that the county executive committee member for finance may establish other public funds with approval of the county executive committee and county assembly. The county government act (2012) and the Bungoma

County Support Scheme (2019) provides for the establishment and operationalization of the scheme. Despite its performance, the scheme is faced with a number of risks and uncertainties. For instance, change of government policies are likely to affect its continuity. The scheme is also faced with issues of untimely release of funds which leads to delay in processing of payments to schools. The scheme may also suffer from disasters and pandemics which may force government to change its priorities. During the COVID 19 pandemic, the government did not release all the funds allocated to the scheme since most resources were reallocated towards fighting the pandemic.

**9. CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY**

The establishment of scholarship and bursary scheme demonstrates that the county government is committed to the enhancement of education for its population. Scholarships and Bursaries is one of the most direct ways for the county government to give back to its community and help alleviate poverty. Due to the increasing cost of education costs, needy students are able to access financial assistance and continue with their education. The establishment of the scholarship and bursary scheme shows that the county government of Bungoma is keen at promoting education in the county. The scholarship program is also tied in other CSR goals and initiatives of the county. Through the programme, the county government that has demonstrated its desire to build holistic human beings who are able to contribute positively to economic development.

The scholarship and bursaries programme has also enabled the county government to improve the perception among young people and the society in general on the importance of education. Another aspect of the programme is that it encourage beneficiaries to voluntarily contribute to the scheme when they are employed upon completion of their studies. This will ensure the sustainability of the programme. The county government also encourages the business community and other professional to contribute so as to support more needy students.

**Bungoma County Education Support Scheme  
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**10. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

**Principal activities**

The principal activities of the Fund continue to be the support of needy students

**Results**

The results of the Fund for the year ended June 30, 2022 are set out on page 10.

**Trustees**

The members of the Board of Trustees who served during the year are shown on page iii.

**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.

The report of the trustees was signed on its behalf by the Fund Administrator

Signed: \_\_\_\_\_

A handwritten signature in black ink, consisting of a stylized initial 'H' followed by a horizontal line and a cursive 'a'.

**Bungoma County Education Support Scheme  
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For the year ended June 30, 2022**

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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 County Public Fund established by *the Bungoma Bursary Fund Regulations, 2015 of Kenya (Revised in 2019)*, 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, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *the Bungoma Bursary Fund Regulations, 2015 of Kenya (Revised in 2019)*. 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, 2022, and of the Fund's financial position as 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**

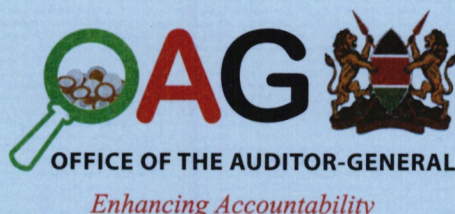
The Fund's financial statements were approved by the committee on **3<sup>rd</sup> February, 2023** and signed on its behalf by:



Fund administrator of the 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 BUNGOMA COUNTY EDUCATION SUPPORT SCHEME FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such Schemes are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Bungoma County Education Support Scheme set out on pages 1 to 31, which comprise of the statement of financial

position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 Bungoma County Education Support Scheme as at 30 June, 2022, 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 Public Finance Management Act, 2012 and the Bungoma County Education Support Scheme Regulations, 2019.

## **Basis for Qualified Opinion**

### **1. Scholarships and Other Educational Benefits**

The statement of financial performance reflects scholarships and other educational benefits amount of Kshs.546,439,508 as disclosed in Note 2 to the financial statements. However, the amount is at variance with the amount of Kshs.56,121,598 shown in supporting schedules. The variance of Kshs.490,317,910 has not been explained or reconciled.

In addition, and as disclosed in Note 2 to the financial statements, the amount of Kshs.546,439,508 in respect of scholarships and other educational benefits relates to disbursement of educational aid to secondary schools, national schools, vocational training centres, special institutions, colleges and universities. However, the amount was not supported by a list of beneficiaries and acknowledgement receipts from the recipient institutions.

In the circumstances, the accuracy and completeness of the amount of Kshs.546,439,508 incurred on scholarships and other educational benefits could not be confirmed.

### **2. Presentation of the Financial Statements**

The financial statements for the year under review were not prepared in accordance with the requirements of the Public Sector Accounting Standards Board reporting template in the following cases.

