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REPORT

OF

THE AUDITOR-GENERAL

ON

**MANDERA COUNTY EDUCATION
BURSARY FUND**

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

DATE	31.6.2021	PAPERS LAID
TABLED BY	Deputy Serate myungu	
COMMITTEE		
CLERK AT THE TABLE	Kanaka M.	



MANDERA COUNTY EDUCATION BURSARY



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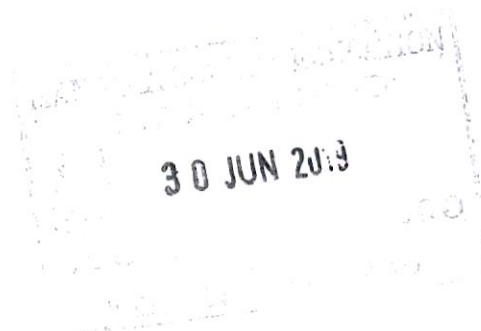
Manderacountybursary@gmail.com

MANDERA COUNTY BURSARY FUND/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)



MANDERA COUNTY BURSARY FUND

Reports and Financial Statements

For the year ended June 30, 2019

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1. KEY MANDERA COUNTY BURSARY FUND INFORMATION AND MANAGEMENT

a) Background information

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

b) Principal Activities

- **Mission**

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

- **Vision**

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

- **Objective**

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

2. THE BOARD MEMBERS

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

- Board Members
- CEO/Secretary to the Board

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

<u>Board members</u>	<u>Name</u>
One person representing the civil society	Noor Abdow
One person representing the ministry of education	Adan Hussein Ibrahim
One person representing the women	Abdia Sheikh Hassan
One person representing the person with disabilities	Abdiaziz Maalim Osman
One person representing religious leaders	Abdirizak Adow Abdullahi
One person representing the youth	Saadia Aliow Edin
Chief officer education	Abdi M ali

30 JUN 2019

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Chief officer finance

Alinoor Mohamed

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

CEO/Secretary to the Board

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

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

c) Fiduciary Management

The key management personnel who held office during the financial year 2018/2019 ending 30th JUNE 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chairperson	Abdia Sheikh Hassan
2.	CEO	Abdullahi M Abdi
3.	CCO-Education	Abdi M ALI
4.	Head of Treasury	Ismail Abdulla

Mandera County Bursary Fund Headquarters

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

d) Mandera County Bursary Fund Contacts

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

e) Mandera County Bursary Fund Bankers

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

30 JUN 2019

MANDERA COUNTY BURSARY FUND
Reports and Financial Statements
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Kenya Commercial Bank
P.O. Box 275-70300
Mandera, Kenya

f) Independent Auditors

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

g) Principal Legal Adviser

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







30 JUN 2019

MANDERA COUNTY BURSARY FUND

Reports and Financial Statements

For the year ended June 30, 2019

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



Name	Details of qualifications and experience
1. Abdia Sheikh Hassan: 	Master in Strategic and Policy management with vast experience in Humanitarian field. She has worked in different capacities as Head of Operations.
2. Adan Hussein Ibrahim: 	Master in Education Administration with vast experience in Education Field. He is currently working as Principle Sheikh Ali High School.
3. Abdiaziz Maalim Osman: 	Diploma in Islamic Studies with vast experience in Religious Field. He is currently working as religious leader.
4. Saadia Alio Edin: 	Diploma in Human Resource with vast experience in HR issue. She is currently working as HR consultant.
5. Abdi M Ali 	Chief Officer Education -
6. Noor Abdow 	Diploma in Peace and Conflict Studies with vast experience in Conflict Management. He is currently working as activist and Heads an NGO
7. Alinoor Mohamed	Chief Officer Finance and Accounting Services

30 JUN 2019

MANDERA COUNTY BURSARY FUND





Reports and Financial Statements

For the year ended June 30, 2019

	
<p>8. Abdullahi Mohamed:</p> 	<p>Master in leadership and Policy Studies. Currently working as CEO and Secretary to Manderu Bursary Board.</p>

