



*Enhancing Accountability*



PARLIAMENT  
OF KENYA  
LIBRARY

PAPERS LAID	
DATE	16/11/2019
TABLED BY	DSM2
COMMITTEE	
CLERK AT THE TABLE	Dcaanf

**REPORT**

**OF**

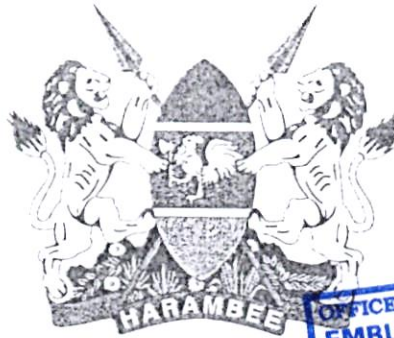
**THE AUDITOR-GENERAL**

**ON**

**EMBU COUNTY EDUCATION  
SUPPORT FUND**

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

Revised Template June 2019



---

EMBU COUNTY EDUCATION SUPPORT FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019

---

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

*EMBU COUNTY EDUCATION SUPPORT FUND*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

**TABLE OF CONTENTS**

TABLE OF CONTENTS	1
1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)	4
3. MANAGEMENT TEAM	5
4. BOARD/FUND CHAIRPERSON'S REPORT	6
5. REPORT OF THE FUND ADMINISTRATOR	7
6. CORPORATE GOVERNANCE STATEMENT	11
7. MANAGEMENT DISCUSSION AND ANALYSIS	12
8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORT	13
9. REPORT OF THE TRUSTEES	14
10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	15
11. REPORT OF THE INDEPENDENT AUDITOR	16
12. FINANCIAL STATEMENTS	17
12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 <sup>th</sup> JUNE 2019 .....	17
12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 .....	18
12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019 .....	19
12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019 .....	20
12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 <sup>th</sup> JUNE 2019 .....	21
12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	22
12.7. NOTES TO THE FINANCIAL STATEMENTS .....	37
13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	41

**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Embu county education support Fund is established by and derives its authority and accountability from Public Finance Management( Embu County Education Support Fund) Regulations,2015. The Fund is wholly owned by the County Government of Embu and is domiciled in Kenya.

The fund’s objective is to grant bursaries, award scholarships, giving loans and any other education intervention as they may arise.

The Fund’s principal activity is granting bursaries to needy students of Embu County.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to grant bursaries and award scholarships

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

Ref	Name	Position
1	John N. kanjoya	Chairperson
2	Peter S.N. kathambara	Member
3	Jason Karira	Member
4	Samuel kithinji	Member
5	Raphael njagi	Member
6	Carlolides Kariuki	Member
7	Jeremiah Ileri	Fund manager
8	Damiano Muthee	Member
9	Antony kirunja	Member

**d) Key Management**

Ref	Name	Position
1	John Kanjoya	Chairperson
2	Jeremiah Ileri	Fund manager
3	Damiano Muthee	Signatory
4		
5		

*(Include all positions regarded as top management for the Fund).*

**EMBU COUNTY EDUCATION SUPPORT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

**e) Registered Offices**

P.O. Box 36  
Health Building/House/Plaza  
Kaunda Street  
Embu, KENYA

**f) Fund Contacts**

Telephone: (254) 724271838  
E-mail: [education@embu.go.ke](mailto:education@embu.go.ke)  
Website: [embu.go.ke/education](http://embu.go.ke/education)

**g) Fund Bankers**

Cooperative Bank of Kenya  
Embu Branch  
Embu, Kenya

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

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

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

<b>Name</b>	<b>Details of qualifications and experience</b>
1. Insert each Trustee's passport-size photo and name	Provide a concise description of each Trustee's date of birth, key academic and professional qualifications and work experience.  Indicate whether the trustee is independent or an executive director and which committee of the Board the trustee chairs where applicable.
2. Trustee 2	
3. Trustee 3	
4. Trustee 4	
5. Etc.	

**EMBU COUNTY EDUCATION SUPPORT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

**3. MANAGEMENT TEAM**

<b>Name</b>	<b>Details of qualifications and experience</b>
1.JOHN KANJOYA	Med (PRIMARY TEACHER EDUCATION- B.ED ARTS)
2.JEREMIAH IRERI	Med (EDUCATION ADMINISTRATION)
3.DAMIANO MUTHEE	MBA(FINANCE OPTION) BCOM(FINANCE OPTION) CPA(K)

**4. BOARD/FUND CHAIRPERSON'S REPORT**

In the year 2018/2019 the fund performed well. One member Sylvia Njiru representing Mbeere South in the fund was replaced by Carolidies Kariuki because she got a permanent job with the County Government.

