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**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**MOMBASA COUNTY ELIMU FUND**

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

18 DEC 2019



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**MOMBASA COUNTY ELIMU FUND**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2019**

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



**TABLE OF CONTENTS**

1. KEY ENTITY INFORMATION AND MANAGEMENT	3
2. THE BOARD OF TRUSTEES	5
3. MANAGEMENT TEAM	9
4. BOARD/FUND CHAIRPERSON'S REPORT	11
5. REPORT OF THE FUND ADMINISTRATOR	12
6. CORPORATE GOVERNANCE STATEMENT	14
7. MANAGEMENT DISCUSSION AND ANALYSIS	16
8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	18
9. REPORT OF THE TRUSTEES	19
10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	20
11. REPORT OF THE INDEPENDENT AUDITOR	21
12. FINANCIAL STATEMENTS	22
12.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 <sup>th</sup> JUNE 2019.....	22
12.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 .....	23
12.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019 .....	24
12.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019 .....	25
12.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 <sup>th</sup> JUNE 2019 .....	26
12.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	27
12.7 NOTES TO THE FINANCIAL STATEMENTS .....	41
13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	52

## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **a) Background information**

The Elimu Fund is constituted as per the Mombasa County Education Development Amendment Act 2017. The Fund is wholly owned by the County Government of Mombasa and is domiciled in Kenya. It is headed by the CEO/Fund Administrator, who is responsible for the day-to-day management of the Fund. It also has a Board of Trustees headed by a Chairperson responsible for the general policy and strategic direction of the Fund.

The objective of Elimu Fund is to mobilize resources to fund education for Mombasa residents

### **b) Principal Activities**

The principal mandate of Elimu Fund is to solicit for funds and administer bursaries and loans to the needy and bright students of Mombasa County.

#### **Mission**

Prioritize and facilitate quality learning for every child and young person in Mombasa County

#### **Vision**

Increase the transition rate and eliminate illiteracy amongst children and youth

### **c) Board of Trustees**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Edward Mwachinga	Chairman, Board of Trustees
2	Aatifa Essa	Board Member
3	Nancy W. Mwashumbe	Board Member
4	Jackline Aming'a	Board Member
5	Arnold Deche	Board Member
6	Jonathan Nyongesa	Board Member
7	Asha Abdi	Board Member
8	Tuni Mwalukumbi	Board Member
9	John M. Musuva	Ag. CEO & Fund Administrator/Board Secretary



**MOMBASA COUNTY ELIMU FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**d) Key Management**

Ref	Name	Position
1	John M. Musuva	Ag. CEO & Fund Administrator
2	Randiek Odida	Financial Aid Manager
3	Alhadin Athman	Assistant Financial Aid Manager

**e) Registered Offices**

P.O. Box 90381-80100  
Bima Tower, 4<sup>th</sup> Floor  
Digo Road  
Mombasa, KENYA

**f) Fund Contacts**

E-mail: [elimufund@mombasa.go.ke](mailto:elimufund@mombasa.go.ke)  
Website: [www.mombasa.go.ke](http://www.mombasa.go.ke)

**g) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Kenya Commercial Bank  
Treasury Square Branch,  
P.O. Box 90254 GPO 80100  
Mombasa, Kenya

**h) Independent Auditors**

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



**i) Principal Legal Adviser**

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

**2. THE BOARD OF TRUSTEES**

NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
 <p><b>EDWARD M. MWACHINGA</b></p>	<p>Mr. Edward M. Mwachinga was appointed the Chairperson of the Board in April 2016.</p> <p>He holds a Masters of Law, LLB from University of London, Bachelors of Laws LLB from University of Nairobi, Diploma in Legal Practice from Kenya School of Law and a PG Diploma in International Business Law from University of London.</p> <p>Before joining the Board, he served as a Chairperson of Task Force on Administration of Quarries, Ministry of Mining and Chairperson Board of Management at Maandani Secondary School.</p> <p>He is also a registered member of East Africa Law Society, Law Society of Kenya and an Advocate of the High Court of Kenya.</p> <p>His term ended on 15<sup>th</sup> April 2019</p>
 <p><b>MS. AATIFA ESSA</b></p>	<p style="text-align: center;"><b>BOARD MEMBER</b></p> <p>Ms. Aatifa Essa was appointed as a Board member in April 2016.</p> <p>She holds BEng. In Chemical Engineering from University of Nottingham, UK, Level 3 Information Technology from British Institute of Technology and E-Commerce, UK.</p> <p>She is currently the Managing Trustee, Café Arabika and a Trustee of National Government North Eastern Water Services Board.</p>



 <p><b>NANCY W. MWASHUMBE</b></p>	<p style="text-align: center;"><b>BOARD MEMBER</b></p> <p>Ms. Nancy Mwashumbe was appointed as a Board member in April 2016. She holds a Bachelors Degree of Education from Moi University. She's currently Ag. Deputy Principal at Coast Girls High School - Mombasa She is also a member of the Executive Committee of KNUT Mombasa Branch</p>
 <p><b>JACKLINE AMING'A</b></p>	<p style="text-align: center;"><b>BOARD MEMBER</b></p> <p>Ms. Jackline Aming'a was appointed as a Board member in April 2016. She holds a Bachelor of Education from Mt. Kenya University, Diploma in Media Studies – Freelance and Feature writing from Institute of Commercial Management - ICM UK. She currently the Head of School – Oshwal Academy Mombasa</p>

