



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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## REPORT

OF

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**THE AUDITOR-GENERAL**

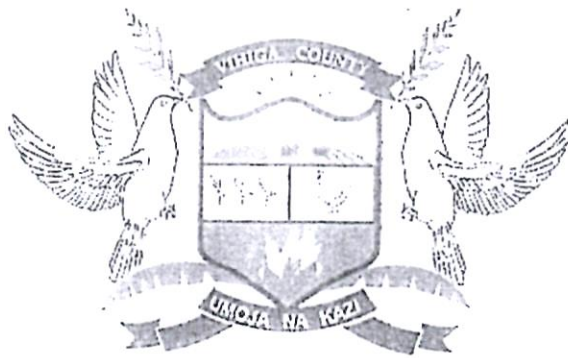
**ON**

**VIHIGA COUNTY EDUCATION FUND**

**FOR THE YEAR ENDED**

**30 JUNE, 2016**





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**COUNTY GOVERNMENT OF VIHIGA**  
**DEPARTMENT OF EDUCATION, SCIENCE, TECHNICAL AND**  
**VOCATIONAL TRAINING**

**VIHIGA COUNTY EDUCATION FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE TWENTY FOUR (24) MONTHS ENDED**  
**JUNE 30, 2016**

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



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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

The Vihiga County Education Fund was formed after extensive consultations between the County Executive and the members of the Vihiga County Assembly vide the Public Finance Management Act 2012, (Vihiga County Education Fund Act 2014).

The fund's objective is to Providing supplementary education grants or bursaries to eligible Students, Granting Scholarship in accordance with criteria established under the Act, Meeting any expenditure related to administration of the fund.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to provide for funds for financial assistance to bright and needy students from the county pursuing education in various levels of education.

**c) Fund Administration Committee**

<b>Name</b>	<b>Position</b>
1. Mary Anyiendah	CO- ECDE
2. Albert Ingati	Chairperson
3. Jahonga Benard	Student Network Representative
4. Roselidah Marende	Vihiga County PWD
5. Samuel Kiplagat	Minority representative
6. Andrew Loreng'e	Fund Administrator
7. Lynett Odida	Director Social Services
8. Jacintar Mung'aya	National Youth Council
9. Joseph A. Ollando	CO Finance and Economic planning Rep
10. Harrison Matevwa	Director, PSACCA
11. Abisai Amatalo	CO- TVET

**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1.	Andrew Loreng'e	Fund Administrator
2.	Felix Mugalitsi	Fund Accountant
3.	Susan Anyiendah	Chief Officer

**e) Registered Offices**

Vihiga County Government,  
Department of Education, Science, Technical and Vocational Training,  
P.O Box 344-50300,  
Maragoli, Kenya.  
Offices located at the county headquarters, Mbale.

**f) Fund Bankers**

KCB Bank Kenya Limited,  
KCB Mbale-4119  
1123 Maragoli.

**g) Independent Auditors**

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

**h) Principal Legal Adviser**

The County Attorney  
P.O Box 344-50300,  
Maragoli, Kenya

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

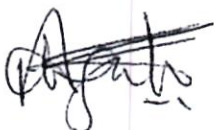
Section 167 of the PFM Act, 2012 require administrator of a County Public Fund established by the constitution, an Act of Parliament or County Legislation to prepare Financial Statement for the fund for each Financial Year in a form prescribed by PSASB.

The Financial Statement should be submitted to Auditor general by 30 Sep with a copy of the report to CEC-Member responsible for that fund.

However, in reference to the above sections of the PFM Act, the responsible fund management at the time under review failed to comply with the requirement. Following discussion with the Office of the Auditor it was agreed that the current fund management prepare the Financial Statement for the 2015-2016 Financial Year. The current management is committed in complying with statutory requirements and Acts governing the fund.

Although the Fund was established in July 2014, the first exchequer receipt was in September 2015. This has necessitated preparation of The Financial Report and statement for 24 months since establishment of the fund.

