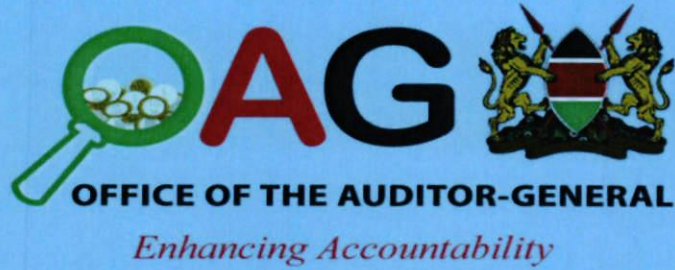


REPUBLIC OF KENYA



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# REPORT

OF

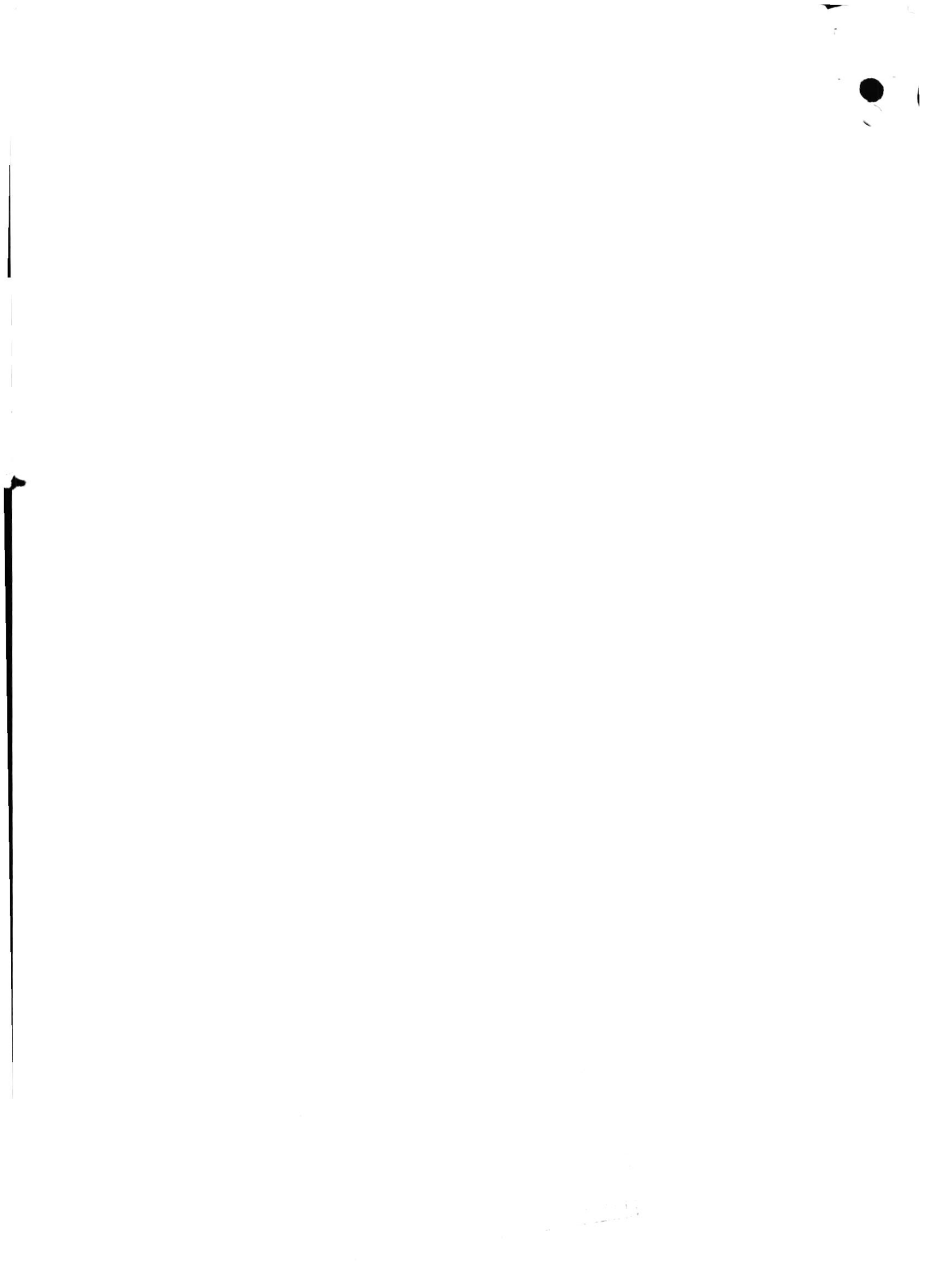
## THE AUDITOR-GENERAL

ON

### LAMU COUNTY BURSARY AND SCHOLARSHIP FUND

FOR THE YEAR ENDED  
30 JUNE, 2019

PAPERS LAID	
DATE	16-02-2022
TABLED BY	LEADER OF MAJORITY
COMMITTEE	
CLERK AT THE TABLE	M. ADJIBODDU





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**LAMU COUNTY BURSARY AND SCHOLARSHIP BOARD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019**