 <p><b>ARNOLD DECHE</b></p>	<p align="center"><b>BOARD MEMBER</b></p> <p>Mr Arnold Deche was appointed as a Board member in April 2016.          He holds a Bachelor of Architecture from University of Nairobi.          He is the Principal and Founder of A.D Designs Architects Mombasa with responsibilities of sourcing projects, brief formulation and designs supervision up to practical handing over.          He is also a registered member of Board of Architects and Quantity Surveyors (BORAQS) and also a registered corporate member of Architectural Association of Kenya</p>
 <p><b>JONATHAN NYONGESA</b></p>	<p align="center"><b>BOARD MEMBER</b></p> <p>Mr. Jonathan Nyongesa is an Ex Officio member of the Board since April 2016. He was Chief Officer Finance &amp; Economic Planning Mombasa County          He holds a Master's in Business Administration (Finance) from Jomo Kenyatta University of Agriculture and Technology, a Bachelors of Commerce from New Delhi University.          He has over 30 years' experience in finance management positions.</p> <p>His term ended on 3<sup>rd</sup> June 2019</p>
 <p><b>ASHA ABDI</b></p>	<p align="center"><b>BOARD MEMBER</b></p> <p>Ms. Asha Abdi is an Ex Officio member of the Board since June 2019. She is a Chief Officer of Finance &amp; Economic Planning Mombasa County. She holds a Bachelors of Economics from University of Nairobi and is currently completing her Master's Degree in Project Planning &amp; Management.          She has vast experience in both the public and private sector.          She served in the County Government of Isiolo as the County Executive for Health and later as the County Executive for Finance.</p>



**BOARD MEMBER**



**TUNI MWALUKUMBI**

Ms. Tuni Mwalukumbi is member of the Board from April 2016. She is currently the County Chief Officer; Department of Education and is therefore an Ex Officio Member.

She holds a MBA Finance from University of Nairobi, BA Social Studies from Moi University, Certified Public Accountant – Kenya from KASNEB. She is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK).

She has a vast experience in banking sector where she worked with Kenya Commercial Bank from 2006 to 2012 in different Managerial capacities.

**Ag. CEO & FUND ADMINISTRATOR/BOARD SECRETARY**





**JOHN M. MUSUVA**

He was appointed on the position in April 2016. He holds a Global MBA in Finance and Marketing from Eastern University, Philadelphia USA and a Bachelor of Commerce degree in Business Administration from Daystar University.

He has over 25 years' experience in various sectors in Kenya and USA

As the CEO & Fund Administrator, he is responsible of the day-to-day management, coordination and administration of the activities of the Elimu Fund.

**3. MANAGEMENT TEAM**

NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
 <p><b>JOHN M. MUSUVA</b></p>	<p><b>Ag. CEO &amp; FUND ADMINISTRATOR</b></p> <p>John was appointed on the position in April 2016. He holds a Global MBA in Finance and Marketing from Eastern University, Philadelphia USA and a Bachelor of Commerce degree in Business Administration from Daystar University. He has over 25 years' experience in various sectors in Kenya and USA. As the CEO &amp; Fund Administrator, he is responsible of the day-to-day management, coordination and administration of the activities of the Elimu Fund.</p>
 <p><b>RANDIEK ODIDA</b></p>	<p><b>FINANCIAL AID MANAGER</b></p> <p>Mr. Odida is the Financial Aid Manager since his appointment in February 2017. He holds a Bachelor of Science in Business Statistics in Makerere University. He has had a 5-year experience in Bursary Management both as an Intern in the Department of Education - Mombasa County and as a Financial Aid Manager at Elimu Fund. He takes responsibility of the day-to-day management of the Bursary team of 8 Personnel.</p>





**ALHADIN ATHMAN**

**ASSISTANT FINANCIAL AID MANAGER**

Mr. Athman is the Assistant Financial Aid Manager of Elimu Fund since his appointment on February 2017.

He holds a Diploma in Journalism and Mass Communication from Mombasa Aviation Training College. He has 4 years' experience in Bursary Management in the Department of Education- Mombasa County and at Elimu Fund

He assists the Financial Aid Manager in the responsibilities of the day-to-day management of the Elimu Fund.

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

Education is a key pillar for social protection and development in Mombasa County and in Kenya. Subsequently, the County Government of Mombasa continues to invest heavily in the education sector.

This heavy investment in education is imperative to develop skilled and employable human capital. Access to education is viewed as the key weapon of getting out of the poverty trap, as well as improved individual standards of living. This has consequently translated into a rise in the demand for bursary both in terms of volumes and in terms of value.

The Elimu Fund, through the mandate assigned to it by the Mombasa County Education Development Amendment Act 2017, has therefore remained focused for the last 5 years on providing bursaries to an increasing number of youths pursuing education.

Notable achievements during the period were funding education for over 9,000 Mombasa County students studying in over 1,500 Secondary and Special Schools nationwide, enabling them to continue with their education and enhance their future.

These financial statements provide information on the funds generated and applied during the year under review. It is my belief that the annual financial statements present fairly the state of affairs of the Elimu Fund Mombasa.

I note that the Fund is in the process of development of programmes aimed at mobilization of funds so as to be able to increase the number of students accessing bursaries and scholarships.

The Fund remains committed to transforming the lives of Mombasa residents by providing bursaries and loans to those who are pursuing their education as a key weapon to confront the challenges of poverty.

In conclusion, I wish to take this opportunity to appreciate support from the County Government of Mombasa, fellow Board members, staff and management for their support during the year under review.