Since there was no handing over of the previous year's Fund records, the Financial Statements have been prepared from the extract of the Bank Statement for year under review. Therefore, it was not possible to obtain supporting documents for the stated figures in the report.



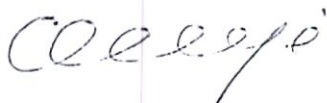
**ALBERT E. INGATI**

### 3. REPORT OF THE FUND ADMINISTRATOR

I am presenting the un-audited report for Vihiga County Education Fund Report for the twenty four (24) months ended June 30, 2016 based on bank statement; the statement has been extremely useful in preparing this report since the current management did not have any other source of information. All activities relating to bursaries transactions were carried out in the Vihiga County education Fund main account. The previous management of the Fund including Fund Administrator, Director Education and Former Chief Officer-Education are out of the office after expiry of their contracts in 2018.

The Act Governing the Fund, *Vihiga County Education Fund act, 2014* was gazetted on 11<sup>th</sup> July, 2014. However there was no receipt of any monies from the County Exchequer during FY 2014/15, the fund received their first exchequer of Bursary during the Financial Year 2015/16. It is in this regard that the management has prepared Financial Report and statement for 24 months since establishment of the fund.

During the period under review, the fund was allocated Kshs. 130,518,000. This comprised of kshs. 3,749,265 utilized for administration cost expenses, kshs. 122,500,000,000 disbursed to ward bursary accounts whereas Kshs.4, 253,000 was retained at the county level and disbursed to various beneficiaries.



**Andrew Loreng'e**

**Fund Administrator**

#### **4. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the un-audited financial statements for the twenty four (24) months ended June 30, 2016 which show the state of the Fund affairs.

##### **Principal activities**

The principal activities of the Fund are to offer financial assistance to the bright and needy student in the county pursuing their education, provision of necessary legal framework for administration of the fund and other related activities.

##### **Trustees**

The members of the Board of Trustees who served during the year under review not provided since their details could not be found and ascertained.

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

The board presents their report together with un-audited financial report and statement for the twenty four (24) months ended 30<sup>th</sup> June 2016.

The Act requires the board to prepare financial statements for each financial year which show a true and fair view of the financial transactions of the fund for the year and of disposition at year end of its assets and liabilities. It also requires that the fund keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the fund.

The board is responsible for the preparation of the financial statements that give a true and fair view in accordance with IPSAS and PFM Act 2012 for such internal control as the board determines is necessary to enable preparation of financial statements that are free from financial misstatement whether due to error or fraud.

The board certifies that to the best of their knowledge and belief, the information furnished for the purpose of internal control is correct and complete in every aspect.

Signature:

Chairperson:  .....

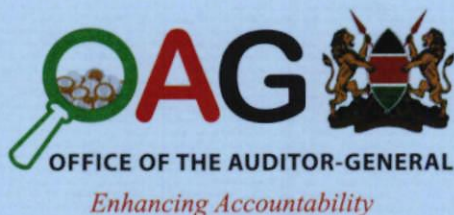
Date: 06.OCT.2020

Secretary:  .....

Date: 06.OCT.2020

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON VIHIGA COUNTY EDUCATION FUND FOR THE YEAR ENDED 30 JUNE, 2016

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### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of Vihiga County Education Fund set out on pages 8 to 18, which comprise the statement of financial position as at 30 June, 2016, and the statement of financial performance, statement of comparison of budget and actual amounts and statement of cash flows 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, public money has not been applied lawfully and in an effective way.

#### Basis for Disclaimer of Opinion

##### 1.0 Late Submission of the Financial Statements

Section 167(3) of the Public Finance Management Act, 2012 requires the County Fund Administrator to prepare and submit for audit the financial statements of the Fund within three (3) months after the end of each financial year.

However, the financial statements were submitted for audit on 24 January, 2020 three years and three months later contrary to the stipulated required date, on or before 30 September, 2016.

Consequently, the Management therefore breached the law.

##### 2.0 Unsupported Fund Administration Expenses

Included in statement of financial is a balance of Kshs.3,399,265 in respect to fund administration expenses that could not be ascertained as fairly stated since relevant

supporting documents such as: payment vouchers, cash book, ledgers, bursary applications and screening documents were not provided for audit scrutiny.