---

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

*Lamu County Bursary and Scholarship Board*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**TABLE OF CONTENTS**

1.	KEY FUND INFORMATION AND MANAGEMENT.....	1
2.	THE BOARD OF TRUSTEES .....	4
3.	MANAGEMENT TEAM.....	6
4.	BOARD CHAIPERSON’S REPORT .....	7
5.	REPORT OF THE FUND ADMINISTRATOR.....	9
6.	CORPORATE GOVERNANCE STATEMENT .....	10
7.	MANAGEMENT DISCUSSION AND ANALYSIS .....	12
8.	CSR STATEMENT/SUSTAINABILITY REPORTING .....	13
9.	REPORT OF THE TRUSTEES .....	14
10.	STATEMENT OF MANAGEMENT’S RESPONSIBILITIES .....	15
11.	REPORT OF THE INDEPENDENT AUDITOR .....	17
12.	FINANCIAL STATEMENTS.....	18
12.1.	STATEMENT OF FINANCIAL PERFORMANCE.....	18
12.2.	STATEMENT OF FINANCIAL POSITION .....	19
12.3.	STATEMENT OF CHANGES IN NET ASSETS.....	20
12.4.	STATEMENT OF CASH FLOWS .....	21
12.5.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS ....	22
12.6.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	23
12.7.	NOTES TO THE FINANCIAL STATEMENTS.....	33
13.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	35

**1. KEY FUND INFORMATION AND MANAGEMENT**

**a) Background information**

Lamu County Bursary and Sponsorship Board is established by and derive its authority and accountability from Lamu County Bursary and Scholarship Act of 2014. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

The fund's objective to provide funds to be used for granting bursaries and scholarships to assist students in secondary schools, colleges and universities to pursue education at such recognized institutions and to fund other educational activities to improve performance in the education sector

The Fund's principal activity is awarding scholarship and bursaries to needy students of Lamu County.

**b) Principal Activities**

- a) To formulate sound policies for regulating the management of the Fund.
- b) To raise and solicit funds and other assistance to promote the functions of the Board.
- c) To set criteria and conditions governing the granting of bursaries and scholarships.
- d) To receive any gifts, donations, grants or endowments made to the Board and to make legitimate disbursements there from.
- e) To establish and maintain links with other person, bodies, or organizations within or outside Kenya, as the Board may consider appropriate for the furtherance of the purposes for which the Board is established.
- f) Grant bursaries and scholarships to eligible students upon recommendations of the committee.
- g) To consider appeals from the committees.
- h) Give annual reports and activities of the Board and Committee, to the Education Executive Committee Member.
- i) To organize payments to beneficiaries institutions and receive receipts from institutions
- j) Prepare regular reports for submission to the County Assembly on the execution of the functions of the Board.

**Lamu County Bursary and Scholarship Board**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

**Vision**

An exemplary customer service regulatory body, raising a generation of professionals and transformational leaders through bursaries and scholarships

**Mission**

To help in financing individuals through bursary and scholarship programmes at all educational levels.

**Objectives**

- a) Improve the standard of performance in education in Lamu County.
- b) Promote transitions and completion rates
- c) Develop and nurture human resource of Lamu County and the country at large
- d) Reduce disparities and inequalities in the provisions of education
- e) Ensure retention of students in secondary schools, colleges and universities
- f) Reduce the burden of financing education on the citizen
- g) To promote the educational enrolment of the marginalized community in Lamu County

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

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

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Omar Mohamed Maulana	Chairman
2	Omar Shemote	Member
3	Ann Musyoka	Member
4	Fred Kariuki	Member
5	Mohammad Sharif	Member
6	Munna Fankupi	Member
7	Maryam Abdalla	Ag Secretary of the Board

**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Mohamed Sagara	Chief Officer - Education and Vocational Training
2	Fatma Said Abdalla	Chief officer – Finance and Accounting Service
3	Maryam Abdalla	Acting Secretary - The County Bursary and Scholarship Fund of Lamu

**e) Registered Offices**

County Government of Lamu Headquarters  
P.O. Box 74- 80500  
Mokowe, Lamu

**f) Fund Contacts**

Telephone: (254) 715555111/772576122  
E-mail: [treasury@lamu.go.ke](mailto:treasury@lamu.go.ke)  
Website: [www.lamu.go.ke](http://www.lamu.go.ke)