30 JUN 2019

9. MANAGEMENT TEAM

NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
<p>1. Abdia Sheikh Hassan:</p> 	<p>Master in Strategic and Policy management with vast experience in Humanitarian field. She has worked in different capacities as Head of Operations.</p>
<p>2. Abdullahi Mohamed:</p> 	<p>Master in leadership and Policy Studies. Currently working as CEO and Secretary to Mandera Bursary Board.</p>
<p>3. Abdi M Ali :</p> 	<p>Master in Education Administration with vast experience in Education Field. He is currently working as Chief Officer Education.</p>
<p>4. Ismail Abdulla:</p> 	<p>Bachelors of Commerce and working as Head of Treasury</p>
<p><i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i></p>	

30 JUN 2019

10. BOARD/FUND CHAIRPERSON'S REPORT

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

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

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

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

Signed:  -

Mrs Abdia Sheikh Hassan

30 JUN 2019

11. REPORT OF THE FUND ADMINISTRATOR

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

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

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

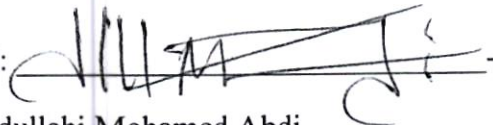
The bursary fund being the only fund that has uplifted the poor in the vast Mandera County has benefited the larger population by reducing the burden of paying the school fees among the poor population of Mandera.

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

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

The Fund Administrator should sign the Fund Administrator report.

Signed:



Mr Abdullahi Mohamed Abdi

30 JUN 2019

12. CORPORATE GOVERNANCE STATEMENT

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

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

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

Role, Functions, Induction and Training of the Board.

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

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

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

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

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13. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

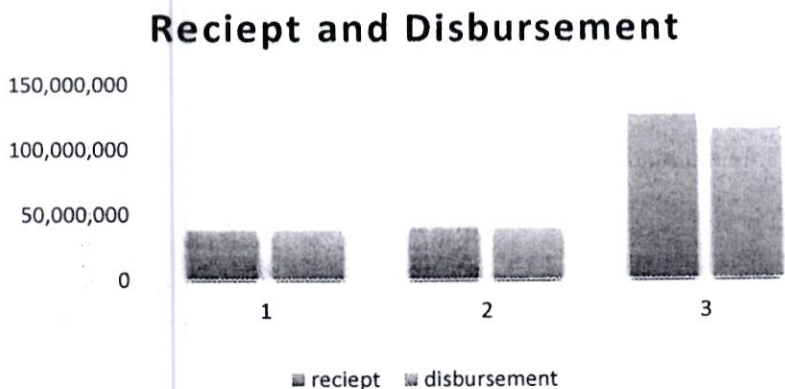
Mandera Bursary Board is mandated to give bursary to students pursuing higher education. The Board has a strategic plan 2013-2018 that contains four major strategic objectives that the board strives to achieve to live its vision and mission. These objectives are;

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

OPERATIONAL AND FINANCIAL PERFORMANCE OF THE ORGANISATION

As at the period ended 30 June 2019 in the financial year 2018/2019, Mandera Bursary Board received funds from the exchequer totalling Kshs. 126 million.

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



Receipt and Expenditure for Year 2018-2019

RECIPT AND PAYMENT



30 JUN 2019

MANDERA COUNTY BURSARY FUND
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SECTION B

Mandera County Bursary Fund's compliance with statutory requirements

There is no non-compliance issue raised by the auditor. All statutory requirements have been complied with.

SECTION C

Key projects and investment decisions the Mandera County Bursary Fund is planning/implementing

Mandera Bursary Board will be implemented an Enterprise Resource Planning system which has led to increased efficiency in service delivery to our customers.

SECTION D

Major risks facing the Mandera County Bursary Fund

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

SECTION E

Material arrears in statutory/financial obligations

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

SECTION F

The Mandera County Bursary Fund's financial probity and serious governance issues

The Board has no reported financial improbity reported by either the internal or external auditor. The governance structures put in place continue to be enhanced to ensure any area that may be prone to exposure is addressed promptly.

