

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**BOMET COUNTY EDUCATION
REVOLVING FUND**

**FOR THE THIRTEEN MONTHS
PERIOD ENDED 30 JUNE, 2020**

PAPERS LAID	
DATE	29/3/20
TABLED BY	S.M.L
COMMITTEE	-
CLERK AT THE TABLE	Daniel





BOMET COUNTY EDUCATION REVOLVING FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR 13 MONTHS
FOR THE PERIOD ENDED
JUNE 30, 2020

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



Bomet County Education Revolving fund
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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Bomet County Education Revolving Fund is established by and derives its authority and accountability from The Bomet County Education Revolving Fund Policy, 2019 and The Bomet County Education Revolving Fund Regulations, 2019. The Fund is wholly owned by the County Government of Bomet and is domiciled in Kenya.

Objectives of the revolving Fund

The goal of **Bomet County** is to improve access to higher education by offering financial support to identified students from **Bomet County** studying in identified institutions of higher learning in Kenya; This is also informed by the need by **Bomet County**, to improve access and strengthening technical courses offered at Vocational Training Centres (VTCs) to offer quality, market driven, relevant and affordable training to enhance job creation, technological and industrial development within the county.

This will be achieved only if there is a sustainable funding mechanism in the long term. This policy will guide the establishment of a Revolving Fund to be known as **Bomet County** Education Revolving Fund which shall be managed and administered by a Committee which for purposes of this policy will be the Fund Administrator in collaboration with HELB.

The Fund's principal activity is to meet tuition expenses for the beneficiaries of the fund by equitably sharing the funds among the twenty-five wards existing in the county.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to equitably share the funds among the twenty-five wards existing in the county.

c) Fund Administration Committee

Ref	Name	Position
1	RICHARD RONO	LOAN COMMITTEE CHAIRPERSON
2	SIMION LANGAT	FUND ADMINISTRATOR
3	KIPNGETICH KIRUI	LOAN COMMITTEE MEMBER
4	INDIATSI MABALE	LOAN COMMITTEE MEMBER

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5	ANDREW SIGEI	LOAN COMMITTEE MEMBER
6	EUNICE SIELE	LOAN COMMITTEE MEMBER
7	HELLEN ROTICH	LOAN COMMITTEE MEMBER
8	ROSALINE LANGAT	LOAN COMMITTEE MEMBER
9	PETER LANGAT	LOAN COMMITTEE MEMBER
10	JULIANA YEGON	LOAN COMMITTEE MEMBER

d) Key Management

Ref	Name	Position
1	RICHARD RONO	LOAN COMMITTEE CHAIRPERSON
2	SIMION LANGAT	FUND ADMINISTRATOR
3	KIPNGETICH KIRUI	LOAN COMMITTEE MEMBER
4	INDIATSI MABALE	LOAN COMMITTEE MEMBER
5	ANDREW SIGEI	LOAN COMMITTEE MEMBER
6	EUNICE SIELE	LOAN COMMITTEE MEMBER
7	HELLEN ROTICH	LOAN COMMITTEE MEMBER
8	ROSALINE LANGAT	LOAN COMMITTEE MEMBER
9	PETER LANGAT	LOAN COMMITTEE MEMBER
10	JULIANA YEGON	LOAN COMMITTEE MEMBER

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e) Registered Offices

P.O. Box 19 – 20400
County Government of Bomet
Department of Education and vocational Training Building
Huduma Centre Road
Bomet, KENYA

f) Fund Contacts

Telephone: (254) 712 301 368
E-mail: ecd.vti@bomet.go.ke
Website: www.bomet.go.ke

g) Fund Bankers

1. Equity Bank Kenya Limited
Bomet Branch

h) Independent Auditors







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

i) Principal Legal Adviser





The County Attorney
County Government of Bomet
P.O. Box 19-20400
Bomet, Kenya

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2. THE FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience	Position
1. Juliana Yegon 	Key Academic Qualification: Master Degree Work Experience: 23 Years	CECM Education and vocational training
2. Simion Langat 	Key Academic Qualification: Master Degree Work Experience: 20 Years	Chief officer Education and vocational training(Fund administrator)
3. Richard Rono 	Key Academic Qualification: Master Degree Work Experience: 17 Years	Consultant E-Governance
4. Indiatsi Mabale 	Key Academic Qualification: Master Degree Work Experience: 24 Years	County Director of Education Bomet County
5. Kipngetich Kirui 	Key Academic Qualification: Doctorate Degree Work Experience: 28 Years	Lecturer Moi University
6. Eunice Siele 	Key Academic Qualification: Degree Work Experience: 18 Years	Head Teacher Kabisoge Pri School

