



REPORT

OF

THE AUDITOR-GENERAL

ON

TAITA TAVETA COUNTY

EDUCATION FUND

FOR THE YEAR ENDED

30 JUNE, 2019



TAITA TAVETA COUNTY EDUCATION 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)**

TAITA TAVETA COUNTY EDUCATION FUND

Reports and Financial Statements

For the year ended June 30, 2019

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Taita Taveta Education Fund is established by and derives its authority and accountability from The Taita Taveta Education Fund Board Act, 2013. The Fund is wholly owned by the County Government of Taita Taveta and is domiciled in Kenya.

b) Principal Activities

The fund's objective and principal activity is granting loans, bursaries and scholarships to assist student residents of Taita Taveta County to obtain post primary and higher education at recognized institutions within and outside Kenya.

c) Board of Members

| Ref | Name | Position | DATE OF APPOINTMENT | DATE OF END OF TERM |
|------------|-----------------------|-----------------------------|--------------------------------|---|
| 1 | David Mombo | Chairman | 21-03-2018 | 21-03-2021 |
| 2 | Leah K. Kamau | Vice Chairperson | 21-03-2018 | 21-03-2021 |
| 3 | Philomena Kirote | CCO Education and Libraries | Subject to employment contract | Subject to employment contract |
| 4 | Philip Mwangwale | CEO Education Fund | 07-09-2018 | 07-09-2022 |
| 5 | Silas Njongwa | Fund Administrator | 24-02-2015 | Subject to the discretion of CECM Finance |
| 6 | Simon Mwakughu | Member | 21-03-2018 | 21-03-2021 |
| 7 | Aggrey N. Msangi | Member | 21-03-2018 | 21-03-2021 |
| 8 | Ven Renson Shake | Member | 21-03-2018 | 21-03-2021 |
| 9 | Grantton Mwaliko | Member | 21-03-2018 | 21-03-2021 |
| 10 | Humphrey M. Mng'ongo | Member | 21-03-2018 | 21-03-2021 |
| 11 | Mwakina S. Madawa | Member | 21-03-2018 | 21-03-2021 |
| 12 | Margret Kawuki | Member | 21-03-2018 | 21-03-2021 |
| 13 | Philisia Mghoi Selina | Member | 21-03-2018 | 21-03-2021 |
| 14 | Dorcas Tama | Member | 21-03-2018 | 21-03-2021 |

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KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

d) Key Management

| Ref | Name | Position |
|------------|------------------|-----------------------------|
| 1 | Philomena Kirote | CCO Education and Libraries |
| 2 | Philip Mwangwale | CEO Education Fund |
| 3 | Silas Njongwa | Fund Administrator |
| 4 | Joseph Madeda | Accountant |

Registered Offices

P.O. Box 1066 - 80304
Wundanyi
Taita Taveta, Kenya

e) Fund Contacts

Telephone: (254) 0713164527
E-mail: loansboardtaitataveta@gmail.com

f) Fund Bankers

1. Kenya Commercial Bank
Wundanyi Branch
P.O. Box 1067 - 80304
Kenya

g) Independent Auditors

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

h) Principal Legal Adviser

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

2. THE BOARD OF MEMBERS

| Name | Details of qualifications and experience |
|----------------------------|---|
| 1. David Mombo | David is the Chairman of the board and is currently a teacher at Kenyatta High School – Mwatate. |
| 2. Leah K. Kamau | Leah is a retired teacher and has been a School principal for over 30 years. She taught chemistry and Biology and represents the women in the Board. |
| 3. Philomena Kirote | Philomena is the CCO – Education and libraries Taita Taveta County and has a degree in Education Science from Kenyatta University. |
| 4. Philip Mwangwale | Philip is the CEO of the Fund and is currently pursuing Masters in Arts Counselling Psychology. |
| 5. Silas Njongwa | Silas is an accountant and holds a degree in Master of commerce and is the representative of the CECM Finance and Economic planning. |
| 6. Simon Mwakughu | Simon is a career teacher and has been a School principal for over 23 years and holds a Degree in Bachelor of Education (Arts). He represents Education in the Board and is a member of KESSHA. |
| 7. Aggrey N. Msangi | Aggrey is a member of the board |
| 8. Ven Renson Shake | Ven Renson is an Arcdeacon and is currently based in the Archdeaconry of Taveta. He holds a degree in Bachelor of Divinity. |
| 9. Granton Mwaliko | Granton is a representative of education in the Board and is a member of KEPSHA. |
| 10. Humphrey M. Mng'ongo | Humphrey is a representative of youth in the Board. |
| 11. Mwakina S. Madawa | Madawa is a representative of education in the Board and is a member of KNUT. |
| 12. Margret Kawuki | Margaret is a business lady and she completed her secondary school in 1986 from Voi secondary school. |
| 13. Philisiah Mghoi Selina | Philisiah is a member of the board representing persons with disability. She attended college at Machakos Teachers Training College and Kenya Institute of Special Education. |
| 14. Dorcas Tama | Dorcas is a member of the Board and is currently a student at Maseno University. |