The pages for preliminary information of the financial statements are presented in numeric numbers instead of roman numbers. In addition, the Office of the Auditor-General is referred to as Kenya National Audit Office, while the statement of changes in net assets and statement of comparison of budget and actual amounts are presented as at and for the period ended, respectively, instead of the year ended.

In the circumstances, the financial statements were not prepared in accordance with the accounting standards as prescribed by the Public Sector Accounting Standards Board reporting template.

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

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Matters**

In the audit of the previous year, several issues were raised under the Report on the Financial Statements. However, under the progress on follow up of auditor's recommendations section, Management has indicated that only a few of the issues have been resolved leaving others unresolved. No explanation was provided on how those issues indicated as resolved were resolved and why the others have not been resolved as required by the Public Sector Accounting Standards Board reporting 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, I confirm that, nothing 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 overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether 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 continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease its 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 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 control, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**27 February, 2023**


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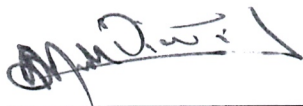
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**13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Note	2021/2022	2020/2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	4,821,511	13,561,019
<b>Total assets</b>		<b>4,821,511</b>	<b>13,561,019</b>
<b>Liabilities</b>			
<b>Total Liabilities</b>			
<b>Net assets</b>			
Accumulated surplus/(deficit)		4,821,511	13,561,019
<b>Total net assets and liabilities</b>		<b>4,821,511</b>	<b>13,561,019</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were approved on **3<sup>rd</sup> February, 2023** and signed by:

  
 \_\_\_\_\_  
**Administrator of the Fund**  
 Name: *Cyrus Wanyonyi*

  
 \_\_\_\_\_  
**Fund Accountant**  
 Name: *Mark Donnan*  
 ICPAK NO.

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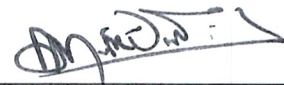
**13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30<sup>TH</sup> JUNE 2022**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2020</b>	-	-	5,745,460	5,745,460
Surplus/(deficit) for the period	-	-	7,815,559	7,815,559
Funds received during the year	-	-	110,000,000	110,000,000
<b>Balance as at 30 June 2021</b>	-	-	13,561,019	13,561,019
<b>Balance as at 1 July 2021</b>	-	-	13,561,019	13,561,019
Surplus/(deficit) for the period	-	-	(8,739,508)	(8,739,508)
Funds received during the year	-	-	550,000,000	550,000,000
<b>Balance as at 30 June 2022</b>	-	-	4,821,511	4,821,511



**Administrator of the Fund**

Name: *Gynis Wanyonyi*



**Fund Accountant**

Name: *Manth Domian*  
ICPAK NO.

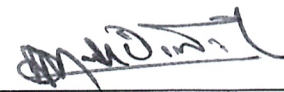
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**13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

	Note	2021/2022	2020/2021
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	1	550,000,000	110,000,000
<b>Total Receipts</b>		<b>550,000,000</b>	<b>110,000,000</b>
<b>Payments</b>			
Scholarships and other educational benefits	2	546,439,508	98,884,441
General expenses	3	12,300,000	3,300,000
<b>Total Payments</b>		<b>(558,739,508)</b>	<b>102,184,441</b>
<b>Net cash flows from operating activities</b>		<b>(8,739,508)</b>	<b>7,815,559</b>
<b>Cash flows from investing activities</b>			
<b>Net cash flows used in investing activities</b>		-	-
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(8,739,508)</b>	<b>7,815,559</b>
Cash and cash equivalents at 1 JULY		13,561,019	5,745,460
<b>Cash and cash equivalents at 30 JUNE</b>	4	<b>4,821,511</b>	<b>13,561,019</b>



Administrator of the Fund  
Name: *Georgina Wanjau*



Fund Accountant  
Name: *Markus Dominic*  
ICPAK NO.

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**13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>TH</sup>JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Transfers from County Govt.	410,000,000	140,000,000	550,000,000	550,000,000	-	100%
<b>Total income</b>	<b>410,000,000</b>	<b>140,000,000</b>	<b>550,000,000</b>	<b>550,000,000</b>	-	100%
<b>Expenses</b>						
General Expenses	10,500,000	6,000,000	16,500,000	12,300,000	4,200,000	75%
Other Grants and Transfers and Payments	339,500,000	194,000,000	533,500,000	546,439,508	12,939,508	102%
<b>Total expenditure</b>	<b>350,000,000</b>	<b>200,000,000</b>	<b>550,000,000</b>	<b>558,739,508</b>	<b>(8,739,508)</b>	<b>102%</b>
<b>Surplus/Deficit for the period</b>	-	-	-	<b>(8,739,508)</b>	<b>(8,739,508)</b>	<b>0</b>