**g) Fund Bankers**

Gulf African Bank  
Lamu Branch  
P.O. Box 191- 80500  
Lamu-Kenya

**h) Independent Auditors**





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

**i) Principal Legal Adviser**




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

**2. THE BOARD OF TRUSTEES**

The board of trustees during the financial year consisted of:



	<p><b><u>Omar Maulana - Chairman</u></b>  Omar Maulana was appointed Chairman on 10<sup>th</sup> September 2017. He holds diploma in Education. Before his appointment as the Chairman, he served as Board of bursary Lamu West CDF and Member to Lamu water and sewerage company ( LAWASCO)</p>
	<p><b>Omar Shee Mote – Member</b>  Born in Lamu in year 1971, Omar Shee Mote was appointed as a Member to the Board. He has Bachelor in Education from Kenya Methodist University. He has also held various top management positions in different institutions.</p>
	<p><b>Mohamed Sharif – Member</b>  Mohamed Sharif has Bachelor degree in Administration Finance option. Born 1st January 1961 and former Accountant at Kuwait embassy he brings a lot of experience to the Lamu Bursary and Scholarship Board.</p>
	<p><b>Mrs. Munna Fankupi - Member</b>  Mrs Munna Fankupi holds Bachelor of Arts – Economics from Moi University. She has 10 years’ experience working in bank where she rose from operation officer to Bank Branch Manager.</p>

**Lamu County Bursary and Scholarship Board**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

	<p><b>Mr. Ann Musyoki Member</b> Born and raised in Lamu, Ann holds Certificate in ECDE. She has 15 years' experience in education field</p>
	<p><b>Mr. Fredrick Kariuki Member</b> Born and raised in Lamu on 23<sup>rd</sup> December 1962 .He holds KCSE level and boost Over 20 years' experience in social work</p>
	<p><b>Mrs Maryam Abdalla – Ag. Secretary</b> Born 21<sup>st</sup> October 1974 Lamu and a holder of Bachelor degree of Business Administration- Human Resource option, Maryam has 20 years' experience in technical ,managerial and administration</p>

**3. MANAGEMENT TEAM**

The management during the financial year consisted of:

	<p><b>Mr. Mohamed Shee Sagara – Fund Administrator</b></p> <p>He holds Bachelor degree in education and Master Degree in Administration planning and Management. Before his appointment as County Chief Officer ,he was County Director of Education (TSC)</p>
	<p><b>Mrs Mariam Abdalla – Ag. Secretary</b></p> <p>Born 21<sup>st</sup> October 1974 Lamu and a holder of Bachelor degree of Business Administration- Human Resource option, Maryam has 20 years' experience in technical ,managerial and administration</p>

#### **4. BOARD CHAIRPERSON'S REPORT**

It is my pleasure to present, on behalf of the board, Lamu County Bursary and Scholarship fund financial statements for the year ended 30<sup>th</sup> June 2019. The financial statements present the financial performance of the fund over the past year.

##### **Sustainability**

In our pursuit to improve on transparency and accountability in public financial management, I present the 2018/2019 annual report and financial statement for the Lamu County Bursary and Scholarship Fund. The Lamu County Bursary and Scholarship Fund has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the Public Finance Management Act (2012) and its regulations and other applicable laws on public finance.

##### **Board and Management Changes**

During the year, there was management changes where Fund Administrators were reshuffle. The Board management is expected to enhance efficiency in service delivery.

##### **Review of performance**

##### **Revenue**

The Fund received revenues amounting to Kshs. 126,903,154.00 from non exchange transactions. The transfers from county government grants amounted to Kshs. 126,902,554.00 while Kshs. 600.00 was interest income Overall revenue increased by 47.28%. Bursary disbursements during the period were carried out as per the Annual work plan with the coordinated efforts by all stakeholders.

##### **Expenditures**

The total expenditures during the period amounted to Kshs. 120,291,369 out of which the administration expenses amounted to Kshs. 3,796,715.94 acquisition of fixed asset Ksh. 364,000.00 and Ksh. 116,130,653 for bursaries and scholarships.

##### **Future outlook**

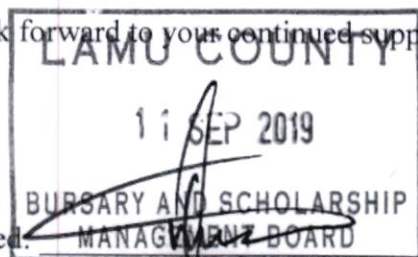
The outlook of the Fund for 2019/2020 looks brighter. The fund looks forward to continued support from the county government and development partners to the realization of its mandate.

**BOARD CHAIRPERSON'S REPORT (Continued)**

**Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the County Government of Lamu, development partners, stakeholders, management, staff and fellow Board Members for their continued support which made us achieve these results.