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14. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Introduction

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

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

The Main Areas of CSR focus areas are:

1. Education

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

2. Environmental Management

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

3. Charity Work

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

In the table below are the CSR activities the Board conducted in the 2018/2019 Financial Year

30 JUN 2019

15. REPORT OF THE TRUSTEES

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

Principal activities

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

Our Mission

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

Our Vision

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

Results

The accounting surplus for the year 2018/2019 of Kshs 126 million has been added to accumulated surplus. The Financial Performance is set out in Management discussions and analysis; the results of Mandera Bursary Board for the year ended June 30, 2019 are set out as well in the above.

Trustees

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

Auditors

The Auditor General is responsible for the statutory audit of the Mandera Bursary Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2019.

By Order of the Board

Mr. Abdullah Mohamed Abdi

Member of the Board

Date: 30/6/19

30 JUN 2019

16. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Mandera County Assembly Act 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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 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 30/6/ 2019 and signed on its behalf by:



Administrator of the County Public Fund

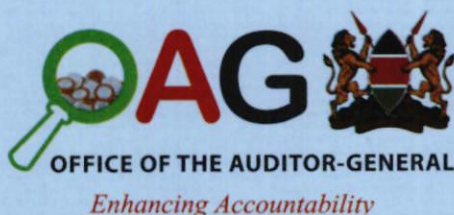
30 JUN 2019

17. REPORT OF THE INDEPENDENT AUDITOR

30 JUN 2019

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MANDERA COUNTY EDUCATION BURSARY FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Mandera County Education Bursary Fund set out on pages 17 to 49, which comprise the statement of financial performance as at 30 June, 2019 and the statement of financial position, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Basis for Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Mandera County Education Bursary Fund as at 30 June, 2019, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and do not Comply with the Public Finance Management Act, 2012.

1. Inaccuracies in the Financial Statements

- 1.1 The statement of financial performance reflects surplus for the year of Kshs.9,092,801.27. However, the surplus of Kshs.9,092,801.27 has not been recognized in the statement of changes in net assets and the statement of financial position, an indication that the financial statements are materially misstated.
- 1.2 The statement of financial performance reflects fund administration expenses of Kshs.2,048,982 which differ with the amount of Kshs.2,042,982 reflected in the respective Note 6 to the financial statements, resulting in unexplained variance of Kshs.6,000.
- 1.3 The statement of changes in net assets as at 30 June, 2019 reflects revolving fund balance of Kshs.9,092,801 which however, cast to Kshs.127,384,220 resulting in an under casting of Kshs.118,291,419.

1.4 The property, plant and equipment movement schedule at Note 15 to the financial statements reflects total depreciation charge of Kshs.244,800. However, this amount has not been recognized as an expenditure in the statement of financial performance.

In the circumstances, the accuracy of the financial statements could not be confirmed.

2. Unaccounted for Bursary Funds

The statement of financial performance and the supporting Note 8 to the financial statements reflects general expenses of Kshs.116,242,473, out of which an amount of Kshs.114,956,497 was spent on bursary for post-secondary institutions and secondary schools. However, audit scrutiny of the Fund's records and schedules supporting the expenditure revealed that bursary payments amounting to Kshs.32,421,203 were not recommended by Ward Bursary Committees and there were no Ward Bursary Committee minutes to support the same contrary to Section 10 of the County Bursary Act, 2014.

Further, the entire expenditure of Kshs.114,956,497 had not been acknowledged with receipts or official acknowledgement letters and there was no detailed list of students from the learning institutions.