The Chief Officer Education Mr. Jervasio Mbogo Muchungu (Fund Manager) was also replaced from May 2019 by Jeremiah W. Ileri as the Chief Officer Education who is the new Fund Manager.

This year the fund received Kshs 50,000,000.00 only from the total budget of Kshs 103,450,000.00 necessitating partial release of bursary. Moreover the funds were received very late in the year resulting to pressure in the fund operations unlike the last financial year money were released to schools in time.

The current membership of the fund committee term expired with the end of last financial year and the new team was appointed. It is my hope that new membership will continue from where we have reached.

Signed:  -

JOHN N. KANJOYAH

***EMBU COUNTY EDUCATION SUPPORT FUND***  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

**5. REPORT OF THE FUND ADMINISTRATOR**

**5. REPORT OF THE FUND ADMINISTRATOR**

**A. BURSARY ALLOCATIONS**

In the year 2018/2019 a total of **Kshs.103, 450,000.00** was allocated for bursaries.

**B. ALLOCATIONS PER WARD.**

A total of **103,450,000.00** was allocated for bursaries in the **FY 2018/2019** being **100,450,000** from Ward Fund and 3,000,000 Department allocation.

<b>WARDS</b>	<b>STUDENTS</b>	<b>ALLOCATIONS</b>
1: RUGURU NGANDORI	1746	6,000,000
2: NGINDA	500	3,000,000
3: GATURI SOUTH	1150	5,000,000
4: KITHIMU	1177	6,000,000
5: MBETI NORTH	743	4,000,000
6: KIRIMARI	995	6,000,000
7: RUNYENJES CENTRAL	1793	8,000,000
8: KAGAARI SOUTH	1041	4,500,000
9: KAGAARI NORTH	788	3,000,000
10: KYENI SOUTH	994	4,800,000
11: KYENI NORTH	859	3,500,000
12: GATURI NORTH	1810	7,000,000
13: MAVURIA	1107	4,000,000
14: KIAMBEERE	798	3,500,000
15: MBETI SOUTH	1352	6,500,000
16: MAKIMA	1108	4,500,000
17: MWEA	1041	4,250,000
18: MUMINJI	888	3,600,000
19: NTHAWA	1907	7,500,000
20: EVURORE	1609	5,800,000
<b>Total</b>	<b>23,406</b>	<b>103,450,000</b>

**C. APPLICANTS**

A total number of **35,025** students applied for the bursaries being **17,062** Boys and **17,963** girls in the following categories.

	<b>APPLICANTS</b>	<b>BOYS</b>	<b>%</b>	<b>GIRLS</b>	<b>%</b>
Day Secondary	20,451	9832	48.08	10619	51.92
Boarding Secondary	6409	2700	42.13	3709	57.87
University	2771	1473	54.16	1298	46.84
Special Schools	327	178	54.43	149	45.57

## **EMBU COUNTY EDUCATION SUPPORT FUND**

### **Reports and Financial Statements**

**For the year ended June 30, 2019**

College	3043	1510	49.62	1533	50.8
VTC's/Polytechnic	2024	1369	67.64	655	32.36
<b>TOTAL</b>	<b>35,025</b>	<b>17,062</b>	<b>48.71</b>	<b>17,962</b>	<b>51.29</b>

#### **D. BENEFICIARIES**

A total of **23,385** students benefitted with the bursaries **11,430** boys and **11,975** girls.

	<b>NUMBER</b>	<b>BOYS</b>	<b>GIRLS</b>	<b>TOTAL</b>	<b>%</b>
Day Secondary	246	6265	6979	13239	56.61
Boarding Secondary	308	1676	2253	3929	16.8
University	66	1102	980	2082	8.9
Special Schools	39	144	122	266	1.14
College	240	1244	1155	2399	10.26
Polytechnic/VTC	60	989	481	1470	6.29
	<b>959</b>	<b>11420</b>	<b>11975</b>	<b>23385</b>	<b>100</b>

#### **E. ALLOCATIONS PER CATEGORY.**

A total of **Kshs 96,989,498** has been awarded to needy students in secondary, special education, polytechnics, colleges and universities in phase 1.

