

REPORT

OF

THE AUDITOR-GENERAL

ON

PAPERS LAID	
DATE	23/02/2022
TABLED BY	SML
COMMITTEE	—
CLERK AT THE TABLE	GETRUDE

**TAITA TAVETA COUNTY
EDUCATION FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**



TAITA TAVETA COUNTY EDUCATION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30TH, 2020**

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The 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	Simon Mwachia	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	Samuel Kumola	Fund Administrator	24-02-2020	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	Granton Mwaliko	Member	21-03-2018	21-03-2021
10	Humphrey M. Mng'ongo	Member	21-03-2018	21-03-2021
11	Margret Kawuki	Member	21-03-2018	21-03-2021
12	Philisia M. Selina	Member	21-03-2018	21-03-2021
13	Dorcas Tama	Member	21-03-2018	21-03-2021

During the year Simon Mwachia was appointed as the CCO Education and Libraries replacing Philomena Kirote and Samuel Kumola was appointed as the Fund Administrator replacing Silas Njongwa.

KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

d) Key Management

Ref	Name	Position
1	Simon Mwachia	CCO Education and Libraries
2	Philip Mwangwale	CEO Education Fund
3	Samuel Kumola	Fund Administrator
4	Joseph Madeda	Accountant

e) Fiduciary oversight arrangements

The key fiduciary oversight bodies at the county for the year ended 30th June 2020:

1. The county assembly of Taita Taveta county
2. County audit committee
3. County budget and economic forum (CBEF)

f) Registered Offices

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

g) Fund Contacts

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

h) FundBankers

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

i)Independent Auditors

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

j) 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. Simon Mwachia	Simon is the CCO – Education and libraries Taita Taveta County.
4. Philip Mwangwale	Philip is the CEO of the Fund and is currently pursuing Masters in Arts Counselling Psychology.
5. Samuel Kumola	Samuel is an accountant and holds a degree in accounting and registered with ICPAK as member No. 15745.
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. Margret Kawuki	Margaret is a business lady and she completed her secondary school in 1986 from Voi secondary school.
12. 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.
13. Dorcas Tama	Dorcas is a member of the Board and is currently a student at Maseno University.

3. STATEMENT OF PERFORMANANCE AGAINST COUNTY ENTITY'S PRE-DETERMINED OBJECTIVES

Introduction

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

The key objectives of the Taita Taveta Education Fund County Government Entity's 2018-2022 plan are to:

- a) To increase number of students accessing loans
- b) To award bursaries to successful applicants
- c) To award Bursaries to all successful applicants

Progress on attainment of Strategic development objectives (Adopted from Taita Taveta Education fund Board in TaitaTaveta County.

Below we provide the progress on attaining the stated objectives:

Program	Objective 1	Outcome	Indicator	Performance
Taitataveta education fund board	To increase no. of students accessing loans	students awarded loans	124 students Were awarded loans in 2019/20	In f/y 2019/2020 no. of those awarded loans decreased by 33% from 18/19 f/y
Taitataveta education fund board	Objective 2 To award bursaries	Bursaries awarded	300 students Were awarded bursaries in 2019/2020	In f/y 2019/2020 no. awarded bursaries decreased from 16,000 to 300 from 18/19 f/y
Taitataveta education fund board	Objective 3 To award scholarships	Scholarships awarded	232 students Were awarded scholarships in 2019/2020	In f/y 2019/2020 no. awarded increased from 151 to 232

The decrease witnessed above was due to closure of schools due to covid-19 pandemic

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Simon Mwachia	Simon is the CCO – Education and libraries Taita Taveta County.
2. Philip Mwangwale	Philip is the CEO of the Fund and is currently pursuing Masters in Arts Counselling Psychology.
3. Samuel Kumola	Samuel is the fund administrator, holds a degree in accounting and is a CPA K
4. Joseph Madeda	Joseph is an accountant and holds a degree in Bachelor of Commerce.