In the circumstances, the accuracy and validity of bursary disbursement of Kshs.114,956,497 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 Mandera County Education Bursary Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Adverse Opinion section, I have determined that there are no 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Submission of Previous Years' Financial Statements

Management did not prepare financial statements for 2017/2018 and prior years despite the Fund having been established in the year 2014 by Mandera County Assembly Act, 2014. Further, the Fund in 2017/2018, got a funding of Kshs.40,500,000 from the County Treasury which had a closing balance of Kshs.1,069,220 as at 30 June, 2018. Failure to prepare financial statements is contrary to the requirements of Section 167 (1) of the Public Finance Management Act, 2012, that require the Administrator of a County Public Fund to prepare financial statements for the Fund for each financial year in a form prescribed by the Accounting Standards Board.

Management is therefore in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to liquidate the Board 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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

07 October, 2021

MANDERA COUNTY BURSARY FUND
Reports and Financial Statements
For the year ended June 30, 2019

18. FINANCIAL STATEMENTS

a. **STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2019**

	Note	FY2018/2019
		KShs
Revenue from non-exchange transactions		
Public contributions and donations	1	000
Transfers from the County Government	2	126,315,000
Fines, penalties and other levies	3	000
		126,315,000
Revenue from exchange transactions		
Interest income	4	000
Other income- Balance Bf	5	1,069,220
		1,069,220
Total revenue		127,384,220
Expenses		
Fund administration expenses	6	2,048,982
General expenses	8	116,242,473.73
Finance costs	9	000
Total expenses		118,291,418.73
Other gains/losses		000
Gain/loss on disposal of assets	10	000
Surplus/(deficit) for the period		9,092,801.27

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

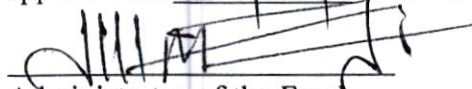
30 JUN 2019

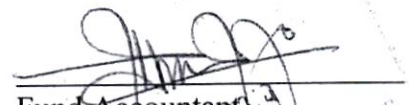
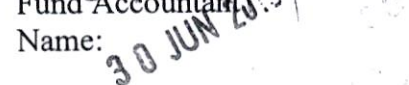
**Mandera County Bursary Fund
Reports and Financial Statements
For the year ended June 30, 2019**

b. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	FY2018/2019 KShs
Assets		
Current assets		
Cash and cash equivalents	11	9,092,801.27
Current portion of long term receivables from exchange transactions	12	000
Prepayments	13	000
Inventories	14	000
		9,092,801.27
Non-current assets		
Property, plant and equipment	15	734,800
Intangible assets	16	000
Long term receivables from exchange transactions	12	000
		000
Total assets		9,827,601
Liabilities		
Current liabilities		
Trade and other payables from exchange transactions	17	000
Provisions	18	000
Current portion of borrowings	19	000
Employee benefit obligations	20	000
		000
Non-current liabilities		
Non-current employee benefit obligation	20	000
Long term portion of borrowings	19	000
		000
Total liabilities		000
Net assets		9,827,601
Revolving Fund		000
Reserves		000
Accumulated surplus		000
Total net assets and liabilities		9,827,601

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Mandera County Bursary Fund financial statements were approved on 30/6/2019 and signed by:


 Administrator of the Fund
 Name: ABDULLAHI MOHAMED


 Fund Accountant
 Name: 

Mandera County Bursary Fund
Reports and Financial Statements
For the year ended June 30, 2019

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus
		KShs	KShs
Balance as at 1 July 2017	000	000	000
Surplus/(deficit) for the period	-	-	-
Funds received during the year	40,500,000	-	-
Revaluation gain	-	000	-
Balance as at 30 JUNE 2018	1,069,220	000	000
Balance as at 1 July 2018	1,069,220	000	000
Surplus/(deficit) for the period		-	000
Funds received during the year	126,315,000	-	-
Revaluation gain	-	000	-
Balance as at 30 June 2019	9,092,801.27	000	000

(Provide details on the nature and purpose of reserves)