I look forward to your continued support in the year 2019/2020.



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

**Omar Maulana  
Board Chairman**

## **5. REPORT OF THE FUND ADMINISTRATOR**

The Lamu County Bursary and Scholarships Management Board achieved great milestone in the decisions it made. In compliance with the Constitutional requirement and achieving vision 2030 the Board had set uniform criteria and guidelines that promoted equity, equality and fairness in granting of bursaries and scholarships to the people of Lamu. The Board made sure that equal rights are provided to the marginalized and people living with disability.

The Board has in a great extent involved stakeholders creating a cohesive environment that allowed it to carry its mandate effectively and efficiently. The Board was able to instantly address grievances and acknowledges commendations from the public. The Board has embraced technology in its service delivery and office operations.

### **Financial Performance**

#### **a) Revenue**

The fund earned revenues amounting to Kshs. 126,903,154.00 from non-exchange transactions. The revenue from gifts and donations amounted to Kshs. 126,902,554.00 while Kshs. 600.00 was interest income. Overall revenue increased by Ksh. 66,902,054.00

#### **b) Expenditures**

The total expenditures during the period amounted to Kshs. 120,291,369 out of which the administration expenses amounted to Kshs. 3,796,715.94 acquisition of fixed asset Kshs. 364,000.00 and Kshs. 116,130,653.00 for bursaries and scholarships.

### **Conclusion**

FY 2018/2019 was a good year in general. Good progress was made and the momentum has been created to enable the Board continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank the board members for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Lamu County Bursary and Scholarship Board achieves its mission.

Signed:

  
BURSARY AND SCHOLARSHIP  
MANAGEMENT BOARD

**Mohamed Shee Sagara,**  
**Fund Administrator.**

## **6. CORPORATE GOVERNANCE STATEMENT**

### **THE BOARD**

Lamu County Bursary and Sponsorship Board is established by and derive its authority and accountability from Lamu County Bursary and Scholarship Act of 2014. The Board's objective is to provide funds to be used for granting bursaries and scholarships to assist students in secondary schools, colleges and universities to pursue education at such recognized institutions and to fund other educational activities to improve performance in the education sector.

The Board is committed to ensuring compliance with Lamu County Bursary and Scholarship Act of 2014. Essential to the Act ensures that management together with the board of trustees at are at its apex.

### **THE MEMBERS OF THE BOARD**

#### **Process of Appointment and Removal of Trustees**

- (1) The Board shall consist of the following persons appointed by the Governor-
  - (a) Chairman,
  - (b) Five members, of which THREE shall be Members of the County Assembly;
  - (c) Secretary,
- (2) The members of the Board other than the Secretary shall hold office for a period of three consecutive years and may be eligible for re-appointment.
- (3) The office of a member of the Board other than the Secretary, shall fall vacant
  - (a) If he submits his resignation in writing under his hand to the Governor through the Secretary;
  - (b) If the Board is satisfied that such a member is by reason of his physical or mental infirmity unable to ' execute the functions of his office;
  - (c) If he has been adjudged bankrupt by "a competent court of law or has committed a criminal offence which directly or otherwise reflects adversely on his status as a member of the Board;
  - (d) If he is found to have been in contravention of Chapter Six of the Constitution of Kenya; or
  - (e) Upon his death.
- (4) Where the office of a member becomes vacant under subsection (3), the Secretary, Shall forthwith notify the vacancy to the appointing authority for appropriate action.

The board of members is responsible for the long-term strategic direction of the fund .The board of members' exercises leadership, enterprise, integrity and judgment in directing the Fund.

The members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator

## **6. CORPORATE GOVERNANCE STATEMENT**

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The Board is committed to ensuring compliance with Lamu County Bursary and Scholarship Act of 2014. Essential to the Act ensures that management together with the board of trustees at are at its apex.

### **THE MEMBERS OF THE BOARD**

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The members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator

All members of the board have been taken through a comprehensive induction programme, and are adequately trained on their roles as board members. The members are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties.

### **BOARD MEETINGS**

The board of trustees meets fortnightly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets. The trustees held five full board meetings during the FY 2018/2019.

### **STATEMENT OF COMPLIANCE**

The board of trustees confirms that the fund has throughout the FY2018/2019 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

## **7. MANAGEMENT DISCUSSION AND ANALYSIS**

The fund has continued to grow over the years and the management has put measures in place to safeguard against risks. The management has ensured that we comply with statutory requirements relating to the functions of the fund.