5. BOARD CHAIRPERSON'S REPORT

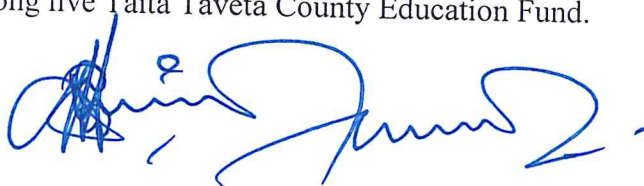
The Taita Taveta Education Fund was established with the aim of:

- 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 2019/2020, the budget allocation was Kshs. 72,000,000 (Seventy Two Million Kenya shillings).

During the year, the Fund transferred Kshs 5,000,000 (Five Million) to Higher Education Loans Board (HELB) to cater for loans, the beneficiaries being students of Taita Taveta County.

Long live Taita Taveta County Education Fund.



Signed:

Date: 30.06.2020

David Mombo

6. 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 2019/2020, the budget allocation for the fund is a total of Kshs. 150,000,000 (One Hundred and Fifty Million shillings) of which Kshs 100,000,000 will cater for bursaries, Kshs 50,000,000 for Scholarships, loans and administrative costs.

Signed.....



CPA Samuel Kumola

ICPAK Member No.15745 Date: 30.06.2020

Fund Administrator

7. 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 is the Patron of the Board. He;

- Appointed the Chairman of the board who was then vetted by the County Assembly and subsequently approved; David Mombo
- Appointed the Secretary to the board who is the Chief Executive Officer of the board with the approval of the County Assembly; Philip Mwangwale.
- The following representatives are also in the board
 - a) A vice chair was elected by members; Leah Kamau
 - b) A representative of the finance docket ; Samuel Kumola
 - c) A representative of the youth; Humphrey Mwandonyi
 - d) A representative of persons with disabilities; Philisia Mghoi
 - e) Three members representing special interest group namely;
 - Administration; Mr Aggrey Ndelejai
 - Religion; Ven. Renson Shake
 - Education; Simon Mwakughu

The legal advisor appointed by the Governor

Key responsibilities of the Board Members

The Taita Taveta County Education Fund Board has undertaken the following:

- Formulated sound policies for regulating the management the Fund
- Set the criteria and conditions governing the granting of loans
- Held public information and engagement forums across the County to facilitate public participation
- Held its four mandatory meetings as prescribed in the Act.

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	29.11.2019	30.12.2019	27.06.2020	29.06.2020
David Mombo	✓	✓	✓	✓
Leah K. Kamau	✓	✓	✓	✓
Simon Mwachia		✓	✓	✓
Philip Mwangwale	✓	✓	✓	✓
Samuel Kumola			✓	✓
Silas Njongwa	✓			✓
Simon Mwakughu		✓	✓	✓
Aggrey N. Msangi	✓	✓	✓	✓
Ven Renson Shake	✓	✓	✓	✓
Granton Mwaliko	✓	✓	✓	✓
Humphrey M. Mng'ongo	✓	✓	✓	
Margret Kawuki	✓	✓	✓	✓
Philisia Mghoi Selina	✓	✓	✓	✓
Dorcas Tama		✓	✓	✓

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

8. 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
FY 2019/2020	150,000,000	27,100,570
FY 2019/2020 – TO HELB		5,000,000

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.

9. REPORT OF THE MEMBERS

Principal activities

The principal activities of the Taita Taveta County Education 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, 2020 are set out on page 14 to 33.

Members

The members of the Board who served during the year are shown on page 5.

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 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, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of 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 on June 30, 2020, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the 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.

Signed

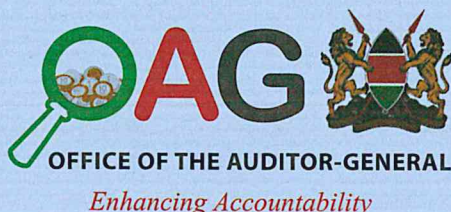
Date: 30.06.2020

CPA Samuel Kumola; ICPAK Mbr. No. 15745

Administrator of the Taita Taveta County Education Fund

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TAITA TAVETA COUNTY EDUCATION FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Taita Taveta County Education Fund set out on pages 16 to 34, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the 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 matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Taita Taveta County Education Fund as at 30 June, 2020, 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 Board (Amendment No.2) Act, 2018 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Outstanding Loans Balance

The statement of financial position as at 30 June, 2020 reflects revolving fund balance of Kshs.79,702,004 as disclosed in Note 10 to the financial statements in respect to loans awarded. However, the ageing analysis of the outstanding loans was not provided for audit review. Further, as reported previously, provision for bad and doubtful debts was not made in the financial statements despite low repayments by the beneficiaries.