**CHAIRPERSON - BOARD OF TRUSTEES**  
**ELIMU FUND**



## **5. REPORT OF THE FUND ADMINISTRATOR**

This year the Bursaries were disbursed in 2 sets; Form 1 and Form 2 with Special Needs. The aim of the difference in the criteria adapted was mainly to create an impact where the bursary issued is commensurate to the student's tuition fee.

Form 1 beneficiaries were needy students who performed well in KCPE in 2018 and were divided 3 categories;

- I. Beneficiaries from a public primary to a boarding Secondary school were issued bursaries worth Kshs.30,000.
- II. Beneficiaries from a private primary to a boarding secondary school were issued bursaries worth Kshs. 15, 000.
- III. Form 1 beneficiaries going to a day secondary schools were issued bursaries worth Kshs. 8, 000.

Form 2 to Form 4 beneficiaries were issued bursaries worth Kshs.9,000 and Kshs. 7,000 to students in Boarding schools and Day schools respectively. Finally, Special Needs students were issued Bursaries worth KShs.10,000.

Each beneficiary was handed their individual cheque and this created a buzz in the community and an increase in the confidence in the County's ability to assist their children to continue with their education especially the fact that the awards were commensurate to the amount of tuition fee.

This year Elimu Fund has drafted new regulations that are aimed at efficiently guiding the Bursary process for both Bursaries and Scholarships, and streamline the legal processes as part of the many lessons that we have learnt from last year's audit. The Regulations are yet to be approved by the County Assembly.

The regulations further seek to establish a Synergy between the Department of Health and HELB that will enable issuing of Student Loans.

Elimu Fund is determined to source funds from both local and foreign donors and not just from the County Government. Over time, we have been unable to meet the overwhelming numbers of needy cases and need additional funds to meet the demand for Financial Assistance.

### ***Key Board decisions in FY 2018/2019***

- The County Bursary should be timed according to opening of Schools; this is a key factor in reducing child drop out during beginning of school years. The Bursaries are determined by the current funds availed to Elimu Fund which do not necessarily adhere to school open dates.
- The Bursary should be made available to all the Needy students of Mombasa County and not just the best performers. There should not be a grading criterion for the Bursaries; all Needy students should be given an equal opportunity.
- Engage and Collect views from various key stakeholders across the County to help us improve our networks and process and service delivery

**MOMBASA COUNTY ELIMU FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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- The Board approved the total budget of Kshs 162.1 million for FY2019/2020 and sent it to the CEC for Education onward to the County Assembly for Approval
- Elimu Fund will facilitate payment of the sponsored students of Mombasa City Polytechnics. Monitoring & Evaluation of the program will be done by the Elimu Fund but the technical side of things is left to the TVET officers of the Department of Education.
- The Fund may in future review the 70% Scholarship rule and may also choose to fully sponsor needy cases

***Key Objectives of the Fund in the coming Financial Year***

- Have the new Regulations approved by the County Assembly and adapted
- Run the Loans and Scholarship program effectively in addition to Bursaries
- Develop a 5-year strategic plan
- Recruit additional staff to run the Elimu Fund and achieve its mandate
- Capacity Build the staff and Board to improve delivery of service to all stakeholders
- Engage with local, national and international partners to fund various financial aid programs
- Seek to digitize the application of Bursaries to improve service delivery and reduce costs.
- Develop an Elimu Fund interactive Website and have a vibrant and engaging social media presence

We look forward to increasing opportunities to empower the youth and children of Mombasa to increase their education, which will improve their futures

Signed:  \_\_\_\_\_

**JOHN M. MUSUVA**



## **6. CORPORATE GOVERNANCE STATEMENT**

### **THE BOARD**

The Elimu Fund is constituted as per the Mombasa County Education Development Amendment Act 2017 and is headed by the CEO/Fund Administrator, who is responsible for the day-to-day management of the fund. It also has a Board of Trustees headed by the chairperson responsible for the general policy and strategic direction of the fund.

The Fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the Fund is a formal governance structure with the Board of Trustees at its apex. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

### **THE BOARD OF TRUSTEES**

The Board of Trustees shall be made up of eight trustees, who consist of a chairperson and seven other members identified for appointment by the CEC in charge of Education. The Board of Trustees is responsible for the long-term strategic direction of the Fund and recruitment of the Fund Administrator and senior management. The Board of Trustees exercises leadership, enterprise, integrity and judgment in directing the Fund.

The trustees are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the Fund is delegated to the Fund administrator but the Board of Trustees is responsible for establishing and maintaining the Fund's system of internal controls for the realization of its mandate of providing financial aid to needy students in Mombasa County.

All members of the Board of Trustees have been taken through a comprehensive induction programme and are adequately trained on their roles as board members. The trustees are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the board, its committees, individual trustees and the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.

### **BOARD MEETINGS**

The Board of Trustees meets quarterly or as required in order to monitor the implementation of the Fund's mandate. The Board of Trustees also approves all the bursary payments to beneficiaries

## **STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

### **STATEMENT OF COMPLIANCE**

The Board of Trustees confirms that the Fund has throughout the FY2018/2019, complied with all statutory and regulatory requirements in disbursement of financial aid and that the Fund has been managed in accordance with the principles of good corporate governance.

### **INTERNAL CONTROL AND RISK MANAGEMENT**

#### **Internal Control**

The trustees are responsible for reviewing the effectiveness of the Fund's system of internal control, which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information. These controls are designed to manage rather than eliminate the risk of failure to achieve objectives

#### **Organization Structure**

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained throughout its processes and performance. The Fund has identified training needs and will initiate plans so that the staff will be trained, equipped and prepared so that they can implement the Fund policies and functions.