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<p>7. Langat Peter</p> 	<p>Key Academic Qualification: Degree Work Experience: 5 Years</p>	<p>Banker</p>
<p>8. Andrew Sigei</p> 	<p>Key Academic Qualification: Master Degree Work Experience: 21 Years</p>	<p>CEC Finance and Economic Planning</p>
<p>9. Rosaline Langat</p> 	<p>Key Academic Qualification: Degree Work Experience: 10 Years</p>	<p>Chaplain Kibingei Girls Sec School</p>
<p>10. Hellen Rotich</p> 	<p>Key Academic Qualification: Master Degree Work Experience: 23 Years</p>	<p>Lecturer Kabianga University</p>

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

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

Strategic development objectives

The County's 2018-2022 CIDP has identified 34 key strategic development objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's "Big Four", NIUPLAN, SDGs and the MTP III.

The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key development objectives of the Bomet County's 2018-2022 CIDP are to:

1. Development of policies that prioritize economic opportunities to reduce poverty across the County
2. Enhance access to water for domestic use and for irrigation
3. Proper management of the County natural resources
4. Improve road network across the County by grading and murraming at least 20kms of roads per ward annually
5. Comprehensive town and urban plans that ensure cleanliness and efficient provision of services to the public
6. Enhance access to electricity and ensure that every part of Bomet County is connected to power
7. Develop a strong health system with improved maternal and child care services and enhanced drugs storage and distribution

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8. Establishment of well-equipped modern learning ECD centres in every public primary school and creating an education fund to cater for unprivileged students in secondary schools as well as a revolving fund for students in tertiary institutions
9. Empowerment of youths, women and persons with disabilities
10. Enhance public participation to strengthen good governance, accountability and inclusivity

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

DEPARTMENT OF EDUCATION AND VOCATIONAL TRAINING







Department	Objectives	Outcome	Indicator	Performance
EDUCATION AND VOCATIONAL TRAINING	<ul style="list-style-type: none"> • To increase equitable access to technical and higher education in Bomet County • To support highly qualified Bomet County Students who may not afford higher education • To provide loans 		No. of students in tertiary institution benefited from revolving fund	In FY 19/20, 2,787 students in tertiary institution benefited from revolving fund

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		<p>to residents of</p> <p>Bomet County</p> <p>pursuing courses</p> <p>in technical</p> <p>institutes, public</p> <p>and private</p> <p>universities and</p> <p>other tertiary</p> <p>institutions</p> <ul style="list-style-type: none">• To ensure sustainable revolving loans fund			
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4. MANAGEMENT TEAM

Name	Details of qualifications and experience	Position
1. Juliana Yegon 	Key Academic Qualification: Master Degree Work Experience: 23 Years	CECM Education and vocational training
2. Simion Langat 	Key Academic Qualification: Master Degree Work Experience: 20 Years	Chief officer Education and vocational training(Fund administrator)
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<p>8. Andrew Sigei</p> 	<p>Key Academic Qualification: Master Degree Work Experience: 21 Years</p>	<p>CEC Finance and Economic Planning</p>
<p>9. Rosaline Langat</p> 	<p>Key Academic Qualification: Degree Work Experience: 10 Years</p>	<p>Chaplain Kibingei Girls Sec School</p>
<p>10. Hellen Rotich</p> 	<p>Key Academic Qualification: Master Degree Work Experience: 23 Years</p>	<p>Lecturer Kabianga University</p>

5. FUND CHAIRPERSON'S REPORT

The Bomet County Education Revolving Fund is being administered as per Article 4 (2) and Article 5 of the The Bomet County Education Revolving Fund Policy, 2019.

During the 2019/2020 FY the membership of the county committee of the Revolving Fund was established and it carried out its key mandate for the smooth administration of the Bursary Fund.

The key management team was developed as loans secretariat committee.

The management committees held its first meeting in September 2019 after the money had been successfully sent to HELB account.