**Notes**

- The adjustments of ksh. 140,000,000.00 from the original budget of ksh. 410,000,000 to the final budget of ksh 550,000,000 are due to the supplementary estimates.
- Total expenses of ksh. 558,739,508.00 is represented by Scholarship and Other Educational Benefits of ksh. 546,439,508 and administrative expenses of ksh 12,300,000.00

## **17. 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.

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021**

Standard/ Amendments : Applicable: 1 <sup>st</sup> January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2021/2022
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	no impact

**b) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.

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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.

**1. Budget information**

The original budget for the financial year 2021/2022 was approved by the County Assembly on May, 2021. 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 an increase in appropriations of ksh 140,000,000.00 on the 2021-2022 budget following the governing body's approval. Thus, the final budget was ksh. 550,000,000.00

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 in the financial statements.

**4. 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

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**2. 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.

**3. Financial instruments**

**a) 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.

**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 an entity of financial assets is deemed

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financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an 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)

***b) 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.

**4. 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

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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.

## **5. 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.

### **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.

## **6. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

**8. 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.

**9. 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.

**10. 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 Chief Officer, the Fund Administrator and Fund Accountant.

**11. 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 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.

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**13. Events after the reporting period**

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

**14. Ultimate and Holding Entity**

The entity is a County Public Fund established by The Bungoma County Education Support Scheme Regulation, 2015(revised 2019) under the Department of Education and Vocational Training. Its ultimate parent is the County Government of Bungoma.

**15. Currency**

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

## **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **16. Significant judgments and sources of estimation uncertainty**

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

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

#### **a) Estimates and assumptions**

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

#### **b) Useful lives and residual values**

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

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

#### **c) Provisions**

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

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

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**d) 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.

**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.

**e) 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.

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**13.6. NOTES TO THE FINANCIAL STATEMENTS**

**1 Transfers from County Government**

<b>Description</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfers from County Govt. – operations	550,000,000	110,000,000
<b>Total</b>	<b>550,000,000</b>	<b>110,000,000</b>

**2 Scholarships and Other Educational Benefits**

<b>Description</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Other grants and transfers		
Secondary schools	376,556,965	44,113,414
National schools	130,593,393	23,716,667
Vocational Training Centres	13,380,000	22,010,000
Special Institutions	757,760	266,860
Colleges	12,068,532	4,087,000
Universities	13,082,858	4,690,500
<b>Total</b>	<b>546,439,508</b>	<b>98,884,441</b>

**3 Use of Goods and Services**

<b>Description</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Administrative expenses		
Printing and stationery expenses	4,912,794	712,794
Travel costs	3,332,136	700,000
Hospitality	3,653,840	1,653,840
Bank Charges	131,230	233,366
Committee Allowances	270,000	-
<b>Total</b>	<b>12,300,000</b>	<b>3,300,000</b>

**4. Cash and Cash Equivalents**

<b>Description</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Current account	4,821,511	13,561,019
<b>Total cash and cash equivalents</b>	<b>4,821,511</b>	<b>13,561,019</b>

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

<b>Financial institution</b>	<b>Account number</b>	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Current account</b>			
Kenya Commercial Bank	1182244041	4,821,511	13,561,019
<b>Total</b>		<b>4,821,511</b>	<b>13,561,019</b>

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**4 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status : (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p><b>4.1 Presentation and Accuracy of Reports and Financial Statements</b></p> <p><b>Criteria</b></p> <p>Public Finance Management Act 23(b) requires Accounting Officers to prepare reports that reflect a true and fair financial position of the entity.</p> <p>Paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1 stipulates that financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other</p>	<p>a) The management of the fund has amended the Financial Statements as at 30<sup>th</sup> June, 2021 to incorporate information on the following;</p> <p>i. Management discussion and analysis</p>	CECM, Chief Officer and Director	Resolved	

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	<p>events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.</p> <p>The financial statements for the year ended 30 June 2021 were required to be prepared using IPSAS accrual financial template of county funds and schemes, revised June, 2021(Template), recommended by the Public Sector Accounting Standards Board (PSASB)</p>	<ul style="list-style-type: none"> <li>ii. Report of the Auditor General on the Financial Statements of Bungoma County Education Support Scheme</li> <li>iii. Board of Trustees Fund Administration Committee statement</li> <li>iv. Corporate Governance Statement</li> <li>v. Corporate Social Responsibility Statement/Sust</li> </ul>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status : (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		ainability Reporting b) The account number of the fund has now been correctly stated c) The budget has been availed for further comparison d) The figures under special contributions has been reconciled with that of presented in the ledger and trial balance. e) An acronym FY as included in the financial statements has been removed.			