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Mandera County Bursary Fund
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d. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	FY2018/2019
		KShs
Cash flows from operating activities		
Receipts		
Public contributions and donations	1	000
Transfers from the County Government	2	126,315,000
Interest received	3	000
Receipts from other operating activities: Balance B/F	5	1,069,220
Total Receipts		127,384,220
Payments		
Fund administration expenses	6	2,048,982
General expenses	8	116,242,437.73
Finance cost	9	000
Total Payments		118,291,418.73
Net cash flows from operating activities	21	9,092,801.27
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	15	(000)
Proceeds from sale of property, plant and equipment	10	000
Proceeds from loan principal repayments	19	000
Loan disbursements paid out	19	(000)
Net cash flows used in investing activities		(000)
Cash flows from financing activities		
Proceeds from revolving fund receipts	12	000
Additional borrowings	19	000
Repayment of borrowings	19	(000)
Net cash flows used in financing activities		(000)
Net increase/(decrease) in cash and cash equivalents		000
Cash and cash equivalents at 1 JULY		000
Cash and cash equivalents at 30 JUNE		9,092,801.27

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e. **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	000	(000)	000	000	(000)	0
Transfers from County Govt.	126,315,000	000	126,315,000	126,315,000	00	100%
Interest income	000	000	000	000	000	0
Other income	1,069,220	000	1,069,220	1,069,220	000	100%
Total income	127,384,220	(000)	127,384,220	127,384,220	00	100%
Expenses						
Fund administration expenses	2,048,982	-	2,048,982	2,048,982	000	100%
General expenses	125,335,238	(000)	125,335,238	116,242,437	9,092,801	94%
Finance cost	000	(000)	000	000	(000)	
Total expenditure	127,384,200	(000)	127,384,200	118,291,419	9,092,801	94%
Surplus for the period	000	000	000	000	9,092,801	

Budget notes

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

f. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 JUNE 2019

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

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

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

c) Early adoption of standards

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

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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 Mandera County Bursary Fund and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2018/2019 was approved by the County Assembly on 30TH June, 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional no appropriations are added to the original budget by the Mandera County Bursary Fund upon receiving the respective approvals in order to conclude the final budget.

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

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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 Mander County Bursary Fund has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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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 labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Mandera County Bursary Fund.

9. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

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

11. Changes in accounting policies and estimates

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

12. Employee benefits – Retirement benefit plans

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

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

13. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. Related parties

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

16. Cash and cash equivalents

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

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Mandera County Bursary Fund

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

20. Currency

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

30 JUN 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

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

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 Trustees. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company'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 Mander County Bursary 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
At 30 JUNE 2019				
Receivables from exchange transactions	000	000	000	000
Receivables from non-exchange transactions	000	000	000	000
Bank balances	000	000	000	000
Total	000	000	000	000
At 30 June 2017	000	000	000	000
Receivables from exchange transactions	000	000	000	000
Receivables from non-exchange transactions	000	000	000	000
Bank balances	000	000	000	000
Total	000	000	000	000

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(NB: The totals column should tie to the individual elements of credit risk disclosed in the Mander County Bursary Fund's statement of financial position).

30 JUN 2019

MANDERA COUNTY BURSARY FUND
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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 company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Mandera County Bursary Fund has significant concentration of credit risk on amounts due from 000

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 Mandera County Bursary Fund's short, medium and long-term funding and liquidity management requirements. The Mandera County Bursary 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
At 30 JUNE 2019				
Trade payables	000	000	000	000
Current portion of borrowings	000	000	000	000
Provisions	000	000	000	000
Employee benefit obligation	000	000	000	000
Total	000	000	000	000
At 30 June 2017				
Trade payables	000	000	000	000
Current portion of borrowings	000	000	000	000
Provisions	000	000	000	000
Employee benefit obligation	000	000	000	000
Total	000	000	000	000

MANDERA COUNTY BURSARY FUND
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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 Mander County Bursary Fund on an on-going 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 Mander County Bursary 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 Mander County Bursary Fund's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