#### **Strategic Plan**

The Fund is working on its strategic plan, which will be for 5 years from 2019 to 2023. The strategic plan will set out the objectives of the Fund, and the annual targets to be met to attain those objectives in the following years. The strategic plan will be evaluated quarterly to assess the achievement of those objectives. Progress against the plan will be monitored frequently.

#### **Management Team**

The management team headed by the Fund Administrator Mr John Musuva, implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

#### **Auditor**

The fund is audited by the Auditor-General.



**7. MANAGEMENT DISCUSSION AND ANALYSIS****Financial Performance****Form 1 Bursary - March 2019**

Categories	Beneficiaries	Amount Awarded	Total Amount
*Attended Public schools in Mombasa & were called to Boarding	277	30,000.00	8,310,000.00
Others Boarding (attended private school or sat KCPE outside Mombasa County).	1,942	15,000.00	29,130,000.00
Day Schools	1,067	8,000.00	8,536,000.00
<b>Total</b>	<b>3,286</b>		<b>45,976,000.00</b>

**Form 2-4 & Special Needs Bursary- May 2019**

Category	No. of Beneficiaries	Amount per Beneficiary	Total
Boarding School	2,514	9,000	22,626,000
Day School	2,714	7,000	18,998,000
Special Needs	532	10,000	5,320,000
<b>Total</b>	<b>5,760</b>		<b>46,944,000</b>

**Elimu Fund Key Projects**

Bursary assistance to Needy students in Mombasa County at all categories of Education: Special Needs Schools, Secondary Schools & Tertiary Schools.

Elimu Fund aims at helping more needy students from Mombasa County and Kenya at large. To achieve this goal, Elimu Fund plans to source for more funding from external sources as well as lobbying for more allocation from the County Government of Mombasa.

Elimu Fund aims at having the new Regulations approved by the County Assembly and adapted which will enable running the Loans and Scholarship program effectively in addition to Bursaries.

The Fund seeks to ensure it acquire its own official accounting documents from the department of Finance and Planning that include Payment Vouchers, Imprest warrant and Local Purchase and Local Service Orders that will be used exclusively by Elimu Fund.

Elimu Fund aims at formation and operation of an Audit Committee to form a key element in the governance process by providing an independent expert assessment of the activities of top management, the quality of the risk management, financial reporting, financial management and internal audit.

Elimu Fund seeks to ensure appointment of one missing member and the appointment of a new chairperson into the Board since the former chair's term expired.

**Challenges**

- Despite Government schools subsidizing tuition fee, many students or parents are preferring private schools with a higher fee rate, which reflects an increase in the demand for bursaries.
- Limited funds from the County Government to sustain the high level of assistance requested by Needy cases in Mombasa County

**Compliance with Statutory Requirement**

Preparation and presentation of the Fund's Financial Statements for the Audit purposes

**Material arrears in statutory and other financial obligations**

There are no arrears



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

The Elimu Fund did not undertake any CSR activities in the year ended 30<sup>th</sup> June 2019.

## **9. REPORT OF THE TRUSTEES**

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

### **Principal activities**

The principal activities of the Fund *continue to be administering the County Bursary and giving out loans to assist students further their studies and to raise funds to fulfil our mandate*

### **Results**

The results of the Fund for the year ended June 30, 2019 are set out on page 22.

### **Trustees**

The members of the Board of Trustees who served during the year are shown on page 3. The changes in the Board during the financial year are as shown below:

- a. Chairperson Edward Mwachinga's term ended on 15<sup>th</sup> April 2019
- b. Jonathan Nyongesa was replaced by Asha Abdi on 3<sup>rd</sup> June 2019

### **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

**NANCY MWASHUMBE**

Member of the Board of Trustees

Date: 12/12/2019.



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

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by The Mombasa County Education Development Act 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

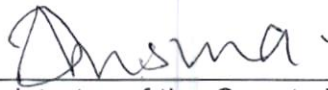
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Mombasa County Education Development Act 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2019, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

### **Approval of the financial statements**

The Fund's financial statements were approved by the Board on 18/12/ 2019 and signed on its behalf by:

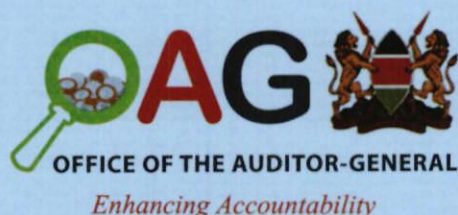
  
\_\_\_\_\_  
Administrator of the County Public Fund

**11. REPORT OF THE INDEPENDENT AUDITOR**



# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON MOMBASA COUNTY ELIMU FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Opinion**

I have audited the accompanying financial statements of Mombasa County Elimu Fund set out on pages 22 to 52, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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, the financial statements present fairly, in all material respects, the financial position of Mombasa County Elimu 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 Public Finance Management Act, 2012 and the Mombasa County Education Development (Amendment) Act, 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Mombasa County Elimu 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 opinion.

#### **Emphasis of Matter**

##### **Change of Reporting Framework**

These financial statements are transitional statements from cash basis accounting framework to International Public Sector Accounting Standards (Accruals Basis). Therefore, the audit is cognizant of IPSAS 33 (First time adoption of accrual basis) which grants the entity certain exemptions for fair presentation of the financial statements and its ability to assert compliance with accrual basis International Public Sector Accounting



Standards for a period of at least 3 years before full compliance. This is the second year of adoption of the standard by the client.