The Revolving Fund is mandated to carry out the following functions in collaboration with HELB.

- The loan will be awarded to eligible needy students undertaking a course in tertiary institutions that are recognized in Kenya.
- Award loans to eligible students in tertiary institutions and public and private universities who for any reasons cannot access National Government HELB kitty or access is insufficient funds that are not enough to see them through their studies.
- Charge the college and undergraduate students an interest rate of 4% p.a. which is payable after loan maturity. The interest charged on the loan will form part of the administration fees for the revolving fund, payable to HELB
- HELB will identify all the students who qualify to be awarded loans and implemented as per the Criteria and Means Testing Instrument established by the Committee and submit a report of all applications in order of need and suggested amounts to the Committee which shall scrutinize the list and approve the beneficiaries to be awarded loans.

The revolving fund was not able to utilize the budget for 2019/2020 financial year due to reallocation of the budgeted Ksh. 20 million to emergency kitty to combat Covid 19 pandemic during supplementary budget.

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A handwritten signature in black ink, appearing to read 'Richard Rono', written over a horizontal line.

Signed:

Richard Rono

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6. REPORT OF THE FUND ADMINISTRATOR

The online application was opened from **1st Aug 2019** to **31st Aug 2019**. A total of **5,357** applicants successfully applied online and printed the forms.

A joint meeting between HELB and Bomet County Government was held on **Tuesday 17th Sep 2019** to vet the forms. **4091** forms were submitted for consideration. Due to limited funding and the large numbers of students that responded to the application, it was agreed that all TVET students would not be considered under the Fund and would instead apply for the National HELB TVET loan.

HELB contacted the **843** TVET students via SMS advising them to apply for National government HELB TVET loan. From the vetting and verification exercise, a total of **3,176** (in two tranches of 3154 and 17 LAFs) dully filled loan application forms were submitted to HELB for processing.

Out of these **2,787** passed the approved MTI criteria and were awarded loans. A further additional **389** students missed out funding as the kitty was depleted.

These funds were disbursed to students during 2019/2020 financial year; hence this report is covering 13 months.



Signed: _____

SIMION LANGAT

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7. CORPORATE GOVERNANCE STATEMENT

The Bomet County Education Revolving fund committee was commissioned on 16th of July 2019 and sat for the first meeting on 10th September 2019.

Process of appointment and removal of fund committee

Establishment County Education Loans Committee

A committee which shall act as the Fund Administrator will be established, to be known as the County Education Loans Committee, herein referred to as the Committee.

Composition of the County Education Loans Committee

The composition of the County Education Loans Committee shall consist of the following persons appointed by the Governor on recommendation of The County Executive Committee Member at the time responsible for Education and Vocational Training

- a) Chairperson appointed by the Governor;
- b) CEC Member responsible for Finance;
- c) CEC Member responsible for Education and Vocational Training;
- d) Chief Officer for Education and Vocational Training who will be the secretary;
- e) County Director of Education (National Government) who shall be an ex officio member;
- f) County Education Board chairman
- g) One person representing faith based organizations;
- h) Three persons appointed by CEC member for Education and Vocational Training each representing women, youth and persons living with disability;

The appointment of chairperson and members above shall be gazetted in **Bomet County** gazette notice within 14 days of appointment.

The appointment of chairperson and members shall be subject to such persons-

- (a) being registered voters in **Bomet County**;
- (b) Meeting the requirements of Chapter Six of the Constitution of Kenya;

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- (c) The Chairperson shall be a holder of at least a bachelor's degree from a recognized university in Kenya and with 5 years working experience in business, education sector or institution of higher learning from a faith based organization of five years or any relevant working field;
- (d) Members appointed shall be holders of at least a bachelor's degree from a recognized university in Kenya and with 5 years working experience in business, education sector or institution of higher learning from a faith-based organization of five years or any relevant working field;
- (e) The members other than the Executive Committee members and the Chief Officers shall be appointed for a term of three years and be eligible for one further term

Establishment of Interim County Education Loans Committee

There will be established a committee to be known as the Interim County Education Loans Committee, to be appointed by the CEC Member at the time responsible for Education and Vocational Training, whose responsibility shall be to administer the Fund established under this policy pending the appointment and coming into office of the County Education Loans Committee.