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

		Foreign currencies	Total
	KShs	KShs	KShs
At 30 JUNE 2019			
Financial assets (investments, cash ,debtors)	000	000	000
Liabilities			
Trade and other payables	000	000	000
Borrowings	000	000	000
Net foreign currency asset/(liability)	000	000	000

The Fund manages foreign exchange risk form 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
2018			
Euro	10%	000	000
USD	10%	000	000
2017			
Euro	10%	000	000
USD	10%	000	000

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2017: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2017 – KShs xxx)

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2018		2017
	KShs		KShs
Revaluation reserve	xxx		Xxx
Revolving fund	xxx		Xxx
Accumulated surplus	xxx		Xxx
Total funds	xxx		Xxx
Total borrowings	xxx		Xxx
Less: cash and bank balances	(xxx)		(xxx)
Net debt/(excess cash and cash equivalents)	xxx		Xxx
Gearing	xx%		xx%

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g. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY2018/2019
	KShs
Donation from development partners	000
Contributions from the public	000
Total	000

2. Transfers from County Government

Description	FY2018/2019
	KShs
Transfers from County Govt. – operations	126,315,000
Payments by County on behalf of the Mandera County Bursary Fund	000
Total	126,315,000

3. Fines, penalties and other levies

Description	FY2018/2019
	KShs
Late payment penalties	000
Fines	000
Total	000

4. Interest income

Description	FY2018/2019
	KShs
Interest income from loans(mortgage or car loans	000
Total interest income	000

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5. Other income

Description	FY2018/2019
	Kshs
Insurance recoveries	000
Income from sale of tender documents	000
Balance brought forward	1,069,220
Total other income	1,069,220

6. Fund administration expenses

Description	FY2018/2019
	Kshs
Staff costs	1,393,000
Bursary processing costs	655,982
Professional services costs	000
Total	2,042,982

7. Staff costs

Description	FY2018/2019
	KShs
Salaries and wages	0
Staff gratuity	0
Staff training expenses	0
Social security contribution	0
Other staff costs	0
Total	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	FY2018/2019
	KShs
Consumables	000
Electricity and water expenses	30,000
Fuel and oil costs	000
Insurance costs	000
Postage	000
Printing and stationery	386,000
Rental costs	000
Security costs	000
Telecommunication	000
Hospitality	000
Depreciation and amortization costs	000
Other expenses	869,940
Bursary Disbursement to Intuitions	114,956,496.73
Total	116,242,437

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	FY2018/2019
	KShs
Interest on Bank overdrafts	000
Interest on loans from banks	000
Total	000

10. Gain on disposal of assets

Description	FY2018/2019
	KShs
Property, plant and equipment	000
Intangible assets	000
Total	000

11. Cash and cash equivalents

Description	FY2018/2019
	KShs
Fixed deposits account	000
On – call deposits	000
Current account	9,092,801.27
Others	000
Total cash and cash equivalents	9,092,801.27

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		FY2018/2019
Financial institution	Account number	KShs
a) Fixed deposits account		
Kenya Commercial bank		-
Equity Bank, etc		-
Sub- total		-
b) On - call deposits		
Kenya Commercial bank		-
Equity Bank - etc		-
Sub- total		-
c) Current account		
Kenya Commercial bank		9,092,801.27
Bank B		000
Sub- total		9,092,801.27
d) Others(specify)		
Cash in transit		000
Cash in hand		000
M Pesa		000
Sub- total		000
Grand total		9,092,801.27

12. Receivables from exchange transactions

Description	FY2018/2019
	KShs
Current Receivables	
Interest receivable	000
Current loan repayments due	000
Less: impairment allowance	000
Total Current receivables	
Non-Current receivables	
Long term loan repayments due	000
Total Non-current receivables	000
Total receivables from exchange transactions	000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	FY2018/2019
	KShs
Prepaid rent	000
Prepaid insurance	000
Prepaid electricity costs	000
Total	000

