

REPORT OF THE AUDITOR-GENERAL ON ISIOLO COUNTY EDUCATION BURSARY FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Isiolo County Education Bursary Fund set out on pages 12 to 17, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of cash flows 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Late Submission of 2020/2021 Financial Statements

The financial statements for the year ended 30 June, 2021 were submitted to the Auditor-General on 12 November, 2021, approximately one (1) month after the statutory deadline. This was contrary to Section 47(1) of the Public Audit Act, 2015 which stipulates that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

2. Failure to Submit Financial Statements for Audit for the Year 2017/2018 and Earlier Periods

As reported in the previous years audit report, the Fund has not submitted financial statements for audit by the Auditor-General for year 2017/2018 and earlier periods. This is contrary to section 47(1) of the Public Audit Act, 2015, which stipulates that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor General within three months after the end of the fiscal year to which they relate.

In the circumstances, in absence of certified financial statements for the year 2017/2018 and earlier periods, it is not possible to confirm the accuracy and completeness of the opening balances for the financial statements for the year ended 30 June, 2021.

3. Inaccuracies in the Presentation of the Annual Report and Financial Statements

Review of the annual report and financial statements revealed inaccuracies when read against the prescribed template by the Public Sector Accounting Standards Board as indicated below:

- The title page indicates that the Fund's name is Isiolo County Education Bursary Fund/Board. However, the name of the Fund as per the Isiolo County Education Bursary Fund Act of 2015 is 'Isiolo County Education Bursary Fund.
- The table of contents is omitted from the financial statements.
- The title of the report is omitted from the pages of the financial statements.
- The Key Entity Information and Management paragraph is not presented in accordance with the template, information such as the enabling Act, is wrongly cited, principal activities are wrongly numbered, Board of Trustees and Fund Administration Committee are wrongly numbered. In addition, key management is not enumerated in accordance with the prescribed format, fiduciary oversight arrangement is omitted and the Office of the Auditor-General is described as the Kenya National Audit Office.
- The photos and qualification of the members of the Board of Trustees have not been included.

- The statement of performance against County Entity's predetermined objectives has been omitted.
- Managements' passport-size photos and names together with details of qualifications and experience have not included.
- Fund Administration Committee Chairperson's Report is described in the report.
- The Report of the Fund Manager is not signed.
- The Corporate Governance Statement, Corporate Social Responsibility Statement/Sustainability Reporting, Management Discussion and Analysis, Report of the Trustees/Fund Administration Committee and the Statement of Management's Responsibilities sections are omitted from the report.
- The title to Notes to the financial statements were omitted and the notes were not sequentially numbered.
- Report on Progress on Follow-Up of Prior Year Auditor's Recommendations has not been included.
- Appendix I to the financial statements on Inter-Entity Transfers was omitted.
- The financial statements were not signed by the Fund Accountant.
- The opening balances for 2018/2019 could not be ascertained as there were no financial statements provided for 2017/2018 and earlier years.
- The Statement of changes in net assets as at 30 June, 2019 and the statement of comparison of budget and actual amounts for the year ended 30 June, 2019 were missing from these financial statements.

In the circumstances, the annual report and financial statements are in non-compliance with the format proved by the Public Sector Accounting Standards Board (PSASB) in part compliance with standards

4. Unsupported Expenditure on Fund Administration Expenses and General Expenses

The statement of financial performance reflects Kshs.908,822 in respect to fund administration expenses and general expenses. Management did not provide supporting documents including expenditure ledgers and payment vouchers for audit review. The fund administration expenses and general expenses were referenced to Notes 6 and 7, instead of Notes 3 and 4.

In addition, Management paid Kshs.335,300 in respect to chairman's honoraria, sitting allowance and secretariat staff allowances, and spent Kshs.81,700 on repair of printer and computers. However, supporting documents including payment vouchers for the payments were not provided for audit review.

In the circumstances, the accuracy and completeness of the Kshs.908,822 expenditure on fund administration expenses and general expenses for the year ended 30 June, 2021 could not be confirmed.

5. Cash and Cash Equivalents

The statement of financial position reflects Kshs.1,495,276 in respect to cash and cash equivalents as at 30 June, 2021 while the cashbook reflects Kshs.25,106 resulting to a variance of Kshs.1,470,170.

In addition, the bank reconciliation statement reflects Kshs.1,492,000 in respect to unrepresented cheques. However, the schedule of the unrepresented cheques provided for audit review did not indicate the dates when the cheques were drawn. It was therefore not possible to determine the existence, accuracy, and status of the cheques and whether the cheques were stale or not.

In the circumstances, the accuracy and completeness of the Kshs.1,495,276 in respect to cash and cash equivalents as at 30 June, 2021 could not be confirmed.

6. Annual Report for the Disbursed Bursary

Section 21(1) of the Isiolo County Education Bursary Fund Act, 2015 provides that the Board shall prepare an annual report which shall be submitted to the County Executive Committee and transmitted to the County Assembly not later than the last day of February each year. The report shall indicate the performance of the Fund, overall enrolment, retention, and performance of the students supported by the fund among others. However, this report was not provided for audit review.

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

7. Unsupported Disbursement of Bursaries and Scholarships to Students

The statement of financial performance reflects Kshs.13,504,283 in respect to bursaries to students. It was noted that Kshs.13,504,283 in respect to bursary disbursements was not supported with a list of original applications from the ten (10) wards. Further standard application forms completed by the applicant were not supported with fee structures from the various institutions, certified student fee balance statements or confirmation of balances by the institutions and were not reviewed or recommended by the Ward Administrators, Member of County Assembly and the Chairman of the Ward Education Bursary Committee as required in the application procedures.

In addition, out of the Kshs.13,504,283 in respect of bursary disbursed during the year under review, only Kshs.2,350,000 was acknowledged by the beneficiary institutions leaving a balance of Kshs.11,154,283 unacknowledged as at the time of audit in November, 2021.

In the circumstance, the accuracy, completeness and validity of the Kshs.13,504,283 expenditure on bursaries for the year ended 30 June, 2021 could not be ascertained.

8. Non-Compliance with the Fiscal Responsibility Principles

During the year under review, the Fund received Kshs.15,941,023 from the County Government of Isiolo and spent Kshs.908,822 on fund administrative costs which translates to 5.7 % of the funds received. This was contrary to Section 4(3)(c) of Isiolo County Education Bursary Fund Act, 2015 which states that the Fund shall be used for meeting any expenditure related to administration of the Fund as may be approved by the Executive Member in consultation with the Board provided that not more than three per cent of the total monies consisting of the Fund shall be utilized for administration of the Fund.

In the circumstance, the Fund was in breach of the law.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Isiolo County Education Bursary Fund Management in accordance with ISSAI 130 on the 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.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 July, 2022