### **Operational and financial performance of the Fund/Board**

During the period under review, the Lamu County Bursaries and Scholarship Fund had an approved budget of Kshs. 126,902,554.00. The Board was able to utilize **94.4%** of the budget

### **Key projects or investments decision implemented or ongoing**

All ward level committees used data base system which was developed to minimize; duplication, ease tracking of applicants, ease of consolidating all ward applicants data and system generated reports for Board to deliberate.

The Board also introduced scholarships programs to all KCPE students from Lamu County Primary Schools to enable them join National secondary schools. The aim of the program is to encourage good performance of local students and the schools during KCPE exams.

### **Compliance with statutory requirements**

The Fund complied with the following listed but not limited to:

- Lamu County Bursary and Scholarship Act 2014
- Lamu County Bursary and Scholarship Act 2016 (amended)
- Public Finance Management Act 2012

### **Major risks facing the Fund**

- Under staffing which hinders smooth operation of the Board activities
- High number of applicants compared to the amount allocated.

### **Conclusion**

We appreciate the unrelenting support from the board of trustees, management, staff, the county government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2019/2020.

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

The Board was not involved in any corporate social responsibility activities. However, we are looking forward to get involved in corporate social responsibility activities and the Board will come up with corporate social responsibility ideas

**Lamu County Bursary and Scholarship Board  
Reports and Financial Statements  
For the year ended June 30, 2019**

**9. REPORT OF THE BOARD**

The Board submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund affairs.

**Principal activities**

The principal activities of the Fund are to provide funds to be used for granting bursaries and scholarships to assist students in secondary schools, colleges and universities to pursue education at such recognized institutions and to fund other educational activities to improve performance in the education sector

**Results**

The results of the Fund for the year ended June 30, 2019 are set out on page 18

**Board**

The members of the Board who served during the year are shown on page 5 – 7. The changes in the Board during the financial year are as shown below:

Ref	Name	Position held	Current Position
1	Said Bwanamkuu	Chief Officer – Education and Vocational Training	Chief Officer – Lands and Physical Planning
2	Mohamed Shee Sagara	Chief Officer- Environment and Sanitation	Chief Officer – Education and Vocational Training
3	Mariam Bunu	Chief Officer – Finance and Economic Planning	Transferred to Tanariver County

**Auditors**

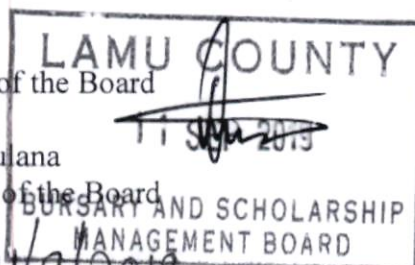
The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Board

Omar Maulana

Chairman of the Board

Date: 11/9/2019



## **10. 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 Lamu County Bursary and Scholarship Board Act 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Fund Administrator of the Lamu County Bursary and Scholarship Board is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019.

This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- c) 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;
- d) Safeguarding the assets of the Fund;
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

The Fund Administrator of the Lamu County Bursary and Scholarship Board accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Lamu County Bursary Scholarship Act 2014.

The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2019, 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 Lamu County Bursary and Scholarship Board 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

**Lamu County Bursary and Scholarship Board  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**STATEMENT OF MANagements RESPONSIBILITY (Continued)**

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**

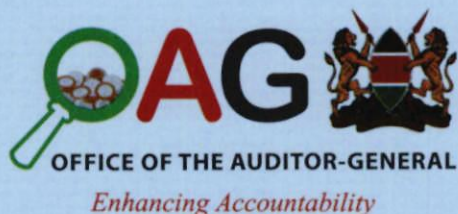
The Fund's financial statements were approved by the Board on 11/9/ 2019 and signed on its behalf by:

**LAMU COUNTY**  
11 SEP 2019  
M. S. Sagara  
BURSARY AND SCHOLARSHIP  
MANAGEMENT BOARD  
Fund Administrator

Lamu County Bursary and Scholarship Board.

# REPUBLIC OF KENYA

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Monrovia Street  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY BURSARY AND SCHOLARSHIP FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Lamu County Bursary and Scholarship Fund set out on pages 18 to 38, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lamu County Bursary and Scholarship Fund as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Lamu County Bursaries and Scholarship Act, 2014.

#### **Basis for Qualified Opinion**

##### **Bursary and Scholarship Disbursements**

The statement of financial performance reflects a figure of Kshs.116,130,653 for scholarships and bursaries for the year ended 30 June, 2019. An examination of the Fund's records revealed that an amount of Kshs.11,318,000 out of the Kshs.116,130,653 paid as bursaries and scholarships to needy students had not been acknowledged through official receipts or acknowledgement letters by the beneficiary institutions.

