

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 02 DEC 2024

DAY:

Monday

REPORT

TABLED
BY:

HON. NAOMI WADII, MP
DEPUTY MAJORITY WHIP

OF

WORK-AT
THE TABLE:

KATHER NGWYO