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3. MANAGEMENT TEAM

| Name | Details of qualifications and experience |
|---------------------|--|
| 1. Philomena Kirote | Philomena is the CCO – Education and libraries Taita Taveta County and has a degree in Education Science from Kenyatta University. |
| 2. Philip Mwangwale | Philip is the CEO of the Fund and is currently pursuing Masters in Arts Counselling Psychology. |
| 3. Silas Njongwa | Silas is an accountant and holds a degree in Master of commerce and is the representative of the CECM Finance and Economic planning. |
| 4. Joseph Madedda | Joseph is an accountant and holds a degree in Bachelor of Commerce. |

4. BOARD/FUND CHAIRPERSON'S REPORT

The Taita Taveta Education Fund was established with the aim of:

- I. Cushioning households from impact of poverty by increasing access, retention and completion rates in primary, secondary and tertiary learning institutions
- II. Enabling our children an opportunity to pursue further education especially the bright and needy.

In the financial year 2018/2019, the budget allocation was Kshs. 151,875,000 (One Hundred and Fifty One Million Eight Hundred and Seventy Five Thousand). During the supplementary budget, the allocation was adjusted to Kshs. 151,175,000 (One Hundred and Fifty One Million One Hundred and Seventy Five Thousand).

During the year, the Fund transferred Kshs 8,000,000 (Eight Million) to Higher Education Loans Board (HELB) to cater for loans, the beneficiaries being students of Taita Taveta County.

During the year, the Board was able to get a CEO who is also the secretary to the Board.

Long live TaitaTaveta County Education Fund.

Signed:



Date: 27.11.2019

David Mombo

5. REPORT OF THE FUND ADMINISTRATOR

The Taita Taveta County Education Fund Board was established by an Act of the Taita Taveta County Assembly to provide for the management of an Education fund to be used for granting loans, bursaries and scholarships to assist students residents of Taita Taveta County to obtain post primary and higher education.

In the financial year 2018/2019, the budget allocation for the fund was a total of Kshs. 151,875,000 (One Hundred and Fifty One Million Eight Hundred and Seventy Five Thousand shillings). During the supplementary budget, the allocation was adjusted to Kshs. 151,175,000 (One Hundred and Fifty One Million One Hundred and Seventy Five Thousand).

The main challenge was that the Budget was not fully funded. During the year we received a total of Kshs 105,000,000 (One Hundred and Five Million).

The fund performed better in the year because of improved revenue received.

Signed:  Date: 27.11.2019

Silas Njongwa

6. CORPORATE GOVERNANCE STATEMENT

Ownership

The Taita Taveta Education Fund was established by and derives its authority and accountability from The Taita Taveta Education Fund Board Act, 2013. The Fund is wholly owned by the County Government of Taita Taveta and is domiciled in Kenya.

Current Constitution and Appointment of Board Members

The Governor shall be the Patron of the board who shall;

- Appoint a Chairman with the approval of the County Assembly;
- Appoint the Secretary to the board who shall be the Chief Executive Officer of the board with approval of the County Assembly.

a vice Chair elected by the members;

a representative of the finance docket;

a representative of the youth;

a representative of persons with disabilities

three members representing special interest group namely;

- Administration
- Religion
- Education

the legal advisor who shall be appointed by the Governor

Key responsibilities of the Board Members

- To formulate sound policies for regulating the management the Fund
- To set the criteria and conditions governing the granting of loans
- To hold public information and engagement forums in the County to facilitate public participation

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Remuneration of Board Members

The Board members do not receive a salary. However they are paid a sitting allowance for board meetings at the rate of Kshs 15,000 for the Chairperson, Kshs 12,000 for the Vice Chairperson and the other members Kshs 10,000. per meeting. County employees are paid at the rate of Kshs 4,000 per meeting which is as per the Salaries & Remuneration Commission circular SRC/ADM/CIR/1/13(122).

Board Meetings

Board and committee attendance for the period.

| MEMBERS | 06.08.2018 | 11.10.2018 | 04.01.2019 |
|-----------------------|------------|------------|------------|
| David Mombo | ✓ | ✓ | ✓ |
| Leah K. Kamau | ** | ✓ | ✓ |
| Philomena Kirote | ✓ | ✓ | ✓ |
| Philip Mwangwale | ** | ✓ | ✓ |
| Silas Njongwa | ** | ✓ | ✓ |
| Simon Mwakughu | ** | ** | ✓ |
| Aggrey N. Msangi | ✓ | ** | ✓ |
| Ven Renson Shake | ** | ** | ✓ |
| Grantan Mwaliko | ✓ | ** | ✓ |
| Humphrey M. Mng'ongo | ** | ** | ✓ |
| Mwakina S. Madawa | ** | ** | ✓ |
| Margret Kawuki | ✓ | ** | ✓ |
| Philisia Mghoi Selina | ** | ** | ✓ |
| Dorcas Tama | ** | ** | ✓ |

KEY: ✓ - Present A – Apology ** - No obligation to attend

7. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial performance

The Taita Taveta Education Fund Board budget allocation has not matched the actual funding. The only source of funding is the County government since its inception.