Consequently, the probity and accuracy of the scholarships and bursaries expenditure of Kshs.11,318,000 for the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Lamu County Bursary and Scholarship 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. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion 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**

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **Cash and Cash Equivalents**

The statement of financial position reflects a bank balance of Kshs.3,955,498 as at 30 June, 2019. However, a review of the effectiveness of the internal controls of cash and bank revealed that the recording of the cashbook was incomplete as details of the payments and voucher numbers were not indicated. Further, there were no supervisory checks to independently review monthly bank reconciliations.

Consequently, the internal controls for recording of the cashbook were not operating in an effective way.

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 continue to sustain services, disclosing, as applicable, matters related to the sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to 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.

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**


**15 November, 2021**

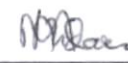
**12. FINANCIAL STATEMENTS**

**12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2019**

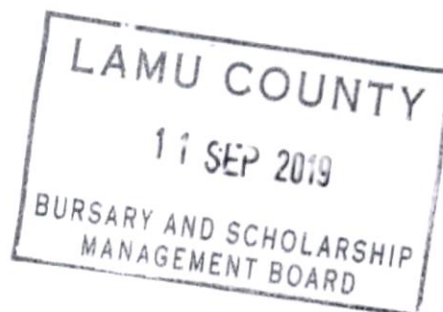
	Note	2018 - 2019 Kshs	2017 - 2018 Kshs
<b>REVENUE FROM NON - EXCHANGE TRANSACTIONS</b>			
Transfers from the County Government	1	126,902,554	60,000,000
Interest Income		600	1,100
<b>TOTAL REVENUES</b>		<b>126,903,154</b>	<b>60,001,100</b>
<b>EXPENSES</b>			
Fund administrative expenses	2	3,796,716	3,004,285
Scholarships and Bursaries	3	116,130,653	59,820,403
<b>TOTAL PAYMENTS</b>		<b>119,927,369</b>	<b>62,824,688</b>
<b>SURPLUS/DEFICIT</b>		<b>6,975,785</b>	<b>(2,823,588)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 11/9/2019 and signed by:

  
 Administrator of the Fund  
 Name: Mohamed Shee Sagara

  
 Ag. Secretary  
 Name: Maryam Abdalla

*The notes set out on pages 36 to 37 form an integral part of these Financial Statements*



**Lamu County Bursary and Scholarship Board**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	2018 - 2019 Kshs	2017 - 2018 Kshs
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	3,955,498	(2,774,442)
		<b>3,955,498</b>	<b>(2,774,442)</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	275,695	29,850
		<b>275,695</b>	<b>29,850</b>
<b>TOTAL ASSETS</b>		<b>4,231,193</b>	<b>(2,744,592)</b>
<b>LIABILITIES</b>			
Current liabilities		-	-
Non-current liabilities		-	-
<b>TOTAL LIABILITIES</b>		-	-
<b>NET ASSETS</b>		<b>4,231,193</b>	<b>(2,744,592)</b>
Accumulated surplus.		(2,744,592)	78,996
Surplus/Deficit for the year		6,975,785	(2,823,588)
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>4,231,193</b>	<b>(2,744,592)</b>

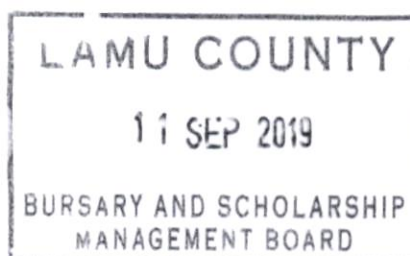
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 11/9/2019 and signed by:



Administrator of the Fund  
 Name: Mohamed Shee Sagara



Ag. Secretary  
 Name: Maryam Abdalla



**Lamu County Bursary and Scholarship Board**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**


**12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019**

	Accumulated surplus	Total
	KShs	KShs
<b>Balance as at 1 July 2017</b>	78,996	78,996
Surplus/(deficit) for the period	(2,823,588)	(2,823,588)
<b>Balance as at 30 June 2018</b>	<b>(2,744,592)</b>	<b>(2,744,592)</b>
<b>Balance as at 1 July 2018</b>	(2,744,592)	(2,744,592)
Surplus/(deficit) for the period	6,975,785	6,975,785
<b>Balance as at 30 June 2019</b>	<b>4,231,193</b>	<b>4,231,193</b>

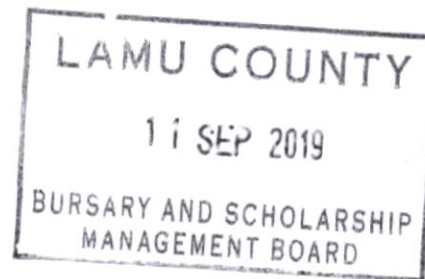
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 11/9/ 2019 and signed by:



\_\_\_\_\_  
 Administrator of the Fund  
 Name: Mohamed Shee Sagara



\_\_\_\_\_  
 Ag. Secretary  
 Name: Maryam Abdalla




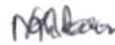
**Lamu County Bursary and Scholarship Board  
Reports and Financial Statements  
For the year ended June 30, 2019**

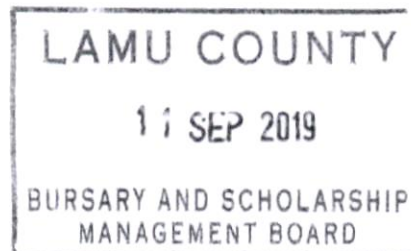
**12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018 - 2019 Kshs	2017 - 2018 Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Transfers from the County Government	1	126,903,154	60,001,100
		<b>126,903,154</b>	<b>60,001,100</b>
<b>Payments for operating expenses</b>			
Fund administrative expenses	2	3,796,716	3,004,285
Bursary disbursement	3	116,130,653	59,820,403
		<b>119,927,369</b>	<b>62,824,688</b>
<b>Adjusted for:</b>			
Changes in receivables		-	-
Changes in payables		-	-
Adjustments during the year		-	-
		<b>6,975,785</b>	<b>2,823,588</b>
<b>Net cash flow from operating activities</b>		<b>6,975,785</b>	<b>2,823,588</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	4	364,000	29,850
<b>Net cash flows from Investing Activities</b>		<b>364,000</b>	<b>29,850</b>
		<b>6,611,785</b>	<b>2,853,438</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(2,774,442)</b>	<b>78,990</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>3,955,498</b>	<b>(2,774,442)</b>
<b>Cash and cash equivalent at END of the year</b>			

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 11/9 2019 and signed by:

  
 Administrator of the Fund  
 Name: Mohamed Shee Sagara

  
 Ag. Secretary  
 Name: Maryam Abdalla



12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
		a	b	c=a+b	d	e=d-c	f=d/c %
	<b>REVENUE FROM NON - EXCHANGE TRANSACTIONS</b>						
	Gift and Donation	127,000,000	-	127,000,000	126,902,554	97,446	99.9%
	Interest Income	-	-	-	600	(600)	-
	Direct deposit	-	-	-	-	-	
	Reversed Cheques	-	-	-	-	-	
	<b>Total Receipts</b>	<b>127,000,000</b>	<b>-</b>	<b>127,000,000</b>	<b>126,903,154</b>	<b>96,846</b>	<b>99.9%</b>
	<b>EXPENSES</b>						
	Fund administrative expenses	3,810,000	-	3,810,000	3,796,716	350,716	109%
	Bursary disbursement	123,190,000	-	123,190,000	116,130,653	7,059,347	94.4%
	<b>Grand Total</b>	<b>127,000,000</b>	<b>-</b>	<b>127,000,000</b>	<b>119,927,369</b>	<b>7,410,063</b>	<b>94.4%</b>

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

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.
<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>ST</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and Uncertainty of a Fund's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between a Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<b>IPSAS 42:</b> Social Benefits	<b>Applicable: 1st January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The

**Lamu County Bursary and Scholarship Board**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

Standard	Effective date and impact:
	<p>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 Fund;</p> <p>(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 Fund's financial performance, financial position and cash flows.</p>

**b) Early adoption of standards**

The Fund did not early – adopt any new or amended standards in year 2019.

**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 Fund and can be measured reliably.

**ii) Revenue from exchange transactions**

**Interest income**

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

**4. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on 10<sup>th</sup> May 2018. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

**Lamu County Bursary and Scholarship Board**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 12.5 of these financial statements.

**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 Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**6. Intangible assets**

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

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

**7. Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

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

*Held-to-maturity*

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

*Impairment of financial assets*

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

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

*Financial liabilities*

*Initial recognition and measurement*

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

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

*Loans and borrowing*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in 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 Fund.

**9. Provisions**

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

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

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

***Contingent liabilities***

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

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

*Contingent assets*

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

**10. Nature and purpose of reserves**

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

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

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

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

The Fund provides retirement benefits for its employees and directors. Defined contribution plans are post employment benefit plans under which an Fund pays fixed contributions into a separate Fund (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**13. Foreign currency transactions**

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

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

**14. Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**15. Related parties**

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

**16. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**17. Comparative figures**

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

**18. Events after the reporting period**

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

**19. Ultimate and Holding Fund**

The Fund is a County Public Fund established by Lamu County Bursary and Scholarship Act of 2014 approved by the County Assembly. Its ultimate parent is the County Government of Lamu education department.