14. Inventories

Description	FY2018/2019
	KShs
Consumable stores	000
Spare parts and meters	000
Catering	000
Total inventories at the lower of cost and net realizable value	000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. 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 st July 2017	000	000	930,000	294,000	000
Additions	000	000	000	000	000
Disposals	000	000	000	000	000
Transfers/adjustments	000	000	930,000	294,000	000
At 30 th June 2018	000	000	930,000	294,000	000
At 1 st July 2018	000	000	930,000	294,000	000
Additions	000	000	000	000	000
Disposals	000	000	000	000	000
Transfer/adjustments	000	000	000	000	000
At 30 th JUNE 2019	000	000	930,000	294,000	000
Depreciation and impairment					
At 1 st July 2017	000	000	000	000	000
Depreciation	000	000	186,000	58,800	000
Impairment	000	000	000	000	000
At 30 th June 2018	000	000	186,000	58,800	000
At 1 st July 2018					
Depreciation	000	000	186,000	58,800	000
Disposals	000	000	000	000	000
Transfer/adjustment	000	000	000	000	000
At 30 th JUNE 2019	000	000	558,000	176,800	000
Net book values					
At 30 th June 2018	000	000	558,000	176,800	000
At 30 th JUNE 2019	000	000	558,000	176,800	734,000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	FY2018/2019
	KShs
Cost	
At beginning of the year	000
Additions	000
At end of the year	000
Amortization and impairment	
At beginning of the year	000
Amortization	000
At end of the year	000
Impairment loss	000
At end of the year	000
NBV	000

17. Trade and other payables from exchange transactions

Description	FY2018/2019
	KShs
Trade payables	000
Refundable deposits	000
Accrued expenses	000
Other payables	000
Total trade and other payables	000

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	000	000	000	000
Additional Provisions	000	000	000	000
Provision utilised	000	000	000	000
Change due to discount and time value for money	000	000	000	000
Transfers from non -current provisions	000	000	000	000
Total provisions	000	000	000	000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	FY2018/2019
	KShs
Balance at beginning of the period	000
External borrowings during the year	000
Domestic borrowings during the year	000
Repayments of external borrowings during the period	000
Repayments of domestics borrowings during the period	000
Balance at end of the period	000

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

	FY2018/2019
	KShs
External Borrowings	
Dollar denominated loan from 'xxx organisation'	000
Sterling Pound denominated loan from 'yyy organisation'	000
Euro denominated loan from zzz organisation'	000
Domestic Borrowings	000
Kenya Shilling loan from KCB	000
Kenya Shilling loan from Barclays Bank	000
Kenya Shilling loan from Consolidated Bank	000
Borrowings from other government institutions	000
Total balance at end of the year	000

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

Description	FY2018/2019
	KShs
Short term borrowings(current portion)	000
Long term borrowings	000
Total	000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	000	000	000	000
Non-current benefit obligation	000	000	000	000
Total employee benefits obligation	000	000	000	000

21. Cash generated from operations

	FY2018/2019
	KShs
Surplus for the year before tax	9,092,801.27
Adjusted for:	
Depreciation	000
Gains/ losses on disposal of assets	000
Interest income	000
Finance cost	000
Working Capital adjustments	
Increase in inventory	000
Increase in receivables	000
Increase in payables	000
Net cash flow from operating activities	9,092,801.27

22. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	FY2018/2019	
	KShs	
Transfers from related parties'	000	
Transfers to related parties	000	

c) Key management remuneration

	FY2018/2019	
	KShs	
Board of Trustees	1,271,000	
Key Management Compensation	00	
Total	1,271,000	

d) Due from related parties

	FY2018/2019	
	KShs	
Due from parent Ministry	000	
Due from County Government	000	
Total	000	

e) Due to related parties

	FY2018/2019	
	KShs	
Due to parent Ministry	000	
Due to County Government	000	
Due to Key management personnel	000	
Total	000	

23. Contingent assets and contingent liabilities

Contingent liabilities	FY2018/2019	
	KShs	
Court case xxx against the Fund	000	
Bank guarantees	000	
Total	000	

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(Give details)

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19. 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)

Guidance Notes:

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