This committee also will serve the functions of a loans secretariat in the short term. A Revolving Fund Secretariat will need to be established in the long term to ensure sustainability, continuity and effective administration of the Revolving fund to span generations of changes in leaderships and governments in the County. The Secretariat would need to be staffed by permanent persons preferably under a Directorate in the Department of Education and Vocational Training.

An interim Loans Committee is best suited at this infancy stage of the Revolving Fund to run the functions of the envisioned secretariat and will build and develop structures and functions of the secretariat.

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Composition of the Interim County Education Loans Committee

The composition of interim county loans committee shall be-

- (a) A chairperson appointed by the CEC Member for Education and Vocational Training from amongst the county chief officers;
- (b) Three chief officers representing the priority areas as approved by the cabinet, whom one will be elected/appointed the vice-chairperson.
- (c) Chief Officer Education and Vocational Training who shall be the secretary;
- (d) County Education Board chairman
- (e) County Director of Education (National Government) who shall be an ex officio member and;
- (f) A representative from HELB who shall be ex-officio member.

The appointment of Chairperson and members shall be subject to such persons-

- (a) Meeting the requirements of Chapter Six of the Constitution of Kenya;
- (b) The Chairperson and members shall be holders of at least a degree from a recognized institution in Kenya

Roles and functions of the Fund Administration Committee

Functions of the County Education Loans Committee

Functions of the committee shall be

- The Revolving Fund Administrator and specifically HELB will administer on behalf of the Committee funds appropriated for loans.
- To advise the CEC member for Education on loan disbursements and loans awarding;
- Approve the list of beneficiaries to be granted loans
- To provide oversight and supervisory role in giving loans to students, from the funds outsourced to the HELB by the County;
- To fundraise in support of the county education revolving fund;

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- To receive any gifts, donations, grants or endowments made to the committee and to make legitimate disbursements there from;
- To determine the maximum number of eligible persons or students to be granted loans in a particular year;
- In consultation with HELB, set up the criteria , conditions and formulate policies governing the granting and disbursement and management of loans;
- Liaise with HELB in the approval of disbursement of financial assistance;
- Receive quarterly reports from HELB concerning the management of the project in the agreed format;
- Consider and grant waiver/amnesty of bad debts as deemed appropriate;
- Inform HELB of proposed changes deemed appropriate from time to time;
- Pay all administrative fees in the mode in the fee schedule;
- To perform any other functions for implementation of this Policy;

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Functions of the Interim County Education Loans Committee

- The interim committee shall have all the powers and responsibilities of the County Education Loans Committee set out under this policy.
- The Interim committee in undertaking its functions shall open and operation such Bank Account(s) in the name of the County Education Loans Committee.
- The Committee under this section shall be responsible to put into place all programmes and infrastructure to operationalize the County Education Loans Committee in any event within a period of one (1) years of coming into force of this Policy.
- The Interim committee in consultation with relevant entities shall institute and implement mechanisms, guidelines and criteria for loan disbursement and awards with the aim of operationalizing a revolving fund and undertake such other duties as are incidental to the achievement of the aims and objectives of the Revolving Fund.
- The Interim Committee shall undertake such other duties as shall be incidental for giving effect to this Policy or as may be directed by the Governor.

Board remuneration

The committee has a provision to utilize a maximum of three per cent of the of the total monies consisting of the Fund for administrative costs.

Members of the committee are paid allowances as approved by SRC as determined by County Treasury.

8. MANAGEMENT DISCUSSION AND ANALYSIS

During the 2019/2020 FY the membership of the county committee of the Revolving Fund was established and it carried out its key mandate for the smooth administration of the Bursary Fund. The key management team was developed as loans secretariat committee.

The management committees held its first meeting in September 2019 after the money had been successfully sent to HELB account.

The Revolving Fund is mandated to carry out the following functions in collaboration with HELB.

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The online application was opened from **1st Aug 2019** to **31st Aug 2019**. A total of **5,357** applicants successfully applied online and printed the forms.

A joint meeting between HELB and Bomet County Government was held on **Tuesday 17th Sep 2019** to vet the forms. **4091** forms were submitted for consideration. Due to limited funding and the large numbers of students that responded to the application, it was agreed that all TVET students would not be considered under the Fund and would instead apply for the National HELB TVET loan.

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These funds were disbursed to students during 2019/2020 financial year; hence this report is covering 13 months.