Financial Information

| YEAR | BUDGETED | EXCHEQUER ISSUE |
|----------------------|-----------------|------------------------|
| FY 2013/14 | 50,000,000 | 50,000,000 |
| FY 2014/15 | 50,000,000 | 52,421,741 |
| FY 2015/16 | 93,600,000 | 86,142,658 |
| FY 2016/17 | 116,000,000 | 42,000,000 |
| FY 2016/17 - TO HELB | | 20,000,000 |
| FY 2017/18 | 121,648,046 | 40,700,000 |
| FY 2017/18 – TO HELB | | 10,000,000 |
| FY 2018/19 | 151,175,000 | 97,000,000 |
| FY 2018/19 – TO HELB | | 8,000,000 |

It is important to note that adequate financing for the fund can be achieved through increased allocation from the County and funding from donors.

The fund has a phone number where residents of the County can enquire on issues of the fund. In line with that we have been engaging Helb to build capacity by training the ward administrators on how residents can benefit from the County loans and Helb products.

Any County that intends to make a breakthrough in industrialization and technological development must begin by ensuring that it has a critical mass of well qualified personnel.

8. REPORT OF THE MEMBERS

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

Principal activities

The principal activities of the Fund are to grant loans, bursaries and scholarships to assist students of Taita Taveta County to obtain post primary and higher education.

Results

The results of the Fund for the year ended June 30, 2019 are set out on page 14.

Members

The members of the Board who served during the year are shown on page 1. The changes in the Board during the financial year are as shown below:

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REPORT OF THE MEMBERS (CONTINUED)

| Ref | Name | Position | DATE OF APPOINTMENT | DATE OF END OF APPOINTMENT |
|-----|-----------------------|-----------------------------|--------------------------------|---|
| 1 | David Mombo | Chairman | 21-03-2018 | 21-03-2021 |
| 2 | Leah K. Kamau | Vice Chairperson | 21-03-2018 | 21-03-2021 |
| 3 | Philomena Kirote | CCO Education and Libraries | Subject to employment contract | Subject to employment contract |
| 4 | Philip Mwangwale | CEO Education Fund | 07-09-2018 | 07-09-2022 |
| 5 | Silas Njongwa | Fund Administrator | 24-02-2015 | Subject to the discretion of CECM Finance |
| 6 | Simon Mwakughu | Member | 21-03-2018 | 21-03-2021 |
| 7 | Aggrey N. Msangi | Member | 21-03-2018 | 21-03-2021 |
| 8 | Ven Renson Shake | Member | 21-03-2018 | 21-03-2021 |
| 9 | Grantton Mwaliko | Member | 21-03-2018 | 21-03-2021 |
| 10 | Humphrey M. Mng'ongo | Member | 21-03-2018 | 21-03-2021 |
| 11 | Mwakina S. Madawa | Member | 21-03-2018 | 21-03-2021 |
| 12 | Margret Kawuki | Member | 21-03-2018 | 21-03-2021 |
| 13 | Philisia Mghoi Selina | Member | 21-03-2018 | 21-03-2021 |
| 14 | Dorcas Tama | Member | 21-03-2018 | 21-03-2021 |

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: 27.11.2019

9. 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 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 Taita Taveta County Education 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 Taita Taveta County Education 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 The Taita Taveta County Education Fund Board Act, 2013. The Administrator of Taita Taveta County Education 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 Taita Taveta County Education 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.



Date: 27.11.2019

Administrator of the Taita Taveta County Education 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 TAITA TAVETA COUNTY EDUCATION FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Taita Taveta County Education Fund set out on pages 14 to 35, which comprise of the statement of financial position as at 30 June, 2019, 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 Taita Taveta County Education 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 Taita Taveta County Education Fund Act, 2013, Taita Taveta County Education Fund Board (Amendment) Act, 2018 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Restatement of Prior Year Balances and Discrepancies Between the Balances in the Financial Statements with those in the Notes

As disclosed in the respective Notes to the financial statements, the following prior year balances were restated:

| Item | Note to the Financial Statements | 2017/18 Audited Balance (Kshs.) | Restated Balance (Kshs.) | Variance (Kshs.) |
|---------------------------|----------------------------------|---------------------------------|--------------------------|------------------|
| Cash and Cash Equivalents | 9 | 21,280,990 | 5,725,990 | 15,555,000 |

| Item | Note to the Financial Statements | 2017/18 Audited Balance (Kshs.) | Restated Balance (Kshs.) | Variance (Kshs.) |
|---------------------|----------------------------------|---------------------------------|--------------------------|------------------|
| Receivables | 10 | 50,646,141 | 66,702,004 | 16,055,863 |
| Accumulated Surplus | 11 | 16,472,767 | 5,725,990 | 10,746,777 |
| Revolving Fund | 13 | 56,910,250 | 66,702,004 | 9,791,754 |

However, the Management did not provide journal vouchers and supporting documents for the restatements. In addition, the restated balances were not reflected in the statement of financial position.

Consequently, the accuracy and completeness of the financial statements could not be confirmed.

2. Recoverability of Loans Awarded

The statement of financial position and Note 10 to the financial statements reflects receivables - loans amounting to Kshs.74,702,004. Included in the balance was Kshs.34,479,004 in respect to matured loans of which only Kshs.311,266 was recovered in the year under review. Further, the ageing analysis of the outstanding loans was not provided for audit review and no provision for doubtful debts was made despite the low repayments by the beneficiaries.