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<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>
<b>Basis for Conclusion</b>					
	<p><b>4.2 Variances between Trial Balance, Ledger and Financial Statement Criteria</b></p> <p>Best practice dictates that an accounting entity records its financial statements in a ledger then balances in the ledger are summarized in a trial balance which is then used to prepare financial statements.</p>	<p>The management of the fund has reconciled the figures presented under the ledger and the trial balance to reflect the correct figures in the financial statements</p>	<p>Chief Officer and Fund Administrator</p>	<p>Resolved</p>	
<b>Basis for Conclusion</b>					
1	<p><b>4.3 Under disclosure of Special Contributions</b></p> <p>Included in note 2 to the financial statements is scholarships and other educational benefits of Kshs.110,913,134 which in turn includes Kshs. 266,060 in respect of special contributions. A</p>	<p>The figure under special contributions has been amended to reflect the correct information in the ledgers</p>	<p>Chief Officer, Fund administrator</p>	<p>Resolved</p>	

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	comparison between the ledgers and the financial statements confirmed that the amount reported in the ledgers was kshs. 266,860 leading to an unexplained variance of Kshs.800.		ator and fund accountant		
2	<p><b>4.4 Unsupported National Schools Bursary and Scholarship Expenditure of Ksh.1,606,000</b></p> <p><b>Criteria</b></p> <p>Public Finance Management Act 2012, Section 149(1) state that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is— (a)lawful and authorized; and (b)effective, efficient, economical and transparent. (2) In carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned— (b)ensure that the entity keeps</p>	<p>Some schools had not forwarded the receipts back to the education office. It was also noted that some students had been given the slips for onward submission to the office which they failed to do so within the stipulated timeline.</p> <p>The fund administrator commits to provide all the acknowledgement slips to respective student application files as noted</p>	Fund administrator	Resolved	

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	<p>financial and accounting records that comply with this Act;</p> <p><b>Observation:</b></p> <p>Included in note 2 is scholarships and other educational benefits of Kshs.110,913,134 which in turn includes Kshs.28,695,336 in respect of national schools which contains kshs.1,606,000 which was not supported by the acknowledgment slips from the relevant learning institutions thus casting doubt on whether the funds were disbursed and received <b>Appendix 1</b></p>	<p>under national schools by 30<sup>th</sup> November, 2021</p>			
	<p><b>4.5 Unsupported Colleges Bursary Expenditure of Kshs.332,000</b></p> <p><b>Criteria</b></p> <p>Public Finance Management Act 2012, Section 149(1) states that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer</p>	<p>Some institutions had not forwarded the receipts back to the education office. It was also noted that some students had been given the slips for onward submission to the office which they failed to</p>	<p>Fund administrator</p>		

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	<p>is designated are used in a way that is— (a)lawful and authorized; and (b)effective, efficient, economical and transparent. (2) In carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned— (b)ensure that the entity keeps financial and accounting records that comply with this Act;</p> <p><b>Observation</b></p> <p>Included in note 2 is scholarships and other educational benefits of Kshs.110,913,134 which in turn includes Kshs.4,087,000 in respect of colleges which contains kshs.332,000 which was not supported by the acknowledgment slips from the relevant learning institutions thus casting doubt on the proper utilization of the funds <b>Appendix 2</b></p>	<p>do so within the stipulated timeline.</p> <p>The fund administrator commits to provide all the acknowledgement slips to respective student application files as noted under national schools by 30<sup>th</sup> November, 2021</p>			
	<p><b>4.6 Unsupported Vocational Training Colleges Bursary Expenditure of Ksh.6,400,000</b></p>	<p>At the time of audit, Some institutions had not forwarded the receipts back to the education</p>	<p>Chief Officer and Fund</p>		