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9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

There WERE no activities of CSR in the period from May 2019 to June 2020

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10. REPORT OF THE FUND ADMINISTRATION COMMITTEE

The fund Administration Committee submit their report for the period ended June 30, 2020 which show the state of the Fund affairs.

Principal activities

The principal activity/mission/ mandate of the Fund is to equitably share the funds among the twenty-five wards existing in the county

Results

The results of the Fund for the period ended June 30, 2020 are set out on page 25 to 30

Fund administration Committee

The members of the fund administration committee who served during the year are shown on page 5 and 8.

Auditors

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

By Order of the Board



Member of the Board

Date: 30/09/2020

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11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Bomet County Education Revolving Fund 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 period ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Bomet County Education Revolving Fund regulations. 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 period ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

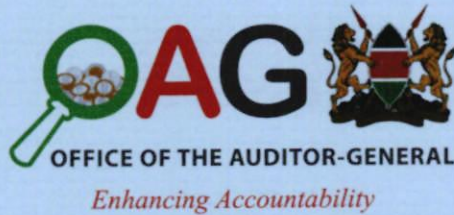
The Fund's financial statements were approved by the Board on 30th September 2020 and signed on its behalf by:



Simon Langat
Administrator of the Fund

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 BOMET COUNTY EDUCATION REVOLVING FUND FOR THE THIRTEEN MONTHS PERIOD ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Bomet County Education Revolving Fund set out on pages 1 to 35, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bomet County Education Revolving Fund as at 30 June, 2020 and of its financial performance and its cash flows for the period then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and with Public Finance Management (Bomet County Education Revolving Fund) Regulations, 2019.

Basis for Qualified Opinion

Unsupported Expenditure

The statement of financial performance reflects fund administration expenses of Kshs.898,200 as detailed under Note 6 to the financial statements. Included in the Kshs.898,200 is Kshs.197,000 which was not accounted for through payment voucher, minutes of committee meeting, attendance schedules and payment schedules.

Consequently, the accuracy, propriety and validity of the Kshs.197,000 on administrative expenses for the period ended 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bomet County Education Revolving Fund

Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

Unprocedural Loans Disbursement

The statement of financial position reflects long-term receivables from exchange transactions of Kshs.29,100,000 being funds transferred to Higher Education Loans Board (HELB) for bursary disbursements. However, no details were provided to confirm the beneficiaries of the loans were residents of Bomet County as required by Regulation 5(a) of the Public Finance Management (Bomet County Education Revolving Fund) Regulations, 2019.

Consequently, the propriety and validity of the loan disbursements of Kshs.29,100,000 for the period ended 30 June, 2020 could not be confirmed. In addition, the Fund Management breached the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Risk Management and Fraud Policy

During the under review, it was noted that the Fund did not have a risk management policy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the accounting officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations. No satisfactory explanation was given for failure to have a risk management and fraud policy in place.

In the circumstances, the effectiveness of the Fund's internal controls for the period under review could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 February, 2022

**Bomet County Education Revolving Fund
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For the year ended June 30, 2020**

13. FINANCIAL STATEMENTS

**13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED
30th JUNE 2020**

	Note	2019/2020
		KShs
Revenue from non-exchange transactions		
Public contributions and donations	1	
Transfers from the County Government	2	900,000
Fines, penalties and other levies	3	
Revenue from exchange transactions		-
Interest income	4	-
Other income	5	-
Total revenue		
Expenses		
Fund administration expenses	6	898,200
General expenses	8	
Finance costs	9	1,740
Total expenses		899,940.00
Other gains/losses		
Gain/loss on disposal of assets	10	-
Surplus/(deficit) for the period		60

The notes set out on pages 7 to 35 form an integral part of these Financial Statements

**Bomet County Education Revolving fund
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13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

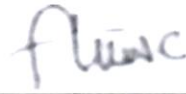
	Note	2019/2020 KShs
Assets		
Current assets		
Cash and cash equivalents	11	60
Current portion of long- term receivables from exchange transactions		29,100,000
Prepayments	14	-
Inventories	15	-
Non-current assets		
Property, plant and equipment	16	-
Intangible assets	17	-
Long term receivables from exchange transactions		-
Total assets		29,100,060
Liabilities		
Current liabilities		
Trade and other payables from exchange transactions	18	-
Provisions	19	-
Current portion of borrowings	20	-
Employee benefit obligations	19	-
Non-current liabilities		
Non-current employee benefit obligation	19	-
Long term portion of borrowings	18	-
Total liabilities		-
Net assets		
Revolving Fund		29,100,000
Reserves		-
Accumulated surplus		60
Total net assets and liabilities		29,100,060.00