Consequently, the accuracy, completeness, and validity of the fund administration expenses balance of Kshs.3,399,265 for the year ended 30 June, 2016 could not be confirmed.

### 3.0 Unsupported Ward Bursary Disbursement

Included in the statement of financial performance is Ward bursary disbursements balance of Kshs.122,500,000 which includes disbursements amounting to Kshs.29,400,000 as detailed in the table below, that were not supported by acknowledgement receipts or minutes of Ward Education Bursary Fund Committee approving the beneficiaries.

Ward	Amount Disbursed Kshs.	Acknowledgment	Ward Minutes
Emabungo	4,900,000	Not availed	Not availed
Wemilabi	4,900,000	Not availed	Availed
West Maragoli	4,900,000	Not availed	Availed
Chavakali	4,900,000	Not availed	Availed
Shamakhokho	4,900,000	Not availed	Availed
Gisambai	4,900,000	Not availed	Not availed
<b>Total</b>	<b>29,400,000</b>		

Consequently, the accuracy, completeness, and validity of the Ward bursary disbursements balance of Kshs.29,400,000 for the year ended 30 June, 2016 could not be confirmed.

### 4.0 Unsupported County Bursary Disbursements

Included in statement of financial performance is a balance of Kshs.4,253,000 balance under County bursary disbursement that could not be ascertained as fairly stated since relevant supporting documents such as: payment vouchers, cash book, ledgers, bursary applications were not provided for audit scrutiny.

Consequently, the accuracy, completeness, and validity of the County bursary disbursement balance of Kshs.4,253,000 for the year ended 30 June, 2016 could not be confirmed.

### 5.0 Failure to Incorporate Financial Information in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts was not populated with the budget and actual amounts for the year as required by the reporting standards.

The Management therefore breached the Standard.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Vihiga County Education 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 and internal control in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Disclaimer of 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 Disclaimer Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

### **Responsibility 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 (IPSAS) Cash Basis and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations. Those charged with governance are responsible for overseeing the Fund financial reporting process.

The 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.

### **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.


As part of an audit 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 appropriate 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 offering 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 offering 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 of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

07 January, 2022



Vihiga County Education Fund  
 Reports and Financial Statements  
 For the twenty four (24) months ended June 30, 2016

6.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2015/2016 KShs
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	5	15,835
<b>Total Assets</b>		<b>15,835</b>
<b>Financed By:</b>		
Surplus for the period		15,835
		<b>15,835</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 06/10/20 2020 and signed by:

Andrew Lorenge  
 Administrator of the Fund  
 Name: ANDREW LORENGE

VIHIGA COUNTY EDUCATION  
 FUND  
 06 OCT 2020  
 P. O. Box 344 - 50300  
 MARAGOLI (K)

Felix Mugalizi  
 Fund Accountant  
 Name: FELIX MUGALIZI

Vihiga County Education Fund  
 Reports and Financial Statements  
 For the twenty four (24) months ended June 30, 2016

6.3. STATEMENT OF CASHFLOWS FOR THE TWENTY FOUR (24) MONTHS  
 ENDED 30 JUNE 2016

	Note	2015/2016
		KShs
<b>Cashflows From Operating Activities</b>		
<b>Receipts</b>		
Transfers from the County Government	1	130,168,100
<b>Total Receipts</b>		<b>130,168,100</b>
<b>Payments</b>		
Fund administration expenses	2	3,399,265
Ward Bursary Disbursement	3	122,500,000
County Bursary Disbursement	4	4,253,000
<b>Total Payments</b>		<b>(130,152,265)</b>
<b>Net Cashflows From Operating Activities</b>		<b>15,835</b>
<b>Cash Flows From Investing Activities</b>		<b>-</b>
<b>Cashflows From Financing Activities</b>		<b>-</b>
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>		<b>15,835</b>
Cash and cash equivalents at 1 JULY		-
<b>Cashandcashequivalentsat30 JUNE</b>		<b>15,835</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 06 OCT 2020 and signed by:

*(Signature)*

Administrator of the Fund  
 Name: ANDREW LORENGE

VIHIGA COUNTY EDUCATION  
 FUND  
 06 OCT 2020  
 P. O. Box 344 - 50300  
 MARAGOLI (K)

*(Signature)*

Fund Accountant  
 Name: FELIX NUGALISI

6.4. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2016

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Transfers from County Govt.						
Interest income						
Other income						
<b>Total Income</b>	-	-	-	-	-	
<b>Expenses</b>						
Fund administration expenses						
General Expenses						
Finance Cost						
<b>Total Expenditure</b>	-	-	-	-	-	
<b>Surplus For The Period</b>	-	-	-	-	-	

**Budget notes**

1. The budget figures could not be provided because there was no proper hand over of the Fund Assets, liabilities and (or) any other document by the previous management.

## **6.5. 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.

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. Revenue recognition**

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

##### **Transfers from other government entities**

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

#### **ii) Revenue from exchange transactions**

##### ***Interest income***

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

### **3. Budget information**

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. 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 actual as per the statement of financial performance has been presented.

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

**4. Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. The Fund did not have any Property, Plant and Equipment.

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

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

**6. 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.

**7. Related parties**

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

**8. 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.

**9. Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. Since this is the first year of reporting, there were no comparative figures.

**10. Events after the reporting period**

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

*Vihiga County Education Fund*  
**Reports and Financial Statements**  
**For the twenty four (24) months ended June 30, 2016**

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**11. Ultimate and Holding Entity**

The entity is a County Public Fund established by Public Finance Management Act 2012, (Vihiga County Education Fund Act 2014) under the Department of Education, Science and Technical Vocational Training. Its ultimate parent is the County Government of Vihiga.

**12. Currency**

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

*Vihiga County Education Fund*  
**Reports and Financial Statements**  
**For the twenty four (24) months ended June 30, 2016**

**6.6. NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfers from County Government**

Description	2015/2016
	KShs
1 <sup>st</sup>	50,000,000
2 <sup>nd</sup>	5,000,000
3 <sup>rd</sup>	25,000,000
4 <sup>th</sup>	25,000,000
5 <sup>th</sup>	25,000,000
Returned Cheques	168,100
<b>Total</b>	<b>130,168,100</b>

**2. Fund administration expenses**

Description	2015/2016
	KShs
21.09.2015	550,000
09.11.2015	1,258,200
14.01.2016	500,000
04.02.2016	200,000
08.02.2016	55,000
23.02.2016	250,000
18.03.2016	200,000
18.03.2016	54,800
08.06.2016	220,000
Bank Charges	111,265
<b>Total</b>	<b>3,399,265</b>

**3. Ward Bursary Disbursement**

Description	2015/2016
	KShs
21.09.2015	47,500,000
03.02.2016	15,000,000

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16.02.2016	9,000,000
25.02.2016	1,000,000
05.04.2016	24,000,000
05.05.2016	1,000,000
22.06.2016	25,000,000
<b>Total</b>	<b>122,500,000</b>

**4. County Bursary Disbursement**

Description	2015/2016 KShs
30.06.2016	4,253,000
<b>Total</b>	<b>4,253,000</b>

**5. Cash and cash equivalents**

Description	2015/2016 KShs
Bank Balance Main Account	15,835
<b>Total Cash And Cash Equivalents</b>	<b>15,835</b>

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

Financial institution	Account number	2015/2016 KShs
<b>a) Current account</b>		
Kenya Commercial bank	1173663711	15,835
<b>Grand total</b>		<b>15,835</b>

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

**6. Related party balances**

**a) Nature of related party relationships**

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

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

**7. Other Disclosure**

The figures as stated in the financial statement are extracted from the bank statement for the period under review.

*Vihiga County Education Fund*  
Reports and Financial Statements  
For the twenty four (24) months ended June 30, 2016

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8. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Since this is the first year of Reporting, the fund had not been audited before.