Consequently, the completeness and full recoverability of the outstanding loans balance of Kshs.74,702,004 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Taita Taveta County Education Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements 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 year under review.

Other Matter

Budgetary Control and Performance

During the year under review, the Fund had an approved revenue budget of Kshs.151,175,000 against actual receipts of Kshs.105,000,000, or 69% resulting to a shortfall of Kshs.46,175,000 or 31%. Similarly, the Fund had a total expenditure budget of Kshs.151,175,000 against actual expenditure of Kshs.110,688,672 or 73%, resulting

to net under absorption by Kshs.40,486,328 or 27% of the budget. The underfunding and under absorption of the approved budget for bursary and scholarships indicates non-funding of some student's studies, a situation which may impact negatively on access to education by qualified and deserving students from Taita Taveta 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, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Approved Risk Management Framework and Failure to Convene Board Meetings

The Taita Taveta County Education Fund Board had not developed a risk management framework. This is contrary to Regulation 158 (1) (a) and (b) of Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that a county government entity develops risk management strategies, which includes fraud prevention mechanism; and develops a system of risk management and internal control that builds robust business operations.

In addition, as disclosed under the Corporate Governance Statement, only three (3) Board Committee meetings were held during the year under review. This is contrary to Section 11(2) and Section 11(3) of the Taita Taveta County Education Fund Board Act, 2013 which requires the Board to meet at least four (4) times in each year and the

chairman to, upon requisition in writing by at least seven (7) members convene a special meeting of the Board at any time.

Without a formal risk management framework and regular meetings of the Board, it could not be confirmed that risk management systems, internal controls and overall governance were effective.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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 Directors

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 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 Fund's 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 Directors is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 Taita Taveta County Education Fund's 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 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 Fund's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. 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 as a going concern
- 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

11. FINANCIAL STATEMENTS

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

| | Note | FY2018/2019 | FY2017/2018 |
|---|------|--------------------|-------------------|
| | | KShs | KShs |
| Revenue from non-exchange transactions | | | |
| Transfers from the County Government | 1 | 105,000,000 | 40,700,000 |
| Taita Taveta County Education Fund - HELB | 2 | - | 10,000,000 |
| | | 105,000,000 | 50,700,000 |
| Revenue from exchange transactions | | | |
| Interest income | 3 | - | - |
| Total revenue | | 105,000,000 | 50,700,000 |
| Expenses | | | |
| Staff Costs | 6 | 534,889 | 19,196 |
| Fund administration expenses | 5 | 4,620,726 | 4,753,344 |
| Bursary & Scholarships | 8 | 97,533,057 | 19,724,147 |
| Other Grants & Transfers - Helb | 7 | 8,000,000 | 10,400,000 |
| Total expenses | | 110,688,672 | 34,896,687 |
| Surplus/(deficit) for the period | | (5,688,672) | 15,803,314 |

The notes set out on pages 25 to 31 form an integral part of these Financial Statements.

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11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

| | Note | FY2018/2019 | FY2017/2018 |
|---|------|-------------------|-------------------|
| | | KShs | KShs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 37,318 | 21,280,990 |
| Receivables - Loans | 10 | 74,702,004 | 50,646,141 |
| Interest Accrued | 12 | - | 1,455,886 |
| | | 74,739,322 | 73,383,017 |
| Non-current assets | | | |
| | | - | - |
| Total assets | | 74,739,322 | 73,383,017 |
| Liabilities | | | |
| Current liabilities | | | |
| | | - | - |
| | | - | - |
| Non-current liabilities | | | |
| Total liabilities | | - | - |
| | | | |
| Net assets | | 74,739,322 | 73,383,017 |
| Revolving Fund | 13 | 74,702,004 | 56,910,250 |
| Accumulated surplus | 11 | 37,318 | 16,472,767 |
| Total net assets and liabilities | | 74,739,322 | 73,383,017 |

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 27.11.2019 and signed by:



Administrator of the Fund
Name: SILAS NJONGWA



CCO Finance & Economic Planning
Name: LEONARD LANGAT
ICPAK No. 10793

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

| | Revolving Fund | Revaluat ion Reserve | Prior year adjustment | Accumulate d surplus | Total |
|-----------------------------------|-------------------|----------------------------|--------------------------|-------------------------|-------------------|
| | | | KShs | KShs | KShs |
| Balance as at 1 July 2017 | 35,454,364 | - | - | 5,330,404 | 40,784,768 |
| Surplus/(deficit) for the period | - | - | - | 15,803,314 | 15,803,314 |
| Funds received during the year | - | - | - | - | - |
| Prior year Adjustment | 21,455,886 | - | | (4,660,951) | 16,794,935 |
| Prior year Adjustment | 9,791,754 | | | (10,746,777) | (955,023) |
| Balance as at 30 June 2018 | 66,702,004 | | - | 5,725,990 | 72,427,994 |
| Balance as at 1 July 2018 | 66,702,004 | | - | 5,725,990 | 72,427,994 |
| Surplus/(deficit) for the period | - | - | - | (5,688,672) | (5,688,672) |
| Funds received during the year | 8,000,000 | - | - | - | 8,000,000 |
| Revaluation gain | - | - | - | - | - |
| Balance as at 30 June 2019 | 74,702,004 | | - | 37,318 | 74,739,322 |

The opening balance of revolving fund and accumulated surplus have been reinstated as per Note No. 4 (d). and Note No. 4 (c).