	<b>NUMBER</b>	<b>AMOUNTS</b>	<b>%</b>
Day Secondary	246	38,344,500	38.24
Boarding Secondary	308	20,388,498	20.33
University	66	12,867,500	12.9
Special Schools	39	1,780,500	1.8
College	240	13,873,500	13.96
Polytechnic/VTC	60	9,916,000	9.69

#### **F. Strengths**

- Online Bursary Management System hosted by County website servers that ensured speedy processing of bursaries accuracy and generation of reports.
- Sms feedback system that informs all beneficiaries' guardians/parents of the awards once launch is done.
- System generates reports of applicants and beneficiaries at ward and county level.

#### **G. Challenges**

- Delay of release bursary funds by treasury.
- Many applicants who are needy yet funds are limited.

**H. Threats.**

- Stakeholders' interference in the bursary process.
- Disparity of allocations across wards leading to low allocation of funds in some wards/students.

**I. Opportunities**

- Ward committees to ensure that they vet and identify the neediest cases.
- Accuracy of data entry to be improved at ward level to avoid cases of double entries. wrong posting of institutions etc..
- Monitoring and auditing of funds in schools to ensure that the awarded students benefited.
- Liaising with other government and NGOs awarding bursaries to students to avoid double allocations to same students.
- Start of a scholarship programme to support fully bright needy students for 4 years of secondary schools.
- Review of the education support fund regulations to accommodate pertinent emerging issues.

**J. STATUS OF BURSARY DISBURSEMENTS AS AT 30<sup>TH</sup> JUNE 2019.**

The bursary launch was done on **21<sup>st</sup> June 2019** at St Benedict Day Sec School kithimu.

A total of **Ksh 50,000,000** was deposited to the fund account on 18<sup>th</sup> June and disbursed as follows

	<b>CATEGORY</b>	<b>NUMBER</b>	<b>AMOUNTS</b>
1	Day Secondary	247	38,344,500
2	Polytechnic/VTC (Embu county only)	29	7,839,000
3	Administration expenses		3,103,500
	<b>Total</b>		<b>49,287,000</b>

The balance of the money will be disbursed once the Education Support Fund receives the remaining balance from county treasury.

The Fund Administrator should sign the Fund Administrator report.

Signed:  -

**JEREMIAH WERA**

<Name of Fund Administrator>

**6. CORPORATE GOVERNANCE STATEMENT**

Two-to-three pages

*(Under this section, include the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a board charter, process of appointment and removal of trustees, roles and functions of the Board, induction and training, board and member performance, conflict of interest, board remuneration, ethics and conduct as well as governance audit.)*

**7. MANAGEMENT DISCUSSION AND ANALYSIS**

Two- three pages

*(Under this section, the management gives a report on the operational and financial performance of the Fund/Board during the period, entity's key projects or investments decision implemented or ongoing, Fund's compliance with statutory requirements, major risks facing the Fund, material arrears in statutory and other financial obligations, and any other information considered relevant to the users of the financial statements.)*

*The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible.)*

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

Two-to-three pages

*(The Fund gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation conserves the environment, promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives).*

*Where no CSR activities are undertaken during the year, there is no need to include the statement).*

**9. REPORT OF THE TRUSTEES**

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

**Principal activities**

The principal activities of the Fund are *(continue to be)* ....

**Results**

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

**Trustees**

The members of the Board of Trustees who served during the year are shown on page xxx *(refer to the key entity information and management page)*. The changes in the Board during the financial year are as shown below:

**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. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board

XXX

Member of the Board

Date: \_\_\_\_\_

**EMBU COUNTY EDUCATION SUPPORT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

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

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *(The Fund should state the appropriate legislation establishing the 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 and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *(quote the applicable legislation establishing the County Public Fund)*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2019, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 15/7/ 2019 and signed on its behalf by:



---

Administrator of the County Public 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 EMBU COUNTY EDUCATION SUPPORT FUND FOR THE YEAR ENDED 30 JUNE, 2019**

---

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Embu County Education Support Fund set out on pages 17 to 41, which comprise of the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Embu County Education Support Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the County Government Act, 2012, the Public Finance Management Act, 2012 and the Public Finance Management (Embu County Education Support Fund) Regulations, 2018.