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 30th September 2020 and signed by:

Bomet County Education Revolving fund
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Administrator of the Fund
Name: Simon Langat



Fund Accountant
Name: Florida Chemutai
ICPAK Member Number:22205

13.3. STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 June 2019	29,100,000	-	-	29,100,000
Surplus/(deficit) for the period		-	60	60
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	29,100,000	-	60	29,100,060

13.4 STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020

	Note	2019/2020 KShs
Cash flows from operating activities		
Receipts		-
Public contributions and donations	2	900,000
Transfers from the County Government		-
Interest received		-
Receipts from other operating activities		900,000
Total Receipts		
Payments		898,200
Fund administration expenses	6	-
General expenses	8	-
Finance cost	9	1,740
Adjusted for:		
Decrease/(Increase) in Accounts receivable:	21	-
Increase/(Decrease) in Accounts Payable:	22	-
		60
Net cash flows from operating activities		-
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	16	-
Proceeds from sale of property, plant and equipment		-
Proceeds from loan principal repayments		(29,100,000)
Loan disbursements paid out		(29,100,000)
Net cash flows used in investing activities		-
Cash flows from financing activities		29,100,000
Proceeds from revolving fund receipts		-
Additional borrowings	20	-
Repayment of borrowings		29,100,000
Net cash flows used in financing activities		60
Net increase/(decrease) in cash and cash equivalents	11	60
Cash and cash equivalents at 1 JUNE 2019		60
Cash and cash equivalents at 30 JUNE	11	60

**Bomet County Education Revolving Fund
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13.3. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	50,000,000	(20,000,000)	30,000,000	30,000,000	0	100%
Interest income					-	-
Other income				-	-	-
Total income	50,000,000	(20,000,000)	30,000,000	30,000,000 -	0	100%
Expenses						
Fund administration expenses	1,495,000	(596,700)	898,300	898,200	100	99%
Revolving fund	48,500,000	(19,400,000)	29,100,000	29,100,000		100%
General expenses						
Finance cost	5,000	(4300)	1700	1740	(40)	102%
Total expenditure	50,000,000	(20,000,000)	30,000,000	29,999,940.00	60	99%
Surplus for the period				60	(60)	

**Bomet County Education Revolving fund
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13.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

Standard	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 are covered purely under Public Sector combinations as amalgamations.

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

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

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

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

c) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on 30/03/2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded no additional appropriations on the FY 2019/2020 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 29 of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Changes in accounting policies and estimates

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

11. Employee benefits – Retirement benefit plans

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

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

12. Foreign currency transactions

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Borrowing costs

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

14. Related parties

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

15. Cash and cash equivalents

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

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

The entity is a County Public Fund established by support for the needy Act 2014 under the Department of Education. Its ultimate parent is the County Government of Bomet.

19. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 19.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30th June 2019				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Receivables from exchange transactions	29,100,000	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	29,100,000	-	-	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The entity has no significant concentration of credit risk.

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

b) Liquidity risk management

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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 0 (2020: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2019 – KShs 0)

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019/2020
	KShs
Revaluation reserve	-
Revolving fund	29,100,000
Accumulated surplus	-
Total funds	29,100,000
Total borrowings	-
Less: cash and bank balances	-
Net debt/(excess cash and cash equivalents)	-
Gearing	-

**Bomet County Education Revolving fund
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13.5. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020
	KShs
Donation from development partners	-
Contributions from the public	-
Total	-

2. Transfers from County Government

Description	2019/2020
	KShs
Transfers from County Govt. – operations	900,000
Payments by County on behalf of the entity	-
Total	900,000

3. Fines, penalties and other levies

Description	2019/2020
	KShs
Late payment penalties	-
Fines	-
Total	-

4. Interest income

Description	2019/2020
	KShs
Interest income from Mortgage loans	-
Interest income from car loans	-
Interest income from investments	-
Interest income on bank deposits	-
Total interest income	-