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

| | Note | FY2018/2019 | FY2017/2018 |
|---|----------|----------------------|---------------------|
| | | KShs | KShs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from the County Government | 1 | 105,000,000 | 40,700,000 |
| Taita Taveta County Education Fund - HELB | 2 | - | 10,000,000 |
| Interest received | 3 | - | - |
| Total Receipts | | 105,000,000 | 50,700,000 |
| Payments | | | |
| Staff Costs | 6 | (534,889) | (19,196) |
| Fund administration expenses | 5 | (4,620,726) | (4,753,344) |
| Bursary & Scholarships | 8 | (97,533,057) | (19,724,147) |
| Other Grants & Transfers - Helb | 7 | (8,000,000) | (10,400,000) |
| Total Payments | | (110,688,672) | (34,896,687) |
| Adjustments | | | |
| Decrease/(Increase) in Loans | 10 | - | (14,249,000) |
| Decrease/(Increase) in HELB Funding | 13 | - | 20,000,000 |
| Net cash flows from operating activities | | (5,688,672) | 21,554,314 |
| Cash flows from investing activities | | | |
| Net cash flows used in investing activities | | (-) | (-) |
| Cash flows from financing activities | | | |
| Proceeds from revolving fund receipts | | - | - |
| Net cash flows used in financing activities | | (-) | (-) |
| Net increase/(decrease) in cash and cash equivalents | | (5,688,672) | 21,554,314 |
| Cash and cash equivalents at 1 JULY | 9 | 5,725,990 | (273,324) |
| Cash and cash equivalents at 30 JUNE | 9 | 37,318 | 21,280,990 |

Cash and Cash equivalent Brought forward has been restated as per Note. 9.

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

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % utilisation |
|-------------------------------|--------------------|------------------|--------------------|----------------------------|------------------------|---------------|
| | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 |
| | KShs | KShs | KShs | KShs | KShs | |
| Revenue | | | | | | |
| Transfers from County Govt. | 151,875,000 | (700,000) | 151,175,000 | 105,000,000 | 46,175,000 | 69% |
| Total income | 151,875,000 | (700,000) | 151,175,000 | 105,000,000 | 46,175,000 | |
| | | | | | | |
| Expenses | | | | | | |
| Staff Costs | 534,889 | - | 534,889 | 534,889 | - | 100% |
| Fund administration expenses | 4,620,726 | - | 4,620,726 | 4,620,726 | - | 100% |
| Bursary & Scholarships | 138,719,385 | (700,000) | 138,019,385 | 97,533,057 | 40,486,328 | 70% |
| Other Grants & Transfers | 8,000,000 | - | 8,000,000 | 8,000,000 | - | 100% |
| Total expenditure | 151,875,000 | (700,000) | 151,175,000 | 110,688,672 | 40,486,328 | |
| Surplus for the period | - | - | - | (5,688,672) | 5,688,672 | |

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11.6. 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

| 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 2019

| 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; |

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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. |
| IPSAS 42: Social Benefits | Applicable: 1st January 2022 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: <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. |

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

Transfer from other government transactions

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.

4. Budget information

The original budget for FY 2018/2019 was approved by the County Assembly on 30th June 2018.

The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance

5. 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.

The Taita Taveta County Education Fund Board regulations, 2018 (21) to (35) outlines the policy on loans.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. 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.

7. 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.

8. 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.

9. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. 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.

11. Comparative figures

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

12. Events after the reporting period

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

13. Ultimate and Holding Entity

The entity is a County Public Fund established by The Taita Taveta County Education Fund Board Act, 2013 under the Ministry of Education and Libraries. Its ultimate parent is the County Government of Taita Taveta.

14. Currency

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

15. 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.

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11.7. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

| Description | FY2018/2019 | FY2017/2018 |
|--------------|--------------------|-------------------|
| | KShs | KShs |
| Funding | 10,000,000 | 1,500,000 |
| Funding | 10,000,000 | 10,000,000 |
| Funding | 20,000,000 | 7,500,000 |
| Funding | 40,000,000 | 10,000,000 |
| Funding | 10,000,000 | 10,000,000 |
| Funding | 10,000,000 | 1,700,000 |
| Funding | 5,000,000 | - |
| Total | 105,000,000 | 40,700,000 |

2. Taita Taveta County Education Fund -HELB

| Description | FY2018/2019 | FY2017/2018 |
|---|-------------|-------------------|
| | KShs | KShs |
| Taita Taveta County Education Fund - HELB | - | 10,000,000 |
| Total | - | 10,000,000 |

3. Interest income

| Description | FY2018/2019 | FY2017/2018 |
|------------------------|-------------|-------------|
| | KShs | KShs |
| Interest income | - | - |

The interest income is charged by Helb as administration fee.