**20. Currency**

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

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

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

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

**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 Fund based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**Useful lives and residual values**

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

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

**Provisions**

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

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

**22. Financial risk management**

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

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 Fund'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 Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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

*Lamu County Bursary and Scholarship Board*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**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 Fund 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 Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

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

**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 Fund 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 Fund'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 Fund's exposure to market risks or the manner in which it manages and measures the risk.

**i. Foreign currency risk**

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

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

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

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

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
<b>2019</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2018</b>		-	-
Euro	10%	-	-
USD	10%	-	-

**ii. Interest rate risk**

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund'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.

*Lamu County Bursary and Scholarship Board*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**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 Fund capital structure comprises of the following funds:

	2019	2018
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	4,231,193	(2,744,592)
<b>Total funds</b>	<b>4,231,193</b>	<b>(2,744,592)</b>
Total borrowings	-	-
Less: cash and bank balances	3,955,498	(2,774,442)
Net debt/(excess cash and cash equivalents)	275,695	29,850
<b>Gearing</b>	<b>-</b>	<b>-</b>

*Lamu County Bursary and Scholarship Board*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**12.7. NOTES TO THE FINANCIAL STATEMENTS**

<b>REVENUE FROM NON -</b>		
<b>1</b>	<b>2018 - 2019</b>	<b>2017 - 2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Gift and Donation	126,902,554	60,000,000
Interest Income	600	1,100
<b>Total</b>	<b>126,903,154</b>	<b>60,001,100</b>
<b>2</b>	<b>2018 - 2019</b>	<b>2017 - 2018</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Utilities, Supplies and Services	53,500	16,765
Communication, Supplies and Services	87,000	23,900
Domestic Travel and Subsistence	819,000	398,355
Printing, Advertising and Information Supplies & Services	26,900	16,512
Rentals of Produced Assets	180,000	29,000
Training Expenses	-	-
Hospitality Supplies and Services	1,601,000	2,090,168
Specialized Materials and Services	-	-
Office and General Supplies and Services	238,600	233,480
Other Operating Expenses	-	-
Routine Maintenance – Other Assets	25,000	34,700
Bank Charges	647,561	161,405
Depreciation	118,155	-
<b>Total</b>	<b>3,796,716</b>	<b>3,004,285</b>
<b>3</b>	<b>2018 - 2019</b>	<b>2017 - 2018</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Scholarships and other educational benefits	116,130,653	59,820,403
<b>Total</b>	<b>116,130,653</b>	<b>59,820,403</b>
<b>4</b>	<b>2018 - 2019</b>	<b>2017 - 2018</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Purchase of ICT Equipment	364,000	29,850
<b>Total</b>	<b>364,000</b>	<b>29,850</b>

*Lamu County Bursary and Scholarship Board*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**5 Bank Accounts**

Name of Bank, Account No. & currency	2018 - 2019	2017 - 2018
	Kshs	Kshs
<i>Gulf African Bank - Lamu County Bursaries and Scholarship Account No. 0570000101</i>	3,955,498	(2,774,443)
<b>Total</b>	<b>3,955,498</b>	<b>(2,774,442)</b>

**6**

Cost	Computers and office equipment	Total
	Kshs.	Kshs.
<b>At 1<sup>st</sup> July 2017</b>	-	-
Additions	29,850	29,850
Disposals	-	-
<b>At 30<sup>th</sup> June 2018</b>	<b>29,850</b>	<b>29,850</b>
<b>At 1<sup>st</sup> July 2018</b>	29,850	29,850
Additions	364,000	364,000
Disposals	-	-
<b>At 30<sup>th</sup> June 2019</b>	<b>393,850</b>	<b>393,850</b>
<b>Depreciation and impairment</b>		-
<b>At 1<sup>st</sup> July 2017</b>	-	-
Depreciation	8,955	8,955
Impairment	-	-
<b>At 30<sup>th</sup> June 2018</b>	<b>8,955</b>	<b>8,955</b>
<b>At 1<sup>st</sup> July 2018</b>	8,955	8,955
Depreciation	109,200	109,200
Disposals	-	-
Impairment	-	-
<b>At 30<sup>th</sup> June 2019</b>	<b>118,155</b>	<b>118,155</b>
<b>Net book values</b>		
<b>At 30<sup>th</sup> June 2018</b>	<b>20,895</b>	<b>20,895</b>
<b>At 30<sup>th</sup> June 2019</b>	<b>275,695</b>	<b>275,695</b>

*Lamu County Bursary and Scholarship Board*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Late submission of financial statement	The management will ensure timely submission of the financial statement	Fund Administrator	Resolved	
2.1	Financial statement prepared on cash basis instead of accrual basis	We will make sure that this is prepared and fully updated	Salma Omar – Head of Accounting	Resolved	
3.21	Statement of comparison budget with actual is omitted	The schedule has now been prepared and passed over to the auditors	Salma Omar	Resolved	