



*Enhancing Accountability*

# REPORT



OF

**THE AUDITOR-GENERAL**

ON

**UASIN GISHU COUNTY-EDUCATION  
REVOLVING FUND**

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

| PAPERS LAID        |            |
|--------------------|------------|
| DATE               | 02/03/2022 |
| TABLED BY          | Dsmw       |
| COMMITTEE          | —          |
| CLERK AT THE TABLE | CHANIA     |

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**UASIN GISHU COUNTY EDUCATION REVOLVING FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30 JUNE 2020**

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

**Uasin Gishu County Education Revolving Fund  
 Reports and Financial Statements  
 For the year ended 30 June 2020**

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **a) Background information**

Uasin Gishu County Education Revolving Fund Act,2014 was established by and derives its authority, accountability and amended 2016.The Fund is wholly owned by the County Government of Uasin Gishu and is domiciled in Kenya.

The fund's objective is to

Empower the Youth through financing of Technical Training directly related to the development of artisan or improvement of Technical skills within the county in the following areas of specialization but not limited to: -

- i. Plumbing and Water Engineering
- ii. Electrical Installation and Engineering
- iii. Masonry and Building Technology
- iv. Civil Engineering and Quantity Survey
- v. Refrigeration and Air conditioning, welding and fabrication and woodwork
- vi. Any other courses that may be recommended by the County Education Board from time to time.

### **b) Principal Activities**

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

- i. Advertise all opportunities for loans to students seeking artisan and Technical courses in County Polytechnics or National Government Technical Training Institutes or such other public or private Training institutions as may be approved by the Board from time to time.
- ii. Receive and vet applications for loans under the loan scheme forwarded by the Ward Education Committees and in so doing, determine the eligibility of each individual applicant.
- iii. Institute and implement mechanisms for loan recovery with the aim of sustaining the revolving fund.
- iv. Such duties as are incidental to the achievement of the aims and objectives of the loan scheme.
- v. Resource mobilization

- vi. Management of such other Educational loans advanced to it by other Government agencies, private entities, donor and any other entity of good will.

**Vision**

To be a model county in providing loans to needy students pursuing technical and vocational training in tertiary institution in the country.

**Mission**

To be the leading county committed to empowering the youth through provision of affordable loans for technical programmes.


**Core values**



- i. Integrity
- ii. Transparency
- iii. Accountability
- iv. Professionalism
- v. Equity

**c) Board of Trustees/Fund Administration Committee**

| Ref | Name             | Position  |
|-----|------------------|---|
| 1   | Dr. Joel Chelule | Chairperson   |
| 2   | Dr Susan Keino   | Vice chairperson                                      |
| 3   | David Kessio     | Member /representative Technical and higher education |
| 4   | Dr Joseph Lelan  | Member/Chairperson county education board             |
| 5   | Loice Murrey     | Member  |
| 6   | Nicholas Koimur  | Member  |
| 7   | Peter Kiarie     | Member  |
| 8   | Paul Sugut       | Member  |
| 9   | Stephen Kemoi    | Fund administrator/secretary                          |

**d) Key Management**

| Ref | Name  | Position   |
|-----|---|--|
| 1   | Joseph K. Kurgat<br> | Currently the county executive committee member for Education, Youth Affairs, Sports, Culture, Social Services, Uasin Gishu County Government. He holds Masters in Education Administration and Management, Degree in Education Science from Kenyatta University. Was a principal for various secondary schools from the years 2001-2017, Chairperson Kenya Secondary Schools Heads Association Mosop Sub county and Vice Chairman Nandi County Heads Association. |

|   |  |   |
|---|--|---|
| 2 | <p>Joseph K. Maritim</p>  | <p>Currently the chief officer for Education Culture, Social Services, Sports and Youth Affairs Uasin Gishu County Government. MBA (Finance) University of Nairobi. BBA (Accounting) Maseno University and CPA 2</p>                                      |
| 3 | <p>Stephen Kemoi</p>      | <p>Currently The County Director Youth Affairs. He is a holder of a BSC in Technical Education from Moi university. He has worked as a District Youth Training Officer and a Lecturer at Mombasa Polytechnic and Riwika technical Training Institute.</p> |

**e) Registered Offices**

P.O. Box 40, 30100, Eldoret  
Eldoret West Social Hall  
Kenya

**f) Fund Contacts**

Uasin Gishu County  
E-mail: info@uasingishu.go.ke  
Website: www.uasingishu.go.ke

**g) Fund Bankers**

Kenya Commercial Bank  
P. O. BOX 560-30100  
TEL: 053-2062241/2  
ELDORET





**h) Independent Auditors**

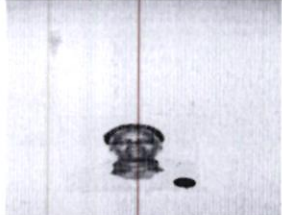




Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**i) Principal Legal Adviser**

County Attorney  
Uasin Gishu County  
P.O BOX 40  
Eldoret, Kenya

## 2. THE BOARD OF TRUSTEES

| Name  | Details of qualifications and experience  |
|---|---|
| <p>1. DR. JOEL CHELULE</p>   | <p>Chairman</p> <p>Born 1977, Hold PHD in applied statistics, MSC statistics, BSC Mathematics and computer science from JKUAT. Currently working as director JKUAT Eldoret campus and senior lecturer in statistics. Immediate a former chairman Ziwa TTI and also auditor in quality management system &amp; environmental management system, under ISO 9001:2015 &amp; ISO 14001:2014.He is an independent.</p>   |
| <p>2. DR.SUSAN KEINO</p>    | <p>Vice chairperson</p> <p>Born 1972, PHD in Human Nutrition of Maastricht university, MscMaseno university, BscMoi university. works at Moi university. Head of department of Human nutrition from 2014-2019 ,lecturer from 2014-to date</p>   |
| <p>3. DR DAVID KESSIO</p>   | <p>Member /representative Technical and higher education</p> <p>Dr. David K. Kessio, born in 1976; is a Lecturer at Moi University, School of Education, Department of Educational Management &amp; Policy Studies. He holds a PhD in Educational Administration, Mphil. In Educational Management Moi University, MBA in Research &amp; Higher Education, Osnabruck University of Applied Sciences, Germany.) and B. ED (Arts), Moi University.</p>  |
| <p>4. DR JOSEPH LELAN</p>  | <p>Member/Chairperson county education board</p> <p>Joseph KipronoLelan was born in 1960 holds a Doctor of Philosophy (PhD) Degree in Educational Administration from Moi University-Eldoret; Master of Science (Msc) degree in Education Leadership from Drake University- U.S.A; Bachelor of Education (Bed) degree from the University of Nairobi and a Diploma in Education from Siriba Teachers College - Maseno. He is currently a senior lecturer and chair, Department of Educational Management and Policy Studies (2014 to Date).</p> |
| <p>5. LOICE MURREY</p>  | <p>Member, Born 1967, MED (educational administration and economics –Beijing china, B. ED Kenyatta University. County</p>   |

|   |   |
|---|---|
|                            | <p>Director Teachers service commission .</p>   |
| <p>6. NICHOLAS KOIMUR</p>  | <p>BA Theology .Coordinating Youth activities in East Africa.</p>   |
| <p>7. PETER KIARIE</p>    | <p>Born 1979. Msc Micro biology, Diploma in computer application. Work experience teaching and research spanning 10 years.</p>  |
| <p>8. PAUL SUGUT</p>     | <p>Member, Born in 1967. BA sociology and postgraduate diploma in Human resources .work experience Regional Director for east Africa Childs life international.</p>   |
| <p>9. STEPHEN KEMOI</p>  | <p>Currently The County Director Youth Affairs and Fund administrator/secretary. He is a holder of a BSC in Technical Education from Moi university. He has worked as a District Youth Training Officer and a Lecturer at Mombasa Polytechnic and Rwika technical Training Institute.</p> |