Consequently, the accuracy, completeness and recoverability of outstanding loans balance of Kshs.79,702,004 as at 30 June, 2020 could not be confirmed.

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

1. Budgetary Control and Performance

The statement of comparison budget and actual amounts reflects approved revenue budget of Kshs.72,000,000 against actual receipts of Kshs.32,100,570, resulting to a shortfall of Kshs.39,899,430 or 55%. Similarly, the Fund had a total expenditure budget of Kshs.72,000,000 against actual expenditure of Kshs.32,068,190 resulting to net under absorption by Kshs.39,931,810 or 55%.

The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unsupported Prior Year Adjustment

As previously reported, the statement of changes in net assets for the year ended 30 June, 2020 reflects a closing balance of Kshs.79,771,702. The opening balance of Kshs.74,739,322 is net of negative Kshs.955,023 which is as a result of prior year adjustments in revolving fund by a credit of Kshs.9,791,754 and a debit adjustment of accumulated surplus by Kshs.10,746,777. However, the Management did not provide journal vouchers to support the prior year adjustment.

Consequently, the accuracy and completeness of the statement of changes in net assets balance of Kshs.79,771,702 for the year ended 30 June, 2020 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution based on the audit procedure 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 procedure performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing 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 Strategies

Taita Taveta County Education Fund Board has not developed risk management strategies as previously reported. This is contrary to Section 158(1) of Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations.

Consequently, without risk management strategies for the Fund, prevention of fraud and internal control may not be 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 those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing 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 the intention to abolish 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 Management is responsible for overseeing the Fund's 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 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 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 sustainability of services 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 services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

12. FINANCIAL STATEMENTS

12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR
ENDED 30TH JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Transfers from the County Government	1	32,100,570	105,000,000
TOTAL		32,100,570	105,000,000
Revenue from exchange transactions			
Total revenue		32,100,570	105,000,000
Expenses			
Staff Costs	4	59,410	534,889
Fund administration expenses	3	982,800	4,620,726
Bursary & Scholarships	6	26,025,980	97,533,057
Other Grants & Transfers - Helb	5	-	8,000,000
Total expenses		27,068,190	110,688,672
Surplus/(deficit) for the period		5,032,380	(5,688,672)

The notes set out on pages 28 to 33 form an integral part of these Financial Statements.

Signed 

CPA Samuel Kumola; ICPAK Mbr. No 15745

Administrator of the Fund

Signed 


Joseph Madeda


Fund Accountant

12.2. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	7	69,698	37,318
Receivables – short-term Loans	11	5,000,000	8,000,000
Total current assets		5,069,698	8,037,318
Non-current assets			
Receivables- long-term loans	8	74,702,004	66,702,004
Total assets		79,771,702	74,739,322
Liabilities			
Current liabilities			
		-	-
		-	-
Non-current liabilities			
Total liabilities		-	-
Net assets		79,771,702	74,739,322
Revolving Fund	10	79,702,004	74,702,004
Accumulated surplus	9	69,698	37,318
Total net assets and liabilities		79,771,702	74,739,322


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30.06.2020 and signed by:


Signed 
CPA Samuel Kumola, ICPAK Mbr. No 15745
Administrator of the Fund

Signed 
Joseph Madeda
Fund Accountant

12.3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED
30TH JUNE 2020

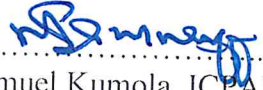
	Notes	Revolving Fund	Prior year adjustment	Accumulated surplus	Total
			KShs	KShs	KShs
Balance as at 1 July 2018		56,910,250	-	16,472,767	73,383,017
Surplus/(deficit) for the period		-	-	(5,688,672)	(5,688,672)
Funds received during the year		8,000,000	-	-	8,000,000
Prior year Adjustment		9,791,754	-	(10,746,777)	(955,023)
Balance as at 30th June 2019		74,702,004	-	37,318	74,739,322
Balance as at 1 st July 2019		74,702,004	-	37,318	74,739,322
Surplus/(deficit) for the period		5,000,000	-	32,380	5,032,380
Funds received during the year		-	-	-	-
Revaluation gain		-	-	-	-
Balance as at 30th June 2020		79,702,004	-	69,698	79,771,702

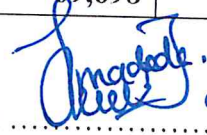
Signed 
CPA Samuel Kumola, ICPAK Mbr. No 15745
Administrator of the Fund

Signed 
Joseph Madeda
Fund Accountant

12.4 STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2020

	Not e	FY2019/2020	FY2018/2019
		KShs	KShs
Cash flow from operating activities			
Receipts			
Transfers from the County Government	1	32,100,570	105,000,000
		-	-
Total Receipts		32,100,570	105,000,000
Payments			
Staff Costs	4	(59,410)	(534,889)
Fund administration expenses	3	(982,800)	(4,620,726)
Bursary & Scholarships	6	(26,025,980)	(97,533,057)
Other Grants & Transfers - Helb	5	-	(8,000,000)
Total Payments		(27,068,190)	(110,688,672)
Adjustments			
Decrease/(Increase) in Loans		-	-
Decrease/(Increase) in HELB-Transfer to Helb		(5,000,000)	-
Net cash flow from operating activities		32,380	(5,688,672)
Cash flow from investing activities			
Net cash flow used in investing activities		(-)	(-)
Cash flow from financing activities			
Proceeds from revolving fund receipts		-	-
Net cash flow used in financing activities		(-)	(-)
Net increase / (decrease) in cash and cash equivalents		32,380	(5,688,672)
Cash and cash equivalents at 1 ST JULY 2019	7	37,318	5,725,990
Cash and cash equivalents at 30TH JUNE	7	69,698	37,318

Signed 
CPA Samuel Kumola, ICPAK Mbr. No 15745
Administrator of the Fund


Signed 
Joseph Madeda
Fund Accountant


TAITA TAVETA COUNTY EDUCATION FUND
Reports and Financial Statements
For the F/Y ended June 30th, 2020

12.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2020

	Original budget	Adjustment	Final budget	Actual on	Performance	% utilisation
	2019/2020	2019/2020	2019/2020	comparable basis	difference	2019/2020
	KShs	KShs	KShs	KShs	KShs	
Revenue	150,000,000	-78,000,000	72,000,000	32,100,570	39,899,430	45%
Transfers from County Govt.	150,000,000	-78,000,000	72,000,000	32,100,570	39,899,430	45%
Total income						
Expenses						
Staff Costs	59,410	-	59,410	59,410	-	100%
Fund administration expenses	982,800	-	982,800	982,800	-	100%
Bursary & Scholarships	143,957,790	-78,000,000	65,957,790	26,025,980	39,931,810	39%
Other Grants & Transfers	5,000,000	-	5,000,000	5,000,000	-	100%
Total expenditure	150,000,000	-78,000,000	72,000,000	32,068,190	39,931,810	44.5%
Surplus for the period	-	-	-	32,380	32,380	

The approved budget amount for the financial year 2019/2020 was Kshs. 72,000,000.

Signed 
 CPA Samuel Kumofa; ICPAK Mbr. No 15745
Administrator of the Fund

Signed 
 Joseph Madeda
Fund Accountant

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 30th June 2020**
 b)

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.

- c) **New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2020**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cashflows. 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

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

TAITA TAVETA COUNTY EDUCATION FUND
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Standard	Effective date and impact:
	<p>references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

d) Early adoption of standards

The Taita Taveta County Education Fund did not early – adopt any new or amended standards in year 2019/2020.