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

##### **1. Bursary Funds**

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects bursaries paid of Kshs.58,792,650 during the year under review. However, the Fund Management did not provide for audit review, the minutes of the vetting committee and records to show how the successful applicants were identified and the criteria used to award bursaries to different categories of applicants.

Further, out of an amount of Kshs.58,792,650 paid during the year, disbursements totalling Kshs.44,807,650 or (76%) was not acknowledged as received by the beneficiary schools and institutions.

In the circumstances, it has not been possible to confirm the accuracy, propriety and value for money for the reported expenditures and if the bursaries were awarded in a transparent manner.

## **2. Presentation of the Financial Statements**

The Public Sector Accounting Standards Board (PSASB) financial reporting format stipulates that the reporting entity's annual report should include a list of Board of Trustees and Management team, passport-size photo, name and a concise description of each member's date of birth, key academic and professional qualifications and work experience among other details. However, this information was not provided in the Fund's annual report accompanying the financial statements.

Further, the reporting template provides for a Corporate Governance Statement, Management Discussion and Analysis, Corporate Social Responsibility Statement/Sustainability Report, Report of Trustees, and Progress on Follow-up of Auditor's Recommendations. However, the analysis, reports and statements though reflected in the Funds' financial statements, are blank and therefore do not have the required information.

In addition, the statement of management's responsibilities on page fifteen (15) states that the Fund administrator accepts the responsibility of preparing the financial statements of the Fund in accordance with the standards and formats prescribed by the PSASB. However, the financial statements are prepared in accordance with the accrual basis of accounting method under the International Public Sector Accounting Standards (IPSAS) instead of cash basis of accounting since this is a sinking fund.

In the circumstances, the Fund's financial statements were not prepared in accordance with the PSASB requirements.

## **3. Inaccurate Changes in Net Assets / Reserves**

The statement of changes in net assets does not reflect the accumulated surplus brought forward, deficit for the period and the surplus for the 2018/2019 financial year. Further, the statement of financial position reflects a Nil balance for reserves.

In the circumstances, the accuracy of the statement of changes in net assets and the nil balance for reserves reflected in the statement of financial position could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Embu County Education Support 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 judgement, were of most significance in the audit of the financial statements of the current year. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **Budgetary Controls and Performance**

The statement of comparison of budget and actual amounts for the year under review reflects a total budgeted revenue of Kshs.103,450,000 and actual revenue of Kshs.50,000,000 resulting to a revenue budget shortfall of Kshs.53,450,000 or 52%. Further, the statement reflects a budgeted total expenditure of Kshs.103,450,000 and actual expenditure of Kshs.61,799,300 resulting to an under-expenditure of Kshs.41,650,700 or 40%.

The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the residents of Embu County.

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **Non-Gazettement of Successful Beneficiaries**

The statement of financial performance and Note 2 to the financial statements reflect Kshs.58,792,650 in respect to bursaries paid. The list of applicants and the Fund Administrator's reports showed that the Fund received bursary applications from thirty-five thousand and twenty-five (35,025) applicants out of which twenty-three thousand, three hundred and eighty-five (23,385) were successful. However, the Fund did not publish the list of the successful applicants in the County Gazette as required under Section 15(5) of Public Finance Management (Embu County

Education Support Fund) Regulations, 2018 which provides that the list of all successful beneficiaries shall be published in the County Gazette and notice boards.

In the circumstances, the County Education Support Fund Management was in breach of the law.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and Board of Trustees**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting

unless Management is aware of 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.

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 Embu County Education Support Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**14 October, 2021**

**EMBU COUNTY EDUCATION SUPPORT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**12. FINANCIAL STATEMENTS**

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

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	1	50,000,000	79,000,000
<b>Total revenue</b>		50,000,000	79,000,000
<b>Expenses</b>			
Bursaries paid	2	58,792,650	74,809,797
General expenses	3	2,982,650	2,889,330
Finance costs	4	24,000	14,270
<b>Total expenses</b>		61,799,300	77,713,397
<b>Other gains/losses</b>			
Gain/loss on disposal of assets		0	0
<b>Surplus/( deficit) for the period</b>		(11,799,300)	1,286,603

The notes set out on pages 37 to 38 form an integral part of these Financial Statements