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

The department of Education Revolving Fund was established by an Act of County Assembly to fund full time and part time courses in technology, applied science management and other field of studies and to make provisions for the general administration.

The objectives of the fund is to: -

Empower the youth through financing of technical training directly related to the development of artisan or improving technical skills within the county in the following areas of specialization but not limited to:

- i. Plumbing and water engineering
- ii. Electrical installation and engineering
- iii. Masonry and building technology
- iv. Civil engineering and quantity survey
- v. Refrigeration and air conditioning, welding, fabrication and wood work
- vi. Any other courses that may be recommended by the County Education Board from time to time.




Provide loans to the youth pursuing artisan or technical courses under sub section

- ✓ Offered at County Polytechnics or such National Government or private Technical Training Institutes as may be recommended by the County Education Board.

The performance as aligned with CIDP indicators is as shown in the table below.

| PROGRAMME                                  | OBJECTIVE                       | OUTCOME   | INDICATOR | PERFORMANCE |
|--|---------------------------------|---|-----------|-------------|
| Enrolment of students at Tvet institutions | Student joining TVET & Colleges | Increased enrolment of youth in Tvet institutions | 600       | 702         |

#### 4. MANAGEMENT TEAM

| Name   | Details of qualifications and experience  |
|--|---|
| <p>1. JOSEPH K KURGAT</p>     | <p>Currently the county executive committee member for Education, Culture, Social Services, Sports and Youth Affairs Uasin Gishu County Government. He holds Masters in Education Administration and Management, Degree in Education Science from Kenyatta University. Was a principal for various secondary schools from the years 2001-2017, Chairperson Kenya Secondary Schools Heads Association Mosop Sub county and Vice Chairman Nandi County Heads Association.</p> |
| <p>2. Joseph K. Maritim</p>  | <p>Currently the chief officer for Education Culture, Social Services, Sports and Youth Affairs Uasin Gishu County Government. MBA (Finance) University of Nairobi. BBA (Accounting) Maseno University and CPA 2</p>  |
| <p>3. Stephen Kemoi</p>     | <p>Currently The County Director Youth Affairs. He is a holder of a BSC in Technical Education from Moi university. He has worked as a District Youth Training Officer and a Lecturer at Mombasa Polytechnic and Rwika technical Training Institute.</p>  |

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

The Uasin Gishu County Education Loans Board, which oversees the management of the Uasin Gishu County Education Revolving Fund, was appointed in May 2019, and was inaugurated into Office on 3<sup>rd</sup> July 2019. It took over the oversight role of the Fund's Management from the Interim Committee which had been overseeing it since 2014 when it was established. I wish to sincerely appreciate the establishment of this Fund, whose main focus is the County's Youth; to empower them acquire the necessary skills by awarding them loans to study in selected TVET Institutions, as a very noble idea by the County Government of Uasin Gishu. Since inception, the Fund's performance has been outstanding. 3282 students have so far benefitted from the Fund.

The Fund initially targeted technical courses. However, after careful review of the County's development skills gap, the Board found it wise to expand the courses to cater for other areas such as Medical and Agriculture. The Board is currently exploring more areas of possible expansion such as environmental-related and beauty-related courses.

In order to ensure transparency and accountability in optimal loan disbursement and recovery, the Board envisages to automate all the Fund's operations. Development of an ICT system is being finalized. Soon it will be rolled out, and advertisements, loan applications, loan recovery, and other loan-related information, will all go on-line.

During the Financial Year 2019/2020, the Board held five (5) full-board meetings. It's worth noting that, when the Board took over the Fund's Management, the records of the beneficiaries were not in good order. Some records were not even there. This became a major concern to the Board, and was considered as a priority area that required urgent action. The Board tasked the Secretariat, which was also constituted earlier but almost the same time as the Board, to construct the records retrospectively, and this necessitated the Secretariat to even visit all Institutions with the Fund's beneficiaries, as applicable. The records are now in good order. Indeed, the Board considers as the main achievement of the year, to have proper records of the beneficiaries. Procurement of 3000 files was also done, so that each beneficiary now has a file. However, reconciliation of the money that's already disbursed to date, and the money actually received by the Institutions remains pending because the Department of Finance & Economic Planning has not provided all the payment vouchers as requested by the Board.

The running of the Board during the year was not without challenges. To date, more than a year down the line, Board Members have not been paid their allowances. There were also issues to do with venue for holding board meetings; mid-way in one of its meetings, the Board had to relocate to a different venue because another meeting had to occupy the same venue. The Board also went without refreshments in two of the five meetings. The Department of Education, Culture, Youth Affairs, Sports and Social Services made many unfulfilled promises to address these challenges. Further, the County Public Service Board (CPSB) and the Salaries & Remuneration Commission (SRC) are yet to finalize on their part in addressing the issue of the rate of payment of allowances. They require the Department of Education, Culture, Youth Affairs, Sports, and Social Services to serve them with the required details especially the Board's Budget so as to fast-track completion of this process.

The Board also realized that all the thirty (30) Ward Boards have not been constituted as per the requirement of the County Education Revolving Fund Act. We wrote to the CECM Department of Education, Culture, Youth Affairs, Sports and Social Services, to constitute these Boards and submit the list to the Board for approval. To date, this remains pending.

The Board also noted that the Act as it is currently, requires some amendments, so as to enhance effective and smooth operations of the Board. The Controller of Budget also identified key areas in the Act, which requires amendment. These identified amendments are now before the County Assembly for consideration.

The Board, therefore, calls upon the Department to urgently address these issues so as to enable the Board carry out its mandate smoothly during this FY 2020/2021, and going forward.

Signed.......... Date .....*7th December 2020*.....  
**Dr. Joel CheruiyotChelule, PhD**

## 6. REPORT OF THE FUND ADMINISTRATOR

Reports and Financial Statements for the year 2019/2020.

Quality Technical and Vocational Education and Training are widely recognized as having an important role to play in tackling youth unemployment. Technical Vocational Education and Training (TVET) is oriented towards the world of work and the acquisition of knowledge and skills by youth as a means of addressing skills mismatch in the job market so as to ensure that there is smooth school to work transition for many young people.