### **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**

#### **1.0 Budget Control and Performance**

##### **1.1 Revenue Budget**

The Fund had an approved revenue budget of Kshs.164,260,631 voted for the financial year 2018/2019. The actual revenue received and which related to transfers from County Government amounted to Kshs.101,527,742, resulting to undisbursed funds of Kshs.62,732,889 or 38% of the voted amount.

Failure by the County Government to disburse funds may have denied bright and needy students in Mombasa County the opportunity to pursue education. There is need for the Fund management therefore to regularly engage the County Government on timely basis to have full disbursement of funds approved for education of eligible students from Mombasa County.

##### **1.2 Expenditure Budget**

The Fund had an approved expenditure Budget of Kshs.164,260,631 voted for the financial year 2018/2019 while actual expenditure totaled Kshs.120,539,822 resulting to under absorption of Kshs.43,720,809 or 27%.

The overall under absorption of the approved budget of Kshs.43,720,809 (27%) indicates that needy students earmarked to benefit from the Fund were not sponsored. This may have had a negative effect on the delivery of quality learning for eligible students from Mombasa County.

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

### **Conclusion**

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

#### **1.0 Inadequacy of the Enabling Legislation**

As previously reported, audit review of the Mombasa County Education Development (Amendment) Act, 2017, revealed that the Act does not provide for the procedure for winding up of the Fund. This is contrary to Section 198 of the Public Finance Management



(County Governments) Regulations, 2015, which requires the County Executive Committee Member to provide for the management, operation and winding up procedures in the guidelines for establishing each Fund.

In the circumstances, the enabling legislation is inconsistent with the Public Finance Management (County Governments) Regulations, 2015.

## **2.0 Payment System**

As previously reported, audit review of the Fund's payment system revealed that the Fund has no official payment vouchers and relies on vouchers purchased from stationery shops. This is contrary to Regulation 99(3) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'every entry in the accounts shall be supported by a voucher or other approved document gazetted by the Cabinet Secretary containing the full details, clear narrations and particulars of the item or items to which it relates'.

Therefore, the Management was in breach of the law.

## **3.0 Management of Imprests**

Review of the imprests records provided for audit verification revealed the following anomalies:

### **3.1 Expensing of Imprests**

Imprests amounting to Kshs.4,116,140 were expensed through payment vouchers/direct payments without raising imprest warrant forms (F024) and imprest surrender forms (F022) for issuance and surrender of imprests. This is contrary to Section 6.5 of the County Financial Accounting and Reporting Manual on surrender of imprests which require staff to use an imprest surrender form (F020) for purchases and (F022) for travel and accommodation, detailing down the expenditure. The imprest surrender form shall form the basis of posting to the specific expenditure category in the general ledger.

Therefore, the Management was in breach of the law.

### **3.2 Overdue Imprests**

Note 12 to the financial statements for the year ended 30 June, 2019 reflects transfers from the County Treasury of Kshs.160,286,240. Included in the balance is Kshs.391,706 in respect of other exchange debtors (imprests) which have been outstanding for over one (1) year, contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which requires a holder of a temporary imprest to account or surrender the imprest within seven (7) working days after returning to duty station.

Consequently, the Management was in breach of the law and recoverability of imprests totalling to Kshs.391,706 as at 30 June, 2019 is doubtful.

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 overall governance were not effective.

### **Basis for Conclusion**

#### **1.0. Lack of Audit Committee**

As reported in the previous year, Mombasa County Elimu Fund had not established an audit committee in line with Section 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that “each county government entity shall establish an audit committee”. The functions of the audit committee as stated in Section 168 of Public Finance Management (County Governments) Regulations, 2015 include among others to support the accounting officers with regard to their responsibilities for issues of risk, control and governance and associated assurance.

Therefore, the Fund’s effectiveness of the internal controls and risk management is not assured in the absence of an audit committee.

#### **2.0 Bursaries**

As previously reported, the statement of financial performance for year ended 30 June, 2019 reflects a figure of Kshs.110,572,672 in respect of bursaries to beneficiaries in various learning institutions as detailed in Note 6 to the financial statements. However, it was observed that the Financial Aid Committee constituted by the Board had not come up with criteria of selecting and vetting bursary beneficiaries. In the absence of selection criteria, the objective of the Fund to support needy bright students may not be realized.

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

### **Responsibilities of Management and 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) and for such internal control as Management determines is necessary to enable



the preparation of financial statements that are free from material misstatement, whether due to fraud or error 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 Management is aware of the intention to terminate the Fund or cease operations.