**EMBU COUNTY EDUCATION SUPPORT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

	Note	2018/2019 KShs	2017/2018 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1,509,169.5	13,308,469.5
		1,509,169.5	13,308,469.5
<b>Non-current assets</b>			
<b>Total assets</b>		<b>1,509,169.5</b>	<b>13,308,469.5</b>
<b>Non-current liabilities</b>			
<b>Total liabilities</b>		<b>0</b>	<b>0</b>
<b>Net assets</b>			
Reserves		0	0
<b>Total net assets and liabilities</b>		<b>1,509,169.5</b>	<b>13,308,469.5</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 15/8/ 2019 and signed by



\_\_\_\_\_  
 Administrator of the Fund  
 Name: Jeremiah Ileri



\_\_\_\_\_  
 Fund Accountant  
 Name: Sammy Mwangi  
 ICPAK Member Number: 8734

**EMBU COUNTY EDUCATION SUPPORT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2017</b>	0	0	0	0
Surplus/(deficit) for the period	-	-	0	0
Funds received during the year	0	-	-	0
Revaluation gain	-	0	-	0
<b>Balance as at 30 June 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance as at 1 July 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Surplus/(deficit) for the period		-	0	0
Funds received during the year	0	-	-	0
Revaluation gain	-	0	-	0
<b>Balance as at 30 June 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**(Provide details on the nature and purpose of reserves)**

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

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	1	50,000,000.00	79,000,000.00
Interest received		0	0
Receipts from other operating activities		0	0
<b>Total Receipts</b>		<b>50,000,000.00</b>	<b>79,000,000.00</b>
<b>Payments</b>			
Bursaries paid	2	58,792,650.00	74,809,797
General expenses	3	2,982,650	2,889,330
Finance cost	4	24,000	14,270
<b>Total Payments</b>		<b>61,799,300</b>	<b>77,713,397</b>
<b>Net cash flows from operating activities</b>		<b>(11,799,300)</b>	<b>1,286,603</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		0	0
Proceeds from sale of property, plant and equipment		0	0
Proceeds from loan principal repayments		0	0
Loan disbursements paid out		(0)	(0)
<b>Net cash flows used in investing activities</b>		<b>(0)</b>	<b>(0)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		0	0
Additional borrowings		0	0
Repayment of borrowings		(0)	(0)
<b>Net cash flows used in financing activities</b>		<b>(0)</b>	<b>(0)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(11,799,300)</b>	<b>1,286,603</b>
Cash and cash equivalents at 1 JULY	5	13,308,469.5	12,021,866.5
<b>Cash and cash equivalents at 30 JUNE</b>		<b>1,509,169.5</b>	<b>13,308,469.5</b>

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Transfers from County Govt.	103,450,000	0	103,450,000	50,000,000	53,450,000	48%
Interest income	0	0	0	0		
Other income	0	0	0	0		
<b>Total income</b>	<b>103,450,000</b>	<b>0</b>	<b>103,450,000</b>	<b>50,000,000</b>	<b>53,450,000</b>	
<b>Expenses</b>						
Bursaries paid	100,346,500	0	100,346,500	58,792,650	41,553,850	58.5%
General expenses & Finance costs	3,103,500	0	3,103,500	3,006,650	96,850	97%
<b>Total expenditure</b>	<b>103,450,000</b>		<b>103,450,000</b>	<b>61,799,300</b>	<b>41,650,700</b>	<b>59.7%</b>
<b>Surplus for the period</b>	<b>0</b>		<b>0</b>	<b>(11,799,300)</b>		

#### Budget notes

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

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

**12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of 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"><li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li></ul>

**EMBU COUNTY EDUCATION SUPPORT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.</li> </ul> <p><i>(State the impact of the standard to the entity if relevant)</i></p>

**c) Early adoption of standards**

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

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

**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 2018/2019 was approved by the County Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of xxxxx on the FY 2018/2019 budget following the governing body's approval.

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

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

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

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

**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.

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

**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.

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

**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. *Entity to state the reserves maintained and appropriate policies adopted.*

**11. 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.

**12. 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.

**13. Foreign currency transactions**

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

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

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

**14. Borrowing costs**

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

**15. Related parties**

The 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.

**16. Cash and cash equivalents**

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

**17. Comparative figures**

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

**18. Events after the reporting period**

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

**19. Ultimate and Holding Entity**

The entity is a County Public Fund established by Public Finance Management( Embu County Education Support Fund) Regulations,2015. Its ultimate parent is the County Government of Embu.