5. Other income

Description	2019/2020
	KShs
Insurance recoveries	-

**Bomet County Education Revolving fund
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Income from sale of tender documents	-
Miscellaneous income	-
Total other income	-

6. Fund administration expenses

Description	2019/2020
	KShs
Staff costs (Note 7)	-
Loan processing costs	898,200
Professional services costs	-
Transfers to Helb	0
Total	898,200

7. Staff costs

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

Bomet County Education Revolving fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020
	KShs
Consumables	-
Electricity and water expenses	-
Fuel and oil costs	-
Insurance costs	-
Postage	-
Printing and stationery	-
Rental costs	-
Security costs	-
Telecommunication	-
Bank Charges	-
Hospitality	-
Depreciation and amortization costs	-
Total	0

**Bomet County Education Revolving fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2019/2020
	KShs
Interest on Bank Charges	1,740
Interest on loans from banks	-
Total	1,740

10. Gain/(loss) on disposal of assets

Description	2019/2020
	KShs
Property, plant and equipment	-
Intangible assets	-
Total	-

11. Cash and cash equivalents

Description	2019/2020
	KShs
Bomet county Education Revolving fund	60
County mortgage account	-
Fixed deposits account	-
On – call deposits	-
Current account	-
Others	-
Total cash and cash equivalents	60

**Bomet County Education Revolving fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2019/2020
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		
Equity bank	1220278687861	60
Sub- total		-
d) Others(specify)		-
Cash in transit		-
Cash in hand		-
M Pesa		-
Sub- total		-
Grand total		60

12. Receivables from exchange transactions

Description	2019/2020
	KShs
Current Receivables	
Interest receivable	-
Current loan repayments due	-
Other exchange debtors	-
Less: impairment allowance	-
Total Current receivables	-
Non-Current receivables	-
Long term loan repayments due	29,100,000
Total Non- current receivables	-
Total receivables from exchange transactions	29,100,000

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Additional disclosure on interest receivable

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

13. Revenue from Non-Exchange transaction

	KShs
Description	2019/2020
	KShs
Transfer to County Executive	-
Transfer to Fund	-
Total receivables from non-exchange transactions	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

Description	2019/2020
	KShs
Prepaid rent	-
Prepaid insurance	-
Prepaid electricity costs	-
Other prepayments(specify)	-
Total	-

15. Inventories

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

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

18. Trade and other payables from exchange transactions

Description	2019/2020
	KShs
Trade payables	-
Refundable deposits	-
Accrued expenses	-
Other payables	-
Total trade and other payables	-

19. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.06.2019)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Balance at the end of the year (30.06.2020)	-	-	-	-

**Bomet County Education Revolving fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

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

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

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

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

Description	2019/2020
	KShs
Short term borrowings(current portion)	-
Long term borrowings	-
Total	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

Description of the error	2019 – 2020
	KShs
Account receivable as at 1 st July 2019 (A)	-
Account receivable issued during the year (B)	29,100,000
Account receivable settled during the Year (C)	-
Net changes in account receivables D= A+B-C	29,100,000

22. CHANGES IN ACCOUNTS PAYABLE

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

23. Employee benefit obligations

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Cash generated from operations

	2019/2020
	KShs
Surplus/ (deficit) for the year before tax	-
Adjusted for:	-
Depreciation	-
Amortisation	-
Gains/ losses on disposal of assets	-
Interest income	-
Finance cost	-
Working Capital adjustments	-
Increase in inventory	-
Increase in receivables	29,100,000
Increase in payables	-
Net cash flow from operating activities	29,100,000

25. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Fund Administration committee

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2019/2020
	KShs
Transfers from related parties'	-
Transfers to related parties	-

c) Key management remuneration

	2019/2020
	KShs
Board of Trustees	-
Key Management Compensation	-
Total	-

d) Due from related parties

	2019/2020
	KShs
Due from parent Ministry	-
Due from County Government	-
Total	-

e) Due to related parties

	2019/2020
	KShs
Due to parent Ministry	-
Due to County Government	-
Due to Key management personnel	-
Total	-

26. Contingent assets and contingent liabilities

Contingent liabilities	2019/2020
	KShs
No Court case against the Fund	-
Bank guarantees	-
Total	-



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

The fund is being audited for the first time hence there are no issues which have been raised so far

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)