Uasin Gishu County Education Revolving Fund was established in 2014 with an aim of empowering youth through financing of technical training in form of loans. This fund therefore tries to ensure that young people acquire the basic skills and relevant training they need to enter the world of works with confidence

The County Government of Uasin Gishu has established a Board known as County Education Loans Board which shall be a body corporate with perpetual succession. This Board shall be a body in its corporate name, of suing and being sued.

The fund operates as a revolving fund and it is expected to be recovered from the student after a gainful employment.

During the year 2019/2020, the board held five meetings. of the five meetings one was inaugural meeting for the members However, their allowances were not paid for from the Fund because, does not provide for any allowance in the vote. The same has been remedied by causing the amendment in the act to include 3% of the allocated money for operational expenditure which shall take care of board members allowances and other overhead cost for the department

It has been a common criterion that 20 students are selected from every ward through the ward committees, a total number of 3282 have benefited from the fund. These students have been enrolled in various institutions including Rift Valley Technical Training Institute, Eldoret Polytechnic, Ziwa Technical Institute, Kenya medical training college and Vocational Training Centres in the county depending on the choice of the student.in 2019/2020 financial year the board recommended Agricultural, Medical and water related courses to be included in the training menu ,And this lead the county to look for training opportunities in the following institution AHITI Kabete,AHITI Ndomba AHITI Nyahururu , Egerton university ,Naivasha dairy institute and ADC Kitale to train animal health Diploma and Certificate artificial insemination ,and Dairy technology

During the financial year under review, a total of Kshs. 57,920,780 was disbursed to the beneficiaries bringing the total amount So far disbursed since inception to Kshs. 187,706,150

It is expected that once the Board begins to recover the loans, other needy students will benefit equally and the numbers will increase. The department would like to thank H.E the Governor and the County Government at large for setting up a fund that would benefit so many youth from the county in addressing the issue of unemployment.

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

Stephen Kemoi

Fund Administrator

## 7. CORPORATE GOVERNANCE STATEMENT

Uasin Gishu county education revolving fund board was established vide the Act of county assembly and shall be a corporate body with perpetual succession and common seal and in its corporate name be able to;

- a) Sue and being sued
- b) Taking, purchasing or otherwise acquiring, holding, charging and or disposing of moveable and immovable property
- c) Entering into contract
- d) Borrowing and lending of money
- e) Doing or performing and such other things or act necessary for proper performance of its function under this act and which may lawfully be done or performed by a body corporate. The seal of the board shall authenticate by the signature of the chairperson or one member. The board shall consist of the following persons by the governor on recommendation of the county executive member at the time responsible for education with the approval of the county assembly.

- ✓ Chairperson
- ✓ Deputy chairperson
- ✓ Secretary of the board who shall be the chief executive
- ✓ Representative of the county education board
- ✓ Representative of county treasury
- ✓ Representative of technical or higher educational institution
- ✓ Three other members appointed by county executive committee member

Every member of the board shall hold office for a period of three consecutive years from the date of appointment and shall be eligible for re-appointment for one more term. The position of a member shall become vacant if that member;

- ✓ Submit resignation in writing under his hand to the appointing authority
- ✓ If the board is satisfied that such member is by reason of his physical or mental infirmity unable to execute the functions of his or her office
- ✓ Has been adjudged bankrupt or suspends payment to or make arrangement or composition with his creditors

- i. Has been absent without leave or reasonable cause submitted to the board for three consecutive meeting
- ii. Dies
- iii. Is dismissed in terms of provision of this act

The county executive member may revoke the appointment of the board member becomes in the opinion of the county executive member unfit to continue in the office or incapable of performing duties. The Governor may remove a member of the board from the office in any of the following grounds

- a) Incompetence
- b) Abuse of office
- c) Failure without reasonable excuse or written authority of the Governor to attend three consecutive meeting of the county executive committee
- d) Physical or mental incapacity rendering the executive member incapable of performing the duties of that office
- e) Gross violation of the constitution or any other law

The filling of a vacancy of a member of the board shall commence by notifying the appointing authority, the county executive committee may recommend for appointment of any person to fill the vacancy The meeting of the county education loans board shall meet not more than two times in a year provided that the board may have a maximum of three extra meetings ,the meetings held in the year 2019/2020 were four and before the start of every meeting the chairman did asked members if they had any interest.in the same period the induction of board members was done but the training did not take place because of Corvid 19 pandemic. The functions of the board are;

- i. Advertise all opportunities for loans to students seeking artisan and Technical courses in County Polytechnics or National Government Technical Training Institutes or such other public or private Training institutions as may be approved by the Board from time to time.
- ii. Receive and vet applications for loans under the loan scheme forwarded by the Ward Education Committees and in so doing, determine the eligibility of each individual applicant.
- iii. Institute and implement mechanisms for loan recovery with the aim of sustaining the revolving fund.
- iv. Such duties as are incidental to the achievement of the aims and objectives of the loan scheme.

- v. Resource mobilization
- vi. Management of such other Educational loans advanced to it by other Government agencies, private entities, donor and any other entity of good will.

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

The department of revolving fund has achieved the following in sponsoring students to various institutions: -

**(a) Those who have cleared and graduated in 2019/2020 financial year**

|       |              |             |             |
|-------|--------------|-------------|-------------|
| (i)   | ADC (Kitale) | 33 students |             |
| (ii)  | K.T.T.C      |             | 96 students |
| (iii) | Kabete (A.I) |             | 20 students |
| (iv)  | KEWI         |             | 34 students |

**(b) Ongoing students**

| S/N | College |             | Number of students |
|-----|---------|-------------|--------------------|
| 1   | K.T.T.C |             | 96                 |
| 2   | EGERTON | Diploma     | 25                 |
|     |         | Certificate | 56                 |
| 3   | KMTC    |             | 342                |
| 4   | AHITI   | Kabete      | 42                 |
|     |         | Ndomba      | 13                 |
|     |         | Naivasha    | 11                 |
|     |         | Nyahururu   | 9                  |

b) The amount spend is as follows:

| S/N | College                      |                                      | AMOUNT(KSHS)      |
|-----|------------------------------|--------------------------------------|-------------------|
| 1   | KTTC                         | Diploma in technical education       | 4,224,000.00      |
| 2   | Kenya water institute        | Certificate in water drilling        | 2,048,000.00      |
| 3   | AHITI.Ndomba                 | Certificate                          | 1,425,600.00      |
| 4   | AHITI-Kabete                 | Certificate and diploma              | 6,246,800.00      |
| 5   | AHITI-Naivasha               | Certificate                          | 671,000.00        |
| 6   | AHITI- Nyahururu             |                                      | 891,000           |
| 7   | Egerton University           | Certificate                          | 4,406,080.00      |
|     |                              | Diploma                              | 2,508,500.00      |
|     |                              | Certificate 56 students              | 567,000.00        |
| 8   | A.D.C(Kitale)                | Certificate                          | 1,511,400.00      |
| 9   | KMTC(other courses)          | 282 students                         | 26,000,400.00     |
|     |                              | Clinical Medicine 60 Students        | 5,280,000.00      |
|     |                              | Nursing Council fee for 114 students | 1,140,000.00      |
| 10  | Eldoret National Polytechnic | 21 students                          | 1,001,000.00      |
|     | <b>TOTALS</b>                |                                      | <b>57,920,780</b> |

The fund is looking forward to training students in CBET courses i.e.

- (a) Welding and fabrication
- (b) Agricultural Engineering (certificate)
- (c) Quantity Survey
- (d) Land Survey
- (e) Ceramics and interior design

**Recoveries**

The recovered money is to be deposited into Uasin Gishu County TVET Fund Account **KCB A/C NO. 1178078094.**

The department has made steps towards recovery of the funds i.e.

All beneficiaries have received SMS and calls reminding them to repay their loans. There are some beneficiaries who have who have made an effort of repaying the loans.

## **9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Promotion of education through sponsoring of students to various learning institution i.e Kenya medical training college, Egerton University, TVET Colleges. The department is planning to engage in more community activities such as;

- ✓ Environmental conservation
- ✓ Sporting activities
- ✓ Health care
- ✓ Water and sanitation
- ✓ Staff training

This will be achieved when the department recover the money spent on students in various learning institution upon completion of the students.

## 10. REPORT OF THE TRUSTEES

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

### Principal Activities of the Board of Trustees

The principal activities of the Fund are as stated in section 1 (b) pages 2 and 3 of this report. Additional crucial information is contained in the Chairman's report on pages 10 & 11.

### Results

The results of the Fund for the year ended June 30, 2020 are set out on page 17. More information related to the results are contained in the Chairman's report on pages 10 & 11.

### Board of Trustees

The members of the Board of Trustees who served during the year are as indicated on section 1 (c) page 3, and also on section 2 on pages 6 & 7, of this report. There were no changes in the Board during the financial year.

Member of the Board

Date: 7th December 2020

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

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for the year 2019/2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Uasin Gishu County Education Revolving Fund Act, 2016. 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 year 2019/2020, 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 7/1/20 2020 and signed on its behalf by:

  
\_\_\_\_\_  
Fund Administrator  
Uasin Gishu County Education Revolving Fund

# REPUBLIC OF KENYA



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Email: info@oagkenya.go.ke  
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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON UASIN GISHU COUNTY-EDUCATION REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Uasin Gishu County-Education Revolving Fund set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2020, 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 the Uasin Gishu County-Education Revolving Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Uasin Gishu County Education Revolving Fund Act, 2016 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1.0 Inaccuracies in the Financial Statements

##### 1.1 General Expenses

As disclosed under Note 8 to the financial statements, the statement of financial performance for the year ended 30 June, 2020 reflects general expenses balance of Kshs.57,925,445 which includes other expenses amount of Kshs.57,920,780 being loans disbursed to student beneficiaries, erroneously disclosed under other expenses. This error has resulted in the statement of financial performance reflecting a deficit of Kshs.24,919,447 instead of a surplus of Kshs.33,001,333 as indicated in the statement of changes in net assets.

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

The statement of financial position reflects revolving fund and accumulated surplus balances of Kshs.193,084,842 and Kshs.33,001,333 respectively, while recasting of the statement of changes in net assets results to a revolving fund balance Kshs.138,084,105 and accumulated surplus of Kshs.87,986,070 which are at variance with the amounts reflected in the statement of financial position by Kshs.54,984,737 being the prior year surplus wrongly included under revolving fund.

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

## **2.0 Inaccuracy of Long Term Receivable from Exchange Transactions**

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.187,706,150 as at 30 June, 2020 being loans disbursed to students beneficiaries admitted in various technical Institutions and colleges. However, the balance excludes loans amounting to Kshs.11,793,489 advanced to students admitted in vocational training centers in the year 2017/2018. No explanation has been provided for this omission.

In addition, the long term receivable from exchange transactions of Kshs.187,706,150 was not supported with registers or ledgers with details on how much each student applied for and the amount approved by the Board, interest charged and subsequent recoveries after completion of the training. Further, there is no evidence that an assessment for impairment as at 30 June, 2020 was done in respect to the long-term receivables.

Consequently, the accuracy and completeness of long-term receivables from exchange transactions balance of Kshs.187,706,150 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 Uasin Gishu County-Education Revolving Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

## **Other Matter**

### **Budgetary Control and Performance**

The statement of budget comparison of the budget and actual amounts reflects budgeted receipts and actual amounts on comparable basis of Kshs.40,000,000 and Kshs.33,005,998 respectively resulting to an underfunding of Kshs.6,994,002 or 17% of the budget. Similarly the Fund spent Kshs.57,925,445 against a budgeted expenditure of Kshs.40,000,000 resulting to an over expenditure of Kshs.17,925,445 or 44 % of the budget. There is need for Management to relook at its budget making mechanism with a view of coming up with a more realistic budget.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Gender Inequality in the County Education Loans Board**

As previously reported, available information revealed that the nine (9) member Uasin Gishu County Education Loans Board were appointed by the Governor of Uasin Gishu County on 13 May, 2019 for a three-year term. The board comprises of seven (7) male members or approximately 78 % and two (2) female members or approximately 22% of board membership contrary to Section 8 (2) of Uasin Gishu County Education Revolving Fund Act, 2016 which states that in appointing board members, the appointing authority shall observe the provisions of the Constitution regarding gender balance, marginalized persons, minorities, the youth and persons with disabilities.

Consequently, the Management was in breach of the law.

#### **2.0 Irregular Composition of the Ward Committee Membership**

As previously reported, the thirty (30) administrative wards in the County have ward committees established pursuant to Section 13 of Uasin Gishu County Education Revolving Fund Act, 2016 to receive and vet loan applications. The Committee Members were appointed by County Executive Committee Member (CECM) for Education, Culture, Youth Affairs and Social Services in the year 2018 before the establishment of County Education Loans Board that is mandated to appoint the Ward Committees. However, available information indicates that each of the thirty (30) administrative wards has between nine (9) and twelve (12) Committee Members contrary to Section 14(1) of Uasin Gishu County Education Revolving Fund Act, 2016, which states that the ward committee shall consist of seven (7) members -

chairperson, deputy Chairperson, ward administrator, youth, women and religious organization representatives and persons with disability representative.

Consequently, the Management was in breach of the law.

### **3.0 Presentation of Financial Statements – Missing Credit Risk Analysis**

The financial statements submitted for audit for the year ended 30 June, 2020, do not contain analysis of the financial assets recorded in the financial statements into fully performing, past due and impaired, signifying the exposure to credit risk as required under significant accounting policy no.21(a) – Credit risk. No explanation has been provided for this omission.

In the circumstances the presentation of the financial statements is not consistent with the financial reporting templates issued by the Public Sector Accounting Standards Board.

### **4.0 Non-Recovery of Loans**

The statement of financial position for the year ended 30 June, 2020 reflects long term receivable from exchange transactions figure of kshs.187,706,150 which includes Kshs.101,621,500 being loans advanced to students who completed their studies in the years 2015, 2016 and 2017. However, Examination of the documents provided for audit revealed that the Management of the fund was not recovering these long outstanding loans from the beneficiaries. Further there were no clear guidelines on how and when the loans will be repaid. In this regard, recoverability of the loans is doubtful.

### **5.0 Unresolved Prior Year Audit Matters**

There were issues raised in the audit report for 2018/2019 financial year of which no report or recommendations from the Fund Management and oversight bodies were submitted for audit verification and clearance. Further, the issues remain unresolved contrary to section 149(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

Consequently, the Management was in breach of the law.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 governance.

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

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

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 ability of Fund 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**

**16 February, 2022**

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**12. FINANCIAL STATEMENTS**

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

|   | Note | 2019/2020           | 2018/2019         |
|---|------|---------------------|-------------------|
|   |      | KShs                | KShs              |
| <b>Revenue from non-exchange transactions</b> |      |                     |                   |
| Public contributions and donations            | 1    | -                   | -                 |
| Transfers from the County Government          | 2    | 33,000,000          | 55,000,000        |
| Fines, penalties and other levies             | 3    | -                   | -                 |
| <b>Revenue from exchange transactions</b>     |      |                     |                   |
| Interest income                               | 4    | 5,998               | -                 |
| Other income                                  | 5    | -                   | -                 |
|   |      | -                   | -                 |
| <b>Total revenue</b>                          |      | <b>33,005,998</b>   | <b>55,000,000</b> |
| <b>Expenses</b>                               |      |                     |                   |
| Fund administration expenses                  | 6    | -                   | -                 |
| General expenses                              | 8    | 57,925,445          | 15,263            |
| Finance costs                                 | 7    | -                   | -                 |
| <b>Total expenses</b>                         |      | <b>57,925,445</b>   | <b>15,263</b>     |
| <b>Other gains/losses</b>                     |      |                     |                   |
| Gain/loss on disposal of assets               | 9    |                     | -                 |
| <b>Surplus/( deficit) for the period</b>      |      | <b>(24,919,447)</b> | <b>54,984,737</b> |

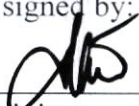
The notes set out on pages 1 to 34 form an integral part of these Financial Statements

**Uasin Gishu County Education Revolving Fund  
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**12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

|   | Note | 2019/2020          | 2018/2019          |
|---|------|--------------------|--------------------|
|   |      | KShs               | KShs               |
| <b>Assets</b>   |      |                    |                    |
| <b>Current assets</b>   |      |                    |                    |
| Cash and cash equivalents   | 11   | 38,380,025         | 63,299,472         |
| Current portion of long-term receivables from exchange transactions |      | -                  | -                  |
| Prepayments   |      | -                  | -                  |
| Inventories   | 13   | -                  | -                  |
|   |      | 38,380,025         | 63,299,472         |
| <b>Non-current assets</b>   |      |                    |                    |
| Property, plant and equipment                                       | 14   | -                  | -                  |
| Intangible assets   | 15   | -                  | -                  |
| Long term receivables from exchange transactions                    | 12   | 187,706,150        | 129,785,370        |
|   |      |                    |                    |
| <b>Total assets</b>   |      | <b>226,086,175</b> | <b>193,084,842</b> |
| <b>Liabilities</b>  |      |                    |                    |
| <b>Current liabilities</b>  |      |                    |                    |
| Trade and other payables from exchange transactions                 | 16   | -                  | -                  |
| Provisions  | 17   | -                  | -                  |
| Current portion of borrowings                                       | 18   | -                  | -                  |
| Employee benefit obligations  | 19   | -                  | -                  |
|   |      | -                  | -                  |
| <b>Non-current liabilities</b>                                      |      |                    |                    |
| Non-current employee benefit obligation                             | 19   | -                  | -                  |
| Long term portion of borrowings                                     | 18   | -                  | -                  |
| <b>Total liabilities</b>  |      | <b>-</b>           | <b>-</b>           |
|   |      |                    |                    |
| <b>Net assets</b>   |      | <b>226,086,175</b> | <b>193,084,842</b> |
| Revolving Fund  |      | 193,084,842        | 138,100,105        |
| Reserves  |      |                    |                    |
| Accumulated surplus   |      | 33,001,333         | 54,984,737         |
| <b>Total net assets and liabilities</b>                             |      | <b>226,086,175</b> | <b>193,084,842</b> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 2/12/20 2020 and signed by:

  
Administrator of the Fund

Name: STEPHEN KEMOI

  
Fund Accountant

Name: LENA TOM

**Uasin Gishu County Education Revolving Fund  
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**12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

|                                   | <b>Revolving Fund</b> | <b>Revaluation Reserve</b> | <b>Accumulated surplus</b> | <b>Total</b>       |
|-----------------------------------|-----------------------|----------------------------|----------------------------|--------------------|
|                                   |                       |                            |                            |                    |
|                                   |                       | <b>KShs</b>                | <b>KShs</b>                | <b>KShs</b>        |
| <b>Balance as at 1 July 2018</b>  | <b>138,100,105</b>    | -                          | -                          | <b>138,100,105</b> |
| Surplus/(deficit) for the period  | -                     | -                          | 54,984,737                 | 54,984,737         |
| Funds received during the year    | -                     | -                          | -                          | -                  |
| Revaluation gain                  | -                     | -                          | -                          | -                  |
| <b>Balance as at 30 June 2019</b> | <b>193,084,842</b>    | -                          | -                          | <b>193,084,842</b> |
| <b>Balance as at 1 July 2019</b>  | <b>193,084,842</b>    | -                          | -                          | <b>193,084,842</b> |
| Surplus/(deficit) for the period  | -                     | -                          | 33,001,333                 | 33,001,333         |
| Funds received during the year    | -                     | -                          | -                          | -                  |
| Revaluation gain                  | -                     | -                          | -                          | -                  |
| <b>Balance as at 30 June 2020</b> | <b>226,086,175</b>    | -                          | -                          | <b>226,086,175</b> |

**Uasin Gishu County Education Revolving Fund  
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**12.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020**

|  | Note | 2019/2020         | 2018/2019         |
|--|------|-------------------|-------------------|
|  |      | KShs              | KShs              |
| <b>Cashflows from operating activities</b>                           |      |                   |                   |
| <b>Receipts</b>  |      |                   |                   |
| Public contributions and donations                                   |      | -                 | -                 |
| Transfers from the County Government                                 | 2    | 33,000,000        | 55,000,000        |
| Interest received  | 4    | 5,998             | -                 |
| Receipts from other operating activities                             |      | -                 | -                 |
| <b>Total Receipts</b>  |      | <b>33,005,998</b> | <b>55,000,000</b> |
| <b>Payments</b>  |      |                   |                   |
| Fund administration expenses   |      | -                 | -                 |
| General expenses   | 8    | (4,665)           | (15,263)          |
| Finance cost   |      | -                 | -                 |
|  |      |                   |                   |
| <b>Adjusted for:</b>   |      |                   |                   |
| Decrease/(Increase) in Accounts receivable:<br>(outstanding imprest) | 21   | -                 | -                 |
| Increase/(Decrease) in Accounts Payable:<br>(deposits and retention) | 22   | -                 | -                 |
|  |      |                   |                   |
| <b>Net cash flows from operating activities</b>                      |      | <b>33,001,333</b> | <b>54,984,737</b> |
|  |      |                   |                   |
| <b>Cash flows from investing activities</b>                          |      |                   |                   |
| Purchase of property, plant, equipment and<br>intangible assets      |      | -                 | -                 |
| Proceeds from sale of property, plant and equipment                  |      | -                 | -                 |
| Proceeds from loan principal repayments                              |      | -                 | -                 |
| Loan disbursements paid out  | 12   | (57,920,780)      | (33,838,500)      |
| <b>Net cash flows used in investing activities</b>                   |      |                   |                   |
|  |      |                   |                   |
| <b>Cash flows from financing activities</b>                          |      |                   |                   |
| Proceeds from revolving fund receipts                                |      | -                 | -                 |
| Additional borrowings  |      | -                 | -                 |
| Repayment of borrowings  |      | -                 | -                 |
| <b>Net cash flows used in financing activities</b>                   |      |                   |                   |
| <b>Net increase/(decrease) in cash and cash<br/>equivalents</b>      |      |                   | <b>21,146,238</b> |

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|   |    |              |            |
|---|----|--------------|------------|
|   |    | (24,919,447) |            |
| Cash and cash equivalents at 1 JULY 2019  | 11 | 63,299,472   | 42,153,234 |
| Cash and cash equivalents at 30 JUNE 2020 | 11 | 38,380,025   | 63,299,472 |

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

|                                       | Original<br>budget | Adjustments       | Final<br>budget   | Actual on<br>comparable<br>basis | Performance<br>difference | %<br>utiliza<br>tion |
|---------------------------------------|--------------------|-------------------|-------------------|----------------------------------|---------------------------|----------------------|
|                                       | 2020               | 2020              | 2020              | 2020                             | 2020                      | 2020                 |
| <b>Revenue</b>                        | <b>KShs</b>        | <b>KShs</b>       | <b>KShs</b>       | <b>KShs</b>                      | <b>KShs</b>               |                      |
| Public contributions<br>and donations | -                  | -                 | -                 | -                                | -                         | -                    |
| Transfers from County<br>Govt.        | 82,640,000         | 42,640,000        | 40,000,000        | 33,000,000                       | 7,000,000                 | 83%                  |
| Interest income                       | -                  | -                 | -                 | 5,998                            | (5,998)                   | 100%                 |
| Other income                          | -                  | -                 | -                 | -                                | -                         |                      |
| <b>Total income</b>                   | <b>82,640,000</b>  | <b>42,640,000</b> | <b>40,000,000</b> | <b>33,005,998</b>                | <b>6,994,002</b>          | <b>-</b>             |
| <b>Expenses</b>                       |                    |                   |                   |                                  |                           |                      |
| Fund administration<br>expenses       | 4,482,000          | -                 | 4,482,000         | -                                | 4,482,000                 | -                    |
| General expenses                      |                    | -                 |                   | -                                | -                         | -                    |
| Finance cost                          |                    | -                 | -                 | 4,665                            | (4,665)                   | 100%                 |
| Loans Advances                        |                    | -                 | 35,518,000        | 57,920,780                       | (22,402,780)              | 163%                 |
| <b>Total expenditure</b>              | <b>4,482,000</b>   | <b>-</b>          | <b>40,000,000</b> | <b>57,925,445</b>                | <b>(17,925,445)</b>       | <b>145%</b>          |
| <b>Surplus for the<br/>period</b>     | <b>-</b>           | <b>-</b>          | <b>-</b>          | <b>(24,919,447)</b>              | <b>24,919,447</b>         | <b>100%</b>          |

**Uasin Gishu County Education Revolving Fund  
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**12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

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

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

**c) Early adoption of standards**

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

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

**3. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

**Interest income**

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

**4. Budget information**

The original budget for FY 2019/2020 was approved by the County Assembly on 30 June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of nil on the FY 2019/2020 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 7.4 of these financial statements.

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

**5. Property, plant and equipment**

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

**6. Intangible assets**

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

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

**7. Financial instruments**

**Financial assets**

**Initial recognition and measurement**

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

**Loans and receivables**

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

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

### **Held-to-maturity**

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

### **Impairment of financial assets**

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

- The debtors or 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)

### **Financial liabilities**

#### **Initial recognition and measurement**

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

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

#### **Loans and borrowing**

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

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

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

**8. Inventories**

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**9. Provisions**

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

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

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

**Contingent liabilities**

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

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

**Contingent assets**

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

**10. Nature and purpose of reserves**

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

**Changes in accounting policies and estimates**

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

**11. 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.

**12. Foreign currency transactions**

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

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

**13. 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.

**14. Related parties**

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

**15. 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.

**16. Comparative figures**

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

**17. Events after the reporting period**

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

**18. Ultimate and Holding Entity**

The entity is a County Public Fund established by Uasin Gishu County Education Revolving Fund Act of 2014 amended in 2016 under the department and youth affairs. Its ultimate parent is the County Government of Uasin Gishu.

**19. Currency**

The financial statements are presented in Kenya Shillings (KShs)

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

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

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

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

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

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

**21. Financial risk management**

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

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

**a) Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

|  | <b>Total amount KShs</b> | <b>Fully performing KShs</b> | <b>Past due KShs</b> | <b>Impaired KShs</b> |
|--|--------------------------|------------------------------|----------------------|----------------------|
| <b>At 30 June 2020</b>                     |                          |                              |                      |                      |
| Receivables from exchange transactions     | -                        | -                            | -                    | -                    |
| Receivables from non-exchange transactions | -                        | -                            | -                    | -                    |
| Bank balances                              | -                        | -                            | -                    | -                    |
| <b>Total</b>                               |                          |                              |                      |                      |
| <b>At 30 June 2019</b>                     |                          |                              |                      |                      |
| Receivables from exchange transactions     | -                        | -                            | -                    | -                    |
| Receivables from non-exchange transactions | -                        | -                            | -                    | -                    |
| Bank balances                              | -                        | -                            | -                    | -                    |
| <b>Total</b>                               | -                        | -                            | -                    | -                    |

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

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

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

**b) Liquidity risk management**

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

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

|                               | <b>Less than 1<br/>month</b> | <b>Between 1-<br/>3 months</b> | <b>Over 5<br/>months</b> | <b>Total</b> |
|-------------------------------|------------------------------|--------------------------------|--------------------------|--------------|
|                               | <b>KShs</b>                  | <b>KShs</b>                    | <b>KShs</b>              | <b>KShs</b>  |
| <b>At 30 June 2020</b>        |                              |                                |                          |              |
| Trade payables                | -                            | -                              | -                        | -            |
| Current portion of borrowings | -                            | -                              | -                        | -            |
| Provisions                    | -                            | -                              | -                        | -            |
| Employee benefit obligation   | -                            | -                              | -                        | -            |
| <b>Total</b>                  | -                            | -                              | -                        | -            |
| <b>At 30 June 2019</b>        |                              |                                |                          |              |
| Trade payables                | -                            | -                              | -                        | -            |
| Current portion of borrowings | -                            | -                              | -                        | -            |
| Provisions                    | -                            | -                              | -                        | -            |
| Employee benefit obligation   | -                            | -                              | -                        | -            |
| <b>Total</b>                  |                              |                                |                          |              |

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

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

|  |             | <b>Other currencies</b> | <b>Total</b> |
|--|-------------|-------------------------|--------------|
|  | <b>KShs</b> | <b>KShs</b>             | <b>KShs</b>  |
| <b>At 30 June 2020</b>                 |             |                         |              |
| Financial assets                       | -           | -                       | -            |
| Investments                            | -           | -                       | -            |
| Cash                                   | -           | -                       | -            |
| Debtors/ receivables                   | -           | -                       | -            |
| <b>Liabilities</b>                     |             |                         |              |
| Trade and other payables               | -           | -                       | -            |
| Borrowings                             | -           | -                       | -            |
| Net foreign currency asset/(liability) | -           | -                       | -            |

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

**Foreign currency sensitivity analysis**

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

|             | <b>Change in<br/>currency rate</b> | <b>Effect on surplus/<br/>deficit</b> | <b>Effect on<br/>Equity</b> |
|-------------|------------------------------------|---------------------------------------|-----------------------------|
|             | <b>KShs</b>                        | <b>KShs</b>                           | <b>KShs</b>                 |
| <b>2020</b> |                                    |                                       |                             |
| Euro        | 10%                                | -                                     | -                           |
| USD         | 10%                                | -                                     | -                           |
| <b>2019</b> |                                    |                                       |                             |
| Euro        | 10%                                | -                                     | -                           |
| USD         | 10%                                | -                                     | -                           |

**ii. Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

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

**d) Capital risk management**

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

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

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**13.7 NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

| <b>Description</b>                 | <b>2019/2020</b> | <b>2018/2019</b> |
|------------------------------------|------------------|------------------|
|                                    | <b>KShs</b>      | <b>KShs</b>      |
| Donation from development partners | -                | -                |
| Contributions from the public      | -                | -                |
| <b>Total</b>                       | -                | -                |

**2. Transfers from County Government**

| <b>Description</b>                         | <b>2019/2020</b> | <b>2018/2019</b> |
|--|------------------|------------------|
|  | <b>KShs</b>      | <b>KShs</b>      |
| Transfers from County Govt. – operations   | 33,000,000.00    | 55,000,000.00    |
| Payments by County on behalf of the entity | -                | -                |
| <b>Total</b>                               | 33,000,000.00    | 55,000,000.00    |

**3. Fines, penalties and other levies**

| <b>Description</b>     | <b>2019/2020</b> | <b>2018/2019</b> |
|------------------------|------------------|------------------|
|                        | <b>KShs</b>      | <b>KShs</b>      |
| Late payment penalties | -                | -                |
| Fines                  | -                | -                |
| <b>Total</b>           | -                | -                |

**4. Interest income**

| <b>Description</b>                  | <b>2019/2020</b> | <b>2018/2019</b> |
|-------------------------------------|------------------|------------------|
|                                     | <b>KShs</b>      | <b>KShs</b>      |
| Interest income from Mortgage loans | -                | -                |
| Interest income from car loans      | -                | -                |
| Interest income from investments    | -                | -                |
| Interest income on bank transfer    | 5,998            | -                |
| <b>Total interest income</b>        | -                | -                |

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**5. Other income**

| Description                          | 2019/2020 | 2018/2019 |
|--------------------------------------|-----------|-----------|
|                                      | KShs      | KShs      |
| Insurance recoveries                 | -         | -         |
| Income from sale of tender documents | -         | -         |
| Miscellaneous income                 |           |           |
| <b>Total other income</b>            | -         | -         |

**6. Fund administration expenses**

| Description                 | 2019/2020 | 2018/2019 |
|-----------------------------|-----------|-----------|
|                             | KShs      | KShs      |
| Staff costs                 | -         | -         |
| Loan processing costs       | -         | -         |
| Professional services costs | -         | -         |
| Administration fees         | -         | -         |
| <b>Total</b>                | -         | -         |

**7. Staff costs**

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

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

**8. General expenses**

| <b>Description</b>                  | <b>2019/2020</b>  | <b>2018/2019</b> |
|-------------------------------------|-------------------|------------------|
|                                     | <b>KShs</b>       | <b>KShs</b>      |
| Consumables                         | -                 | -                |
| Electricity and water expenses      | -                 | -                |
| Fuel and oil costs                  | -                 | -                |
| Insurance costs                     | -                 | -                |
| Postage                             | -                 | -                |
| Printing and stationery             | -                 | -                |
| Rental costs                        | -                 | -                |
| Security costs                      | -                 | -                |
| Telecommunication                   | -                 | -                |
| Bank Charges                        | 4,665             | 15,263           |
| Hospitality                         | -                 | -                |
| Depreciation and amortization costs | -                 | -                |
| Other expenses                      | 57,920,780        | -                |
| <b>Total</b>                        | <b>57,925,445</b> | <b>15,263</b>    |

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**9. Finance costs**

| <b>Description</b>           | <b>2019/2020</b> | <b>2018/2019</b> |
|------------------------------|------------------|------------------|
|                              | <b>KShs</b>      | <b>KShs</b>      |
| Interest on Bankoverdrafts   | -                | -                |
| Interest on loans from banks | -                | -                |
| <b>Total</b>                 | <b>-</b>         | <b>-</b>         |

**10. Gain/(loss) on disposal of assets**

| <b>Description</b>            | <b>2019/2020</b> | <b>2018/2019</b> |
|-------------------------------|------------------|------------------|
|                               | <b>KShs</b>      | <b>KShs</b>      |
| Property, plant and equipment | -                | -                |
| Intangible assets             | -                | -                |
| <b>Total</b>                  | <b>-</b>         | <b>-</b>         |

**11. Cash and cash equivalents**

| <b>Description</b>                     | <b>2019/2020</b>  | <b>2018/2019</b>  |
|--|-------------------|-------------------|
|  | <b>KShs</b>       | <b>KShs</b>       |
| Car loan account                       | -                 | -                 |
| County mortgage account                | -                 | -                 |
| Fixed deposits account                 | -                 | -                 |
| On – call deposits                     | -                 | -                 |
| Current account                        | <b>38,380,025</b> | <b>63,299,472</b> |
| Others                                 | -                 | -                 |
| <b>Total cash and cash equivalents</b> | <b>38,380,025</b> | <b>63,299,472</b> |

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

|                                  |                | 2019/2020  | 2018/2019  |
|----------------------------------|----------------|------------|------------|
| Financial institution            | Account number | KShs       | KShs       |
| <b>a) Fixed deposits account</b> |                |            |            |
| Kenya Commercial bank            |                | -          | -          |
| Equity Bank, etc                 |                | -          | -          |
| <b>Sub- total</b>                |                | -          | -          |
| <b>b) On - call deposits</b>     |                |            |            |
| Kenya Commercial bank            |                | -          | -          |
| Equity Bank - etc                |                | -          | -          |
| <b>Sub- total</b>                |                | -          | -          |
| <b>c) Current account</b>        |                |            |            |
| Kenya Commercial bank            | 1178078094     | 38,380,025 | 63,299,472 |
| Bank B                           |                |            |            |
| <b>Sub- total</b>                |                | 38,380,025 | 63,299,472 |
| <b>d) Others(specify)</b>        |                | -          | -          |
| Cash in transit                  |                | -          | -          |
| Cash in hand                     |                | -          | -          |
| M Pesa                           |                | -          | -          |
| <b>Sub- total</b>                |                | -          | -          |
| <b>Grand total</b>               |                | 38,380,025 | 63,299,472 |

**12. Receivables from exchange transactions**

| Description  | 2019/2020   | 2018/2019   |
|--|-------------|-------------|
|  | KShs        | KShs        |
| <b>Current Receivables</b>                         |             |             |
| Interest receivable                                | -           | -           |
| Current loan repayments due                        | -           | -           |
| Otherexchangedebtors                               | -           | -           |
| Less:impairmentallowance                           | -           | -           |
| <b>Total Current receivables</b>                   |             |             |
| <b>Non-Current receivables</b>                     |             |             |
| Long term loan repayments due                      | 187,706,150 | 129,785,370 |
| <b>Total Non- current receivables</b>              | -           | -           |
| <b>Totalreceivables from exchange transactions</b> | 187,706,150 | 129,785,370 |

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**Additional disclosure on interest receivable**

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

**13. Revenue from Non-Exchange transaction**

|  | <b>KShs</b>      | <b>KShs</b>      |
|--|------------------|------------------|
| <b>Description</b>                                     | <b>2019/2020</b> | <b>2018/2019</b> |
|  | <b>KShs</b>      | <b>KShs</b>      |
| Transfer to County Executive                           | -                | -                |
| Transfer to Fund                                       | -                | -                |
| <b>Totalreceivables from non-exchange transactions</b> | <b>-</b>         | <b>-</b>         |

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

**14. Prepayments**

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

**15. Inventories**

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

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16. Property, plant and equipment

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

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

**17. Intangible assets-software**

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

**18. Trade and other payables from exchange transactions**

| Description                       | 2019/2020 | 2018/2019 |
|-----------------------------------|-----------|-----------|
|                                   | KShs      | KShs      |
| Tradepayables                     | -         | -         |
| Refundable deposits               | -         | -         |
| Accrued expenses                  | -         | -         |
| Otherpayables                     | -         | -         |
| <b>Totaltradeandotherpayables</b> | -         | -         |

**19. Provisions**

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

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

**20. Borrowings**

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

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

|   | <b>2019/2020</b> | <b>2018/2019</b> |
|---|------------------|------------------|
|   | <b>KShs</b>      | <b>KShs</b>      |
| <b>External Borrowings</b>                        |                  |                  |
| Dollar denominated loan from Organisation         | -                | -                |
| Sterling Pound denominated loan from Organisation | -                | -                |
| Euro denominated loan from Organisation'          | -                | -                |
| <b>Domestic Borrowings</b>                        |                  |                  |
| Kenya Shilling loan from KCB                      | -                | -                |
| Kenya Shilling loan from Barclays Bank            | -                | -                |
| Kenya Shilling loan from Consolidated Bank        | -                | -                |
| Borrowings from other government institutions     | -                | -                |
| <b>Total balance at end of the year</b>           | -                | -                |

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

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

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

**21. CHANGES IN RECEIVABLE**

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

**22. CHANGES IN ACCOUNTS PAYABLE**

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

**23. Employee benefit obligations**

| Description                              | Defined benefit plan | Post-employment medical benefits | Other Provisions | Total |
|--|----------------------|----------------------------------|------------------|-------|
|  | KShs                 | KShs                             | KShs             | KShs  |
| Current benefit obligation               | -                    | -                                | -                | -     |
| Non-current benefit obligation           | -                    | -                                | -                | -     |
| <b>Totalemployee benefits obligation</b> | -                    | -                                | -                | -     |

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

**24. Cash generated from operations**

|   | 2019/2020 | 2018/2019 |
|---|-----------|-----------|
|   | KShs      | KShs      |
| <b>Surplus/ (deficit) for the year before tax</b> | -         | -         |
| <b>Adjusted for:</b>                              |           |           |
| Depreciation                                      | -         | -         |
| Amortisation                                      | -         | -         |
| Gains/ losses on disposal of assets               | -         | -         |
| Interest income                                   | -         | -         |
| Finance cost                                      | -         | -         |
| <b>Working Capital adjustments</b>                |           |           |
| Increase in inventory                             | -         | -         |
| Increase in receivables                           | -         | -         |
| Increase in payables                              | -         | -         |
| <b>Net cash flow from operating activities</b>    | -         | -         |

**25. 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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**b) Related party transactions**

|   | 2019/2020 | 2018/2019  |
|---|-----------|------------|
|   | KShs      | KShs       |
| Transfers from related parties <sup>7</sup> | -         | 55,000,000 |
| Transfers to related parties                | -         | -          |

**c) Key management remuneration**

|                             | 2019/2020 | 2018/2019 |
|-----------------------------|-----------|-----------|
|                             | KShs      | KShs      |
| Board of Trustees           | -         | -         |
| Key Management Compensation | -         | -         |
| <b>Total</b>                | -         | -         |

**d) Due from related parties**

|                            | 2019/2020 | 2018/2019 |
|----------------------------|-----------|-----------|
|                            | KShs      | KShs      |
| Due from parent Ministry   | -         | -         |
| Due from County Government | -         | -         |
| <b>Total</b>               | -         | -         |

**e) Due to related parties**

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

**26. Contingent assets and contingent liabilities**

| <b>Contingent liabilities</b> | 2019/2020 | 2018/2019 |
|-------------------------------|-----------|-----------|
|                               | KShs      | KShs      |
| Court case against the Fund   | -         | -         |
| Bank guarantees               | -         | -         |
| <b>Total</b>                  | -         | -         |

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

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

| <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> |
|---|--|--|--|--|---|
| 1.0   | County Education Loans Board             | The County Education Loans Board was established   | County Executive Committee Member for Education culture youth sports and social services | Resolved                                 |   |
| 2.0   | Irregular Appointment of Ward Committee  | The ward committees to be appointed as per the Act of 2016. County Education Revolving Fund. | County Executive Committee Member for Education culture youth sports and social services | In progress                              |   |
| 3.0   | Unapproved Annual Estimates              | The Annual Estimates were approved   | Fund administrator   | Resolved                                 |   |