4. (a) Prior year adjustments

| Description | FY2018/2019 | FY2017/2018 |
|---|-------------|--------------------|
| | KShs | KShs |
| Adjustment in Cashbook - Receivables | - | 157,060 |
| Adjustment in Cashbook – Reversed Entries | - | 892,762 |
| Adjustment in Cashbook - Payments | - | (5,710,773) |
| Total | - | (4,660,951) |

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(b) Prior year adjustments - Receivables

| Description | FY2018/2019 | FY2017/2018 |
|----------------------------|-------------|--------------------|
| | KShs | KShs |
| | | Restated |
| Understated receivables | - | 4,808,223 |
| Interest accrued | - | 1,455,886 |
| Understated Revolving Fund | - | 9,791,754 |
| Total | - | 16,055,863* |

*Restated receivables that had not been captured while adopting IPSAS accrual accounting framework.

(c) Prior year adjustments – Accumulated Surplus

| Description | FY2018/2019 | FY2017/2018 |
|-------------------------|-------------|--------------------|
| | KShs | KShs |
| | | Restated |
| Helb Balance | - | 15,555,000 |
| Understated receivables | - | (4,88,223) |
| Total | - | 10,746,777* |

*Restated accumulated surplus adjustment.

(d) Prior year adjustments – Revolving Fund

| Description | FY2018/2019 | FY2017/2018 |
|----------------------------|-------------|--------------------|
| | KShs | KShs |
| | | Restated |
| Understated Revolving Fund | - | 9,791.754 |
| Total | - | 9,791,754 * |

*Restated revolving Fund that had not been captured while adopting IPSAS accrual accounting framework.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Fund administration expenses

| Description | FY2018/2019 | FY2017/2018 |
|----------------------------------|------------------|------------------|
| | KShs | KShs |
| Board Allowances and Subsistence | 49,000 | - |
| Bank Charges | 50,247 | 11,362 |
| Helb Administrative fee | - | 196,000 |
| Public Participation | 547,700 | 433,000 |
| Legal fees | - | 116,000 |
| Board Secretariat Expenses | 3,973,779 | 3,996,982 |
| Total | 4,620,726 | 4,753,344 |

6. Staff costs

| Description | FY2018/2019 | FY2017/2018 |
|--------------------|----------------|---------------|
| | KShs | KShs |
| Salaries and wages | 534,889 | 19,196 |
| Total | 534,889 | 19,196 |

7. Other Grants and Transfers

| Description | FY2018/2019 | FY2017/2018 |
|--|------------------|-------------------|
| | KShs | KShs |
| Transfer to Taita Taveta County Treasury Imprest A/c | - | 8,500,000 |
| Transfer to Taita Taveta Education Imprest A/c | - | 1,900,000 |
| Transfer to Helb | 8,000,000 | - |
| Total | 8,000,000 | 10,400,000 |

8. Bursary & Scholarships

| Description | FY2018/2019 | FY2017/2018 |
|--------------|-------------------|-------------------|
| | KShs | KShs |
| Scholarships | 9,604,023 | 4,330,464 |
| Bursaries | 87,929,034 | 15,393,683 |
| Total | 97,533,057 | 19,724,147 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Cash and cash equivalents

| | | FY2018/2019 | FY2017/2018 |
|--|----------------|---------------|------------------|
| Financial institution | Account number | KShs | KShs |
| | | | Restated |
| Kenya Commercial bank | 1152801015 | 37,318 | 5,725,990 |
| Taita Taveta Fund Balance- HELB | | - | 15,555,000* |
| Adjustment | | - | (15,555,000) |
| Total cash and cash equivalents | | 37,318 | 5,725,990 |

*Restated balance. Adjustment of Kshs 15,555,000 is for Helb account.

10. Receivables

| Description | FY2018/2019 | FY2017/2018 |
|------------------------------------|-------------------|-------------------|
| | KShs | KShs |
| | | Restated |
| Loans Brought Forward | 66,702,004 | 36,397,141 |
| Taita Taveta Education Fund - HELB | 8,000,000 | 14,249,000 |
| Prior year Adjustment | - | 16,055,863* |
| Total Receivable | 74,702,004 | 66,702,004 |

* The receivable has been restated to reflect the receivables as per the loan register.

11. Accumulated Surplus

| Description | FY2018/2019 | FY2017/2018 |
|--------------------------------|---------------|-------------------|
| | KShs | KShs |
| | | Restated |
| Balance Brought Forward | 5,725,990 | 669,453 |
| Surplus/(Deficit) for the year | (5,688,672) | 15,803,314 |
| Prior year Adjustment | - | (10,746,777)* |
| Total Surplus/(Deficit) | 37,318 | 5,725,990* |

* Accumulated surplus has been restated since it had been overstated.