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

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

Those charged with governance are responsible for overseeing the 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in



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

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

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

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

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**22 October, 2021**



**MOMBASA COUNTY ELIMU FUND**  
**Reports and Financial Statements**  
**for the year ended June 30, 2019**

**12. FINANCIAL STATEMENTS**

**12.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1		
Transfers from the County Government	2	164,260,631	139,147,979
Fines, penalties and other levies	3		
<b>Total</b>		<b>164,260,631</b>	<b>139,147,979</b>
<b>Revenue from exchange transactions</b>			
Interest income	4		
Other income	5		
<b>Total Revenue</b>		<b>164,260,631</b>	<b>139,147,979</b>
<b>Expenses</b>			
Bursaries	6	110,572,672	19,273,560
Fund administration expenses	7	9,961,372	5,003,796
General expenses	8	5,778	34,738
Finance costs	9		
<b>Total expenses</b>		<b>120,539,822</b>	<b>24,312,094</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10		
<b>Surplus/(deficit) for the period</b>		<b>43,720,809</b>	<b>114,835,885</b>

The notes set out on pages 41 to 51 form an integral part of these Financial Statements

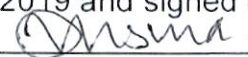


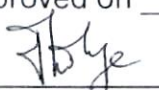
**MOMBASA COUNTY ELIMU FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

		2018/2019	2017/2018
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	4,140,004	23,378,006
Current portion of long term receivables from exchange transactions	12	160,286,240	97,553,351
Prepayments	13		
Inventories	14		
		<b>164,426,244</b>	<b>120,931,357</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	11,556	17,334
Intangible assets	16		
Long term receivables from exchange transactions			
<b>Total assets</b>		<b>164,437,800</b>	<b>120,948,691</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17		231,700
Provisions	18		
Current portion of borrowings	19		
Employee benefit obligations			
<b>Non-current liabilities</b>			
Non-current employee benefit obligation			
Long term portion of borrowings			
<b>Total liabilities</b>			<b>231,700</b>
<b>Net assets</b>		<b>164,437,800</b>	<b>120,716,991</b>
Revolving Fund			
Reserves			
Accumulated surplus		164,437,800	120,716,991
<b>Total net assets and liabilities</b>		<b>164,437,800</b>	<b>120,716,991</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 18/12/2019 and signed by:

  
 Administrator of the Fund  
 Name: John M Musuva

  
 Fund Accountant  
 Name: Dawson Mzenge  
 ICPAK Member Number: 21566

**12.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2017</b>			4,512,566	4,512,566
<b>Prior Year Adjustment</b>			1,368,540	1,368,540
Surplus/(deficit) for the period			114,835,885	114,835,885
Funds received during the year				
Revaluation gain				
<b>Balance as at 30 June 2018</b>			120,716,991	120,716,991
<b>Balance as at 1 July 2018</b>			120,716,991	120,716,991
Prior year adjustment				
Surplus/(deficit) for the period			43,720,809	43,720,809
Funds received during the year				
Revaluation gain				
<b>Balance as at 30 June 2019</b>			164,437,800	164,437,800

(Provide details on the nature and purpose of reserves)

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

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Revenue</b>			
Public contributions and donations	1		
Transfers from the County Government	2	164,260,631	139,147,979
Interest received	4		
Receipts from other operating activities	5		
<b>Total Revenue</b>		<b>164,260,631</b>	<b>139,147,979</b>
<b>Expenses</b>			
Bursaries	6	(110,572,672)	(19,273,56)
Fund administration expenses	7	(9,961,372)	(5,003,796)
General expenses	8	(5,778)	(34,738)
Finance costs	9		
<b>Total Expenses</b>		<b>(120,539,822)</b>	<b>(24,312,094)</b>
<b>Operating surplus before working capital</b>		<b>43,720,809</b>	<b>114,835,885</b>
Trade receivables – (Increase)/decrease		(62,732,889)	(97,553,351)
Trade Payables		(231,700)	231,700
Depreciation		5778	8,666
Prior year adjustment			1,368,540
<b>Net cash flows from operating activities</b>		<b>(19,238,002)</b>	<b>18,891,440</b>
<b>Cash flows from investing activities</b>		<b>(19,238,002)</b>	
Purchase of property, plant, equipment and intangible assets	15		(26,000)
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments			
<b>Net cash flows used in investing activities</b>		<b>0</b>	<b>(26,000)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts			
Additional borrowings	19		
<b>Net cash flows used in financing activities</b>		<b>0</b>	<b>0</b>
Net increase/(decrease)in cash and cash equivalents		(19,238,002)	18,865,440
Cash and cash equivalents at 1 JULY 2018		23,378,006	4,512,566
Cash and cash equivalents at 30 JUNE 2019		<b>4,140,004.00</b>	<b>23,378,006</b>



**12.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
THE PERIOD ENDED 30 JUNE 2019**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% utilisation</b>
	2019	2019	2019	2019	2019	2019
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations						
Transfers from County Govt.	170,000,167	-5,739,536	164,260,631	101,527,742	62,732,889	62%
Interest income						
Other income						
<b>Total income</b>	<b>170,000,167</b>	<b>-5,739,536</b>	<b>164,260,631</b>	<b>101,527,742</b>	<b>62,732,889</b>	<b>62%</b>
Expenses						
Bursaries	150,000,000	1,959,728	148,040,272	110,572,672	37,467,600	75%
Fund Administration Expenses	17,300,167	2,822,575	14,477,592	9,961,372	4,516,220	69%
General Expenses	2,700,000	957,233	1,742,767	5,778	1,736,989	33%
Total expenditure	170,000,167	5,739,536	164,260,631	120,539,822	43,720,809	73%
<b>Surplus for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-19,012,080</b>	<b>55,939,517</b>	

**Budget notes**

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

## 12.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

### 2. Adoption of new and revised standards

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

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

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



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

**c) Early adoption of standards**

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

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

**3. Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest incom***

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

**4. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Kshs 0 on the FY 2018/2019 budget following the governing body's approval.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.