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 2019/2020 was approved by the County Assembly in November 2019.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Related parties

The Taita Taveta County Education Fund 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 Taita Taveta County Education Fund 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.

12.7NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Funding	2,701,570	10,000,000
Funding	1,908,000	10,000,000
Funding	25,000,000	20,000,000
Funding	2,491,000	40,000,000
Funding	-	10,000,000
Funding	-	10,000,000
Funding	-	5,000,000
Total	32,100,570	105,000,000

2. (a) Prior year adjustments

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Adjustment in Balance Brought Forward	-	(15,555,000)
Total	-	(15,555,000)

(b) Prior year adjustments - Receivables

Description	FY2019/2020	FY2018/2019
	KShs	KShs
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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(c) Prior year adjustments –Accumulated Surplus

Description	FY2019/2020	FY2018/2019
	KShs	KShs
		Restated
Helb Balance	-	15,555,000
Understated receivables	-	(4,808,223)
Total	-	10,746,777*

*Restated accumulated surplus adjustment.

(d) Prior year adjustments – Revolving Fund

Description	FY2019/2020	FY2018/2019
	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.

3. Fund administration expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Board Allowances and Subsistence	59,410	49,000
Bank Charges	32,640	50,247
Public Participation	-	547,700
Board Secretariat Expenses	950,160	3,973,779
Total	1,042,210	4,620,726

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Staff costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Salaries and wages	59,410	534,889
Total	59,410	534,889

5. Other Grants and Transfers

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Transfer to Revolving fund	5,000,000	8,000,000
Total	5,000,000	8,000,000

This entails transfer of surplus funds for administration to Helb.

6. Bursary & Scholarships

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Scholarships	23,230,030	9,604,023
Bursaries	2,795,950	87,929,034
Total	26,025,980	97,533,057

7. Cash and cash equivalents

Financial institution	Account number	FY2019/2020	FY2018/2019
		KShs	KShs
Kenya Commercial bank	1152801015	69,698	37,318
		-	-
Total cash and cash equivalents		69,698	37,318

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Long-term Receivables

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Loans Brought Forward	74,702,004	50,646,141
Taita Taveta Education Fund - HELB	-	8,000,000
Prior year Adjustment	-	16,055,863*
Total long- term Receivables	74,702,004	74,702,004

9. Accumulated Surplus

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Balance Brought Forward	37,318	16,472,767
Surplus/(Deficit) for the year	5,032,380	(5,688,672)
Surplus transferred to revolving fund	(5,000,000)	(10,746,777)
Total Surplus/(Deficit)	69,698	37,318

10. Revolving Fund

Description	FY2019/2020	FY2018/2019
Balance Brought Forward	74,702,004	56,910,250
Prior year Adjustment	-	9,791,754*
Fund received during the year	5,000,000	8,000,000
Total	79,702,004	74,702,004

11. Short – term Receivables

Description	FY2019/2020	FY2018/2019
Fund transferred to Helb	5,000,000	8,000,000
Total short-term receivables	5,000,000	8,000,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Related party balances

1. 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

2. Related party transactions

	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from related parties'	5,000,000	8,000,000
Transfers to related parties	5,000,000	8,000,000

3. Due from related parties

	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from related parties'	43,000,000	38,000,000
Transfers to related parties	43,000,000	38,000,000

4. Key management remuneration

	FY2019/2020	FY2018/2019
	KShs	KShs
Board of Members	-	-
Sitting allowances	-	49,000
Total	-	49,000

Board members do not receive a salary from the Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Higher Education loans Board (Helb)

The service contract No. SC-CON-45-2016 between Helb and the Fund states:

- 3.1.1 HELB shall charge an administration fee of 4% (Interest on loans) to be recovered from the students during loans recovery including from recovery of existing loans.

HELB has reached out to all beneficiaries with matured loans to start repaying their loans. These are loans that were issued by HELB and loans that county issued prior to getting into partnership with HELB. A total of 248 loan beneficiaries have already repaid their loans of an amount totaling Kshs 1,619,504 which has been ploughed back to HEB.

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

The management of the Board is yet to receive the Auditor's recommendations for the year 2018/2019.

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