**Currency**

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

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

**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 xxx.

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

*(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)*

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

**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
<b>At 30 June 2019</b>				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	0	0	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**EMBU COUNTY EDUCATION SUPPORT FUND**

***Reports and Financial Statements***

***For the year ended June 30, 2019***

***(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)***

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

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

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

The entity has significant concentration of credit risk on amounts due from xxxx

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
<b>At 30 June 2019</b>				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 30 June 2018</b>				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

**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 on-going basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the 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
<b>At 30 June 2019</b>			
Financial assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ receivables	0	0	0
<b>Liabilities</b>			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	<b>0</b>	<b>0</b>	<b>0</b>

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

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

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

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on surplus/ deficit	Effect on Equity
	KShs	KShs	KShs
<b>2019</b>			
Euro	10%	0	0
USD	10%	0	0
<b>2018</b>			
Euro	10%	0	0
USD	10%	0	0

**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 xxx (2019: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2018 – KShs xxx)

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

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

**d) Capital risk management**

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

	2019	2018
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	0	0
Accumulated surplus	0	0
<b>Total funds</b>	<b>0</b>	<b>0</b>
Total borrowings	0	0
Less: cash and bank balances	(0)	(0)
Net debt/(excess cash and cash equivalents)	0	0
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

**12.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfers from County Government**

Description	2018/2019	2017/2018
	KShs	KShs
Transfers from County Govt. – operations	50,000,000	79,000,000
Payments by County on behalf of the entity	0	0
<b>Total</b>	<b>50,000,000</b>	<b>79,000,000</b>

**2. Funds paid to beneficiaries**

Description	2018/2019	2017/2018
	KShs	KShs
Bursaries paid	58,792,650.00	74,809,797
Fines	0	0
<b>Total</b>	<b>58,792,650.00</b>	<b>74,809,797</b>

**3. General expenses**

Description	2018/2019	2017/2018
	KShs	KShs
Consumables	24,000	14,000
Fuel and oil costs	40,000	50,000
Postage	3,000	1,020
Printing and stationery	236,000	176,000
Telecommunication	82,000	62,000
Hospitality	186,000	214,000
Other expenses- committee expenses	2,411,650	2,392,330
<b>Total</b>	<b>2,982,650</b>	<b>2,889,330</b>

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

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

**4. Finance costs**

Description	2018/2019	2017/2018
	KShs	KShs
Bank charges	24,000	14,270
Interest on loans from banks	0	0
<b>Total</b>	<b>24,000</b>	<b>14,270</b>

**5. Cash and cash equivalents**

Description	2018/2019	2017/2018
	KShs	KShs
Fixed deposits account	0	0
On – call deposits	0	0
Current account	1,509,169.5	13,308,469.5
Others	0	0
<b>Total cash and cash equivalents</b>	<b>1,509,169.5</b>	<b>13,308,469.5</b>

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

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

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

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

Financial institution	Account number	2018/2019	2017/2018
		KShs	KShs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		0	0
Equity Bank, etc		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>b) On - call deposits</b>			
Kenya Commercial bank		0	0
Equity Bank – etc		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>c) Current account</b>			
Cooperative bank of Kenya		10,827,169.5	18,204,419.5
Bank B		0	0
<b>Sub- total</b>		<b>10,827,169.5</b>	<b>18,204,419.5</b>
<b>d) Others(specify)</b>			
Cash in transit		0	0
Cash in hand		0	0
M Pesa		0	0
<b>Sub- total</b>			
<b>Grand total</b>		<b>10,827,169.5</b>	<b>18,204,419.5</b>

**EMBU COUNTY EDUCATION SUPPORT FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

**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

**b) party transactions**

	2018/2019	2017/2018
	KShs	KShs
Transfers from related parties'	0	0
Transfers to related parties	0	0

**c) Key management remuneration**

	2018/2019	2017/2018
	KShs	KShs
Board of Trustees	0	0
Key Management Compensation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**d) Due from related parties**

	2018/2019	2017/2018
	KShs	KShs
Due from parent Ministry	0	0
Due from County Government	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**e) Due to related parties**

	2018/2019	2017/2018
	KShs	KShs
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**EMBU COUNTY EDUCATION SUPPORT FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

**Guidance Notes:**

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