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	<p><b>Criteria</b></p> <p>Public Finance Management Act 2012, Section 149(1) states that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is— (a)lawful and authorized; and (b)effective, efficient, economical and transparent. (2) In carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned— (b)ensure that the entity keeps financial and accounting records that comply with this Act;</p> <p><b>Observation:</b></p> <p>Included in note 2 is scholarships and other educational benefits of Kshs.110,913,134 which in turn includes Kshs.22,010,000 in respect of Vocational Training Centers which contains Kshs.6,400,000 which was not supported by the acknowledgment slips from the relevant learning</p>	<p>office within the stipulated timeline.</p> <p>The fund administrator commits to provide all the acknowledgement slips to respective student application files as noted under national schools by 30<sup>th</sup> November, 2021</p>	Administrator		

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	institutions thus casting doubt on the proper utilization of the funds <b>Appendix 3</b>				
	<p><b>4.7 Lack of an Approved Budget Prepared by the Fund</b></p> <p><b>Criteria</b></p> <p>Section 149 (2)(h) of the Public Finance Management Act 2012 mandates the accounting officer of a county entity to prepare estimates of expenditure of the entity in conformity with its strategic plan</p> <p>Regulation 197(d) of The Public Finance Management (County Governments) Regulations, 2015 states that the administration costs of a Fund</p>	A copy of the approved budget has been availed for audit verification	Chief Officer and Fund Administrator	Resolved	

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	<p>shall be a maximum of three (3%) percent of the approved budgets of the Fund</p> <p><b>Observations</b></p> <p>The statement of financial performance reflects KShs110,000,000 as transfers from county government and KShs114,213,134 as total expenses during the 2020/2021 financial period. However, the approved budget upon which the expenses were based was not provided for audit verification.</p>				
	<p><b>8 Accuracy of cash and cash equivalents</b></p> <p><b>Observations</b></p>	<p>The management has updated the cash book with the bank charges of</p>	<p>Fund administrator</p>	<p>resolved</p>	

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	<p><b>4.8.1 Accuracy of cash and cash equivalents</b> The statement of financial position as at 30 June 2021 reflects cash and cash equivalents balance of KShs16,013,500, which compares to the balance as per bank statement and balance as per cash book as tabulated below:</p> <table border="1" data-bbox="322 831 1205 1241"> <thead> <tr> <th data-bbox="322 831 456 1050"></th> <th data-bbox="456 831 667 1050">Balance as per the statement of financial position</th> <th data-bbox="667 831 801 1050">Balance as per bank statement</th> <th data-bbox="801 831 1061 1050">Balance as per the cash and cash equivalent book</th> </tr> </thead> <tbody> <tr> <td data-bbox="322 1050 456 1241">Cash and cash equivalents</td> <td data-bbox="456 1050 667 1241">KShs16,013,500</td> <td data-bbox="667 1050 801 1241">KShs16,013,500.40</td> <td data-bbox="801 1050 1061 1241">KShs13,561,019</td> </tr> </tbody> </table> <p>The reported balance of KShs16,013,500 therefore differs with the balance as per cash book amounting to KShs13,561,019 which should have</p>		Balance as per the statement of financial position	Balance as per bank statement	Balance as per the cash and cash equivalent book	Cash and cash equivalents	KShs16,013,500	KShs16,013,500.40	KShs13,561,019	<p>ksh. 76,260 to reflect the correct information. Furthermore, the management has amended the financial statements to reflect the correct cash and cash equivalent figure.</p>			
	Balance as per the statement of financial position	Balance as per bank statement	Balance as per the cash and cash equivalent book										
Cash and cash equivalents	KShs16,013,500	KShs16,013,500.40	KShs13,561,019										

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	<p>been reported in the statement of financial position as at 30 June 2021. In the circumstances, the balance of cash and cash equivalents has been misstated by KShs2,452,481.</p> <p><b>4.8.2 Outstanding reconciling items in the bank reconciliation statement for the month of June 2021</b></p> <p><b>4.8.2.1 Payments in the cash book not in the bank statement</b> Excluded from cash and cash equivalents balance of KShs16,013,500 as at 30 June 2021 is an amount of KShs2,528,741.40 being payments in the cash book not in the bank statement.</p> <p><b>4.8.2.2 Payments in the bank not in cash book</b> Excluded from cash and cash equivalents balance of KShs16,013,500 as at 30 June 2021 is an amount of KShs76,260 being payments in bank statement not captured in cash book. The management did not explain why it delayed to</p>				

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	<p>update the cash book with the bank charges which were incurred in the month of April. KShs13,561,019 which should have been reported in the statement of financial position as at 30 June 2021.</p> <p>In the circumstances, the balance of cash and cash equivalents has been misstated by KShs2,452,481.</p>				