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

### **5. Property, plant and equipment**

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

### **6. Intangible assets**

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

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

### **7. Financial instruments**

#### ***Financial assets***

#### ***Initial recognition and measurement***

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

#### ***Loans and receivables***

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

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

### ***Held-to-maturity***

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

### ***Impairment of financial assets***

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

- The debtors or 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)**

### **8. Inventories**

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

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

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

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

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

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

### **9. Provisions**

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

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

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

### ***Contingent liabilities***

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

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

### ***Contingent assets***

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

### **10. Nature and purpose of reserves**

The Fund creates and maintains reserves in terms of specific requirements. The Elimu Fund does not yet have any reserves and will soon develop policies to govern future reserves.

### **11. Changes in accounting policies and estimates**

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

### **12. Employee benefits – Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

### **13. Foreign currency transactions**

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



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

### **14. Borrowing costs**

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

### **15. Related parties**

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

### **16. Cash and cash equivalents**

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

### **17. Comparative figures**

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

### **18. Events after the reporting period**

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

### **19. Ultimate and Holding Entity**

The entity is a County Public Fund established by the Mombasa County Education Development Act 2014 under the Department of Education. Its ultimate parent is the County Government of Mombasa.

### **20. Currency**

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

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

### **21. 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.

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

#### **Useful lives and residual values**

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

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

#### **Provisions**

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

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



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

**22. Financial risk management**

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

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

**a) Credit risk**

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

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

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

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

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

The entity has no significant concentration of credit risk on amounts due.

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

**b) Liquidity risk management**

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

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

	<b>Less than 1 month</b>	<b>Between 1- 3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2019</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
<b>Total</b>				
<b>At 30 June 2018</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
<b>Total</b>				



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

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		<b>Other currencies</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2019</b>			
Financial assets			
Investments			
Cash			
Debtors/ receivables			
<b>Liabilities</b>			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

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

**Foreign currency sensitivity analysis**

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

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

**ii. Interest rate risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2019: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2018 – KShs 0)



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

**d) Capital risk management**

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

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

## 12.7 NOTES TO THE FINANCIAL STATEMENTS

### 1. Public contributions and donations

Description	2018/2019	2017/2018
	KShs	KShs
Donation from development partners	0	0
Contributions from the public	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### 2. Transfers from County Government

Description	2018/2019	2017/2018
	KShs	KShs
Transfers from County Govt. – operations	159,017,061	137,589,205
Payments by County on behalf of the entity	5,243,570	1,558,774
<b>Total</b>	<b>164,260,631</b>	<b>139,147,979</b>

### 3. Fines, penalties and other levies

Description	2018/2019	2017/2018
	KShs	KShs
Late payment penalties	0	0
Fines	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### 4. Interest income

Description	2018/2019	2017/2018
	KShs	KShs
Interest income from Mortgage loans	0	0
Interest income from car loans	0	0
Interest income from investments	0	0
Interest income on bank deposits	0	0
<b>Total interest income</b>	<b>0</b>	<b>0</b>



**OMBASA COUNTY ELIMU FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**5. Other income**

Description	2018/2019	2017/2018
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender documents	0	0
Miscellaneous income	0	0
<b>Total other income</b>	<b>0</b>	<b>0</b>

**6. Bursaries**

Description	2018/2019	2017/2018
	KShs	KShs
Bursaries – Secondary Schools	87,600,000	-
Bursaries – Special Needs	5,320,000	-
Bursaries - Colleges	1,368,500	19,273,560
Other Current Transfers and Grants	16,284,172	
<b>Total</b>	<b>110,572,672</b>	<b>19,273,560</b>

**7. Fund Administration Expenses**

Description	2018/2019	2017/2018
	KShs	KShs
Board Allowances & Expenses	80,500	385,060
Staff Costs ( <b>Note 7(a)</b> )	7,748,770.00	3,880,089
Accounting fees	45,000	50,000
Bank Charges	120,876	193,128
Bursary Cheques printing cost	633,220	
SFAC Allowances	1,006,700	201,700
Other Expenses	326,306	293,819
<b>Total</b>	<b>9,961,372</b>	<b>5,003,796</b>

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

**7(a) Staff costs**

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	5,243,570	3,880,089
Staff gratuity		
Staff training expenses		
Social security contribution		
Casual Allowances	1,237,200	
Staff Allowances	1,268,000	
<b>Total</b>	<b>7,748,770</b>	<b>3,880,089</b>

**8. General expenses**

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Consumables		2,680
Electricity and water expenses		
Fuel and oil costs		
Insurance costs		
Postage		
Printing and stationery		
Rental costs		
Security costs		
Telecommunication		
Bank Charges		
Hospitality		23,392
Depreciation and amortization costs	5,778	8,666
Other expenses		
<b>Total</b>	<b>5,778</b>	<b>34,738</b>



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

**9. Finance costs**

**10. Gain/(loss) on disposal of assets**

**11. Cash and cash equivalents**

Description	2018/2019	2017/2018
	KShs	KShs
Car loan account	0	0
County mortgage account	0	0
Fixed deposits account	0	0
On – call deposits	0	0
Current account	4,140,004	23,364,518
Cash		13,488
<b>Total cash and cash equivalents</b>	<b>4,140,004</b>	<b>23,378,006</b>