12. Interest Accrued

| Description | FY2018/2019 | FY2017/2018 |
|-------------------------|-------------|------------------|
| Balance Brought Forward | - | 1,455,886 |
| Total | - | 1,455,886 |

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13. Revolving Fund

| Description | FY2018/2019 | FY2017/2018 |
|-------------------------------|-------------------|-------------------|
| | | Restated |
| Balance Brought Forward | 66,702,004 | 56,910,250 |
| Prior year Adjustment | - | 9,791,754* |
| Fund received during the year | 8,000,000 | - |
| Total | 74,702,004 | 66,702,004 |

The Revolving Fund balance has been adjusted to reflect the restated receivable as per Note No.4 (d)

14. 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 Members
- e) Higher Education Loans Board

b) Related party transactions

| | FY2018/2019 | | FY2017/2018 |
|---------------------------------|-------------|--|-------------|
| | KShs | | KShs |
| Transfers from related parties' | - | | - |
| Transfers to related parties | 8,000,000 | | 10,400,000 |

c) Due from related parties

| | FY2018/2019 | | FY2017/2018 |
|---------------------------------|-------------|--|-------------|
| | KShs | | KShs |
| Transfers from related parties' | 38,000,000 | | - |
| Transfers to related parties | 38,000,000 | | - |

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d) Key management remuneration

| | FY2018/2019 | FY2017/2018 |
|--------------------|--------------------|--------------------|
| | KShs | KShs |
| Board of Members | - | - |
| Sitting allowances | 49,000 | - |
| Total | 49,000 | - |

Board members do not receive a salary from the Fund.

e) Higher Education loans Board

Status of the funds received from Taita Taveta County.

| DATE | DETAILS | DEBIT | CREDIT | NO. OF STUDENTS |
|------------------|---------------------------|-------------------|---------------|------------------------|
| 16-Jun-17 | Taita Taveta Funds | 10,000,000 | | |
| 1-Jul-17 | Taita Taveta Funds | 10,000,000 | | |
| 25-Jul-17 | Batch 510 Disbursement | | 10,712,500 | 295 |
| | Administrative fee | | 147,500 | |
| 28-Aug-17 | Batch 543 Disbursement | | 2,930,000 | 80 |
| | Administrative fee | | 40,000 | |
| 5-Apr-18 | Batch 988 Disbursement | | 606,500 | 17 |
| | Administrative fee | | 8,500 | |
| | Sub Total | | | 392 |
| 13-Jun-18 | Taita Taveta Funds | 10,000,000 | | |
| 12-Jul-18 | Batch 1118 Disbursement | | 8,070,000 | 303 |
| | Administrative Fee | | 151,500 | |
| 18-Jul-18 | Batch 1252 Disbursement | | 256,500 | 7 |
| | Administrative Fee | | 3,500 | |
| 18-Jul-18 | Batch 1254 Disbursement | | 346,500 | 13 |
| | Administrative Fee | | 6,500 | |
| 26-Jul-18 | Batch 1268 Disbursement | | 328,500 | 12 |
| | Administrative Fee | | 6,000 | |
| | Sub Total | | | 335 |
| 13-Aug-18 | Batch 1185 Disbursement | | 404,500 | 11 |
| | Administrative Fee | | 5,500 | |
| 27-Aug-18 | Batch 1300 Disbursement | | 197,500 | 7 |
| | Administrative Fee | | 3,500 | |
| 31-Aug-18 | Batch 1303 Disbursement | | 131,500 | 5 |
| | Administrative Fee | | 2,500 | |
| 4-Sep-18 | Batch 1369 Disbursement | | 152,000 | 6 |
| | Administrative Fee | | 3,000 | |
| 1-Oct-18 | Batch 1451 Disbursement | | 1,060,500 | 29 |

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| | | | | |
|------------------------------|---------------------------|-------------------|-------------------|------------------|
| | Administrative Fee | | 14,500 | |
| 4-Oct-18 | Batch 1465 Disbursement | | 310,000 | 9 |
| | Administrative Fee | | 4,500 | |
| 26-Oct-18 | Batch 1370 Disbursement | | 1,011,500 | 32 |
| | Administrative Fee | | 16,000 | |
| 23-Nov-18 | Batch 1589 Disbursement | | 2,667,000 | 88 |
| | Administrative Fee | | 44,000 | |
| | Sub Total | | | 522 |
| 5-Jan-19 | Taita Taveta Funds | 8,000,000 | | |
| 7-Feb-19 | Batch 1677 Disbursement | | 805,500 | 27 |
| | Administrative Fee | | 13,500 | |
| 7-Feb-19 | Batch 1800 Disbursement | | 4,554,000 | 124 |
| | Administrative Fee | | 62,000 | |
| 28-Feb-19 | Batch 1950 Disbursement | | 222,000 | 6 |
| | Administrative Fee | | 3,000 | |
| 28-Feb-19 | Batch 1949 Disbursement | | 251,000 | 9 |
| | Administrative Fee | | 4,500 | |
| 23-Apr-19 | Batch 1950 Disbursement | | 73,000 | 2 |
| | Administrative Fee | | 1,000 | |
| | Sub Total | | | 168 |
| | Balance C/D | 38,000,000 | 35,631,500 | 1,082 |
| | | | | |
| | | | | |
| Fund Account Balance* | | | | 2,368,500 |
| | | | | |

The fund receives quarterly reports from Helb on the Taita Taveta revolving fund as well as the loan register. The loan register gives us details of loans issued, interest, ledger fees and outstanding loan balances.

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12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--|--|-----------------------------------|--|
| 1. | The financial statements for the year ended 30 June 2018 were prepared on accrual basis of IPSAS, being the initial adoption and application of IPSAS Accrual accounting framework by the Fund. As a result of the change, the opening balances have been restated. However, no disclosure has been made in these financial statements that to the effect of the opening balances that have been restated nor details of adjustments provided for each line item affected. This is contrary to Paragraph 27 of IPSAS No. 3 which states that 'when a change in accounting policy is applied retrospectively by accounting for a change in accounting policy resulting from initial application of an IPSAS, the entity shall adjust the opening balance of each affected component for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied' Further. It does not comply with Paragraph 33(f) of the standard which states that 'when initial application of an IPSAS has an effect on the current period or any prior period, an entity shall disclose for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial | The funds financial statements for 2018/19 has disclosures of the restated balances. | Fund Administrator | Resolved | |

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| 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) |
|--|---|---|--|-----------------------------------|--|
| | <p>year line item affected'.</p> <p>Consequently, the financial statements do not comply with the accrual accounting framework and IPSAS No.3 on Accounting Policies, Changes in Accounting Estimates and Errors as prescribed by the Public Sector Accounting Standards Board.</p> | | | | |
| 2. | <p>2.1 The statements of financial position as at 30 June 2018 reflects nil interest accrued opening balance while Note 12 the financial statements reflects opening balance of Kshs. 1,455,866</p> <p>2.2 Statement of financial position as at 30th June 2018 reflects nil balance for current liabilities while records availed for audit review indicate unpaid administrative expenses of Kshs 196,000. The current liabilities are therefore understated by a similar amount.</p> <p>2.3 The statement of cash flows for the year ended as at 30 June 2018 reflects opening cash and cash equivalents balance of negative Kshs. 273,324 while the audited balance for the year 2016/2017 is Kshs. 4,387,627, resulting to reconciled or explained balance of Kshs. 4,660,951.</p> <p>2.4 The statement of financial position as at 30 June 2018 reflects comparative accumulated surplus for the year 2016/17 as Kshs. 5,330,404 while Note 11 to the financial statements reflects the same as Kshs. 669,453, thus resulting to reconciled or explained balance of Kshs. 4,660,951.</p> | <p>2.1 The interest accrued was for the previous year financial year upto 30 June 2017.</p> <p>2.2 Administrative fee is deducted during disbursement hence no outstanding liability.</p> <p>2.3 The change in the cash and cash equivalent was as a result of prior year adjustment.</p> <p>2.4 The change in the cash and cash equivalent was as a result of prior year adjustment.</p> | Fund Administrator | Resolved | |
| 3. | The statement of changes in net assets for the year ended 30 June 2018 reflects prior year adjustments of Kshs. | Notes to the financial | Fund | Resolved | |

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| 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) |
|--|---|--|--|-----------------------------------|--|
| | 16,794,945, comprising additions to revolving fund of Kshs. 21,455,886 and a decrease of Kshs. 4,660,650 in accumulated surplus. The decrease in accumulated surplus relates to receivables, reversals and payments in cash book as disclosed in Note 4 to the financial statements. However, these adjustments were made in the current year instead of year 2016/17, contrary to Paragraph 4(b) of IPSAS No.3 which requires an entity to correct material prior period errors retrospectively by restating the comparative amounts for prior period presented. Further, the respective supporting journal entries were not availed for audit verification. | statements Note No. 11 (Accumulated surplus) shows the adjustments done during the year 2016/2017. | Administrator | | |
| 4. | <p>4.1 Note 9 to the financial statements for the year ended 30 June 2018 reflects Kenya Commercial Bank Ltd Account balance of Kshs. 5,725,990. However, the supporting bank reconciliation statement reflects un-represented cheques amounting to Kshs. 3,109,889 of which the subsequent bank statements showing dates when they cleared by bank were not availed for audit verification.</p> <p>4.2 Note 9 to the financial statements for the year ended 30 June 2018 reflects Taita Taveta Education Fund – HELB balance of Kshs. 15,555,000 which was not supported with certificate of bank balance.</p> | Details of when the un-presented cheques cleared in the bank are available for verification. | Fund Administrator | Resolved | |
| 5. | The statement of financial performance for the year ended 30 June 2018 reflects nil interest income for the year under review. However, the statement of financial position as at 30 June 2018 reflects outstanding loans of Kshs. 50,646,141, out of which an amount of Kshs. 36,397,141 | The loans were transferred to Helb. Interest income is utilized by Helb for administrative costs. | Fund Administrator | Resolved | |

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| 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) |
|--|---|--|--|-----------------------------------|--|
| | has been outstanding for more than one year with interest accrued of Kshs. 1,455,866. It is not clear and the management has not explained why no interest income was recognized in the year under review. | | | | |
| 6. | The statement of financial position as at 30 June 2018 reflects loans awarded from 2014 to June 2017 of Kshs. 36,397,141 and loans awarded by HELB of Kshs. 14,249,000. However, no loans awarded from 2014 to June 2017 were recovered from the beneficiaries during the year under review nor evidence of any recoveries made by HELB on behalf of the Fund availed for audit review. Further, the ageing analysis of the outstanding loans was not availed for audit review and no provision was made for doubtful debts as at 30 June 2018. | The recovery of loans is an ongoing process. Details of loans recovered by Helb is available for verification. | CEO Education Fund | Resolved | |