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

**MOMBASA COUNTY ELIMU FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

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

		2018/2019	2017/2018
Financial institution	Account number	KShs	KShs
<b>a) Fixed deposits account</b>			
Kenya Commercial Bank		0	0
Equity Bank, etc		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>b) On - call deposits</b>			
Kenya Commercial Bank		0	0
Equity Bank - etc		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>c) Current account</b>			
Kenya Commercial Bank	1168118506	4,140,004	23,364,518
Bank B		0	0
<b>Sub- total</b>		<b>4,140,004</b>	<b>23,364,518</b>
<b>d) Others (specify)</b>		0	0
Cash in transit		0	0
Cash in hand		0	13,488
M Pesa		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>Grand total</b>		<b>4,140,004</b>	<b>23,378,006</b>

**12. Receivables from exchange transactions**

Description	2018/2019	2017/2018
	KShs	KShs
<b>Current Receivables</b>		
Transfers from County Treasury	160,286,240	97,161,645
Interest receivable		
Current loan repayments due		
Other exchange debtors (Imprests)		391,706
Less: impairment allowance		
<b>Total Current receivables</b>	<b>160,286,240</b>	<b>97,553,351</b>
<b>Non - Current receivables</b>		
Long term loan repayments due		
<b>Total Non- current receivables</b>		



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

**13. Prepayments**

**14. Inventories**

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Consumable stores	0	0
Spare parts and meters	0	0
Catering	0	0
Other inventories(specify)	0	0
<b>Total inventories at the lower of cost and net realizable value</b>	<b>0</b>	<b>0</b>

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

**15. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KShs	KShs	KShs	KShs	KShs
<b>BaL as at 1<sup>st</sup> July 2018</b>				26,000	26,000
Additions					
Disposals					
Transfers/adjustments					
<b>Total Cost as at 30<sup>th</sup> June 2019</b>				26,000	26,000
<b>Depreciation and impairment</b>					
Bal b/f as at 1 <sup>st</sup> July 2019				8,666	8,666
Depreciation charge for the year				5,778	5,778
Impairment					
<b>Accumulated Depreciation as at 30<sup>th</sup> June 2019</b>				14,444	14,444
<b>NBV as at 30<sup>th</sup> June 2019</b>				11,556	11,556
<b>NBV as at 30<sup>th</sup> June 2018</b>				17,334	17,334



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

**16. Intangible assets-software**

Description	2018/2019	2017/2018
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>		
Additions		
<b>At end of the year</b>		
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>		
Amortization		
<b>At end of the year</b>		
Impairment loss		
<b>At end of the year</b>		
<b>NBV</b>		

**17. Trade and other payables from exchange transactions**

Description	2018/2019	2017/2018
	KShs	KShs
Trade payables		
Refundable deposits		
Accrued expenses –(Accounting Fees)		30,000
General Expenses		
Other payables – SFAC Allowances		201,700
<b>Total trade and other payables</b>		<b>231,700</b>

**18. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year (1.07.2018)				
Additional Provisions				
Provision utilised				
Change due to discount and time value for money				
Transfers from non -current provisions				
<b>Balance at the end of the year (30.06.2019)</b>				

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

**19. Borrowings**

Description	2018/2019	2017/2018
	KShs	KShs
<b>Balance at beginning of the period</b>		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the period		
Repayments of domestics borrowings during the period		
<b>Balance at end of the period</b>		

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

	2018/2019	2017/2018
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan	0	0
Sterling Pound denominated loan	0	0
Euro denominated loan	0	0
<b>Domestic Borrowings</b>	0	0
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Borrowings from other government institutions	0	0
<b>Total balance at end of the year</b>	<b>0</b>	<b>0</b>

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

Description	2018/2019	2017/2018
	KShs	KShs
Short term borrowings(current portion)	0	0
Long term borrowings	0	0
<b>Total</b>	<b>0</b>	<b>0</b>



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

**20. Employee benefit obligations**

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	0	0	0	0
Non-current benefit obligation	0	0	0	0
<b>Total employee benefits obligation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**21. Cash generated from operations**

	2018/2019	2017/2018
	KShs	KShs
<b>Surplus/ (deficit) for the year before tax</b>		
<b>Adjusted for:</b>		
Depreciation		
Amortisation		
Gains/ losses on disposal of assets		
Interest income		
Finance cost		
<b>Working Capital adjustments</b>		
Increase in inventory		
Increase in receivables		
Increase in payables		
<b>Net cash flow from operating activities</b>	<b>0</b>	<b>0</b>

**22. Related party balances**

**a) Nature of related party relationships**

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

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

**MOMBASA COUNTY ELIMU FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

**b) Related party transactions**

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

**c) Key management remuneration**

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

**d) Due from related parties**

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

**e) Due to related parties**

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

**23. Contingent assets and contingent liabilities**

Contingent liabilities	2018/2019	2017/2018
	KShs	KShs
Court case against the Fund		
Bank guarantees		
<b>Total</b>		





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

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
ADL/28/17/18 (8)	Inadequacy of the Enabling Legislation	The Regulations have been created that provide for the Management, operation and winding up procedures of the Fund. These are currently with the County Assembly and awaiting approval	John Musuva – Fund Administrator	Resolved	
	Lack of an Audit Committee	The Elimu Fund Board of Trustees have formed an Audit Committee	Randiek Odida – Financial Aid Manager	Resolved	
	Payment System	Official payment vouchers have been requested from the department of Finance and for various accounting documents that include Payment Vouchers, Imprest warrant and Local Purchase and Local Service Orders that will be used exclusively by Elimu Fund.	John Musuva – Fund Administrator	Resolved	
	Bursaries	The new Elimu Fund regulations have catered for regulations in how the Financial Aid Committees will select needy, deserving beneficiaries in an open and objective manner.	John Musuva – Fund Administrator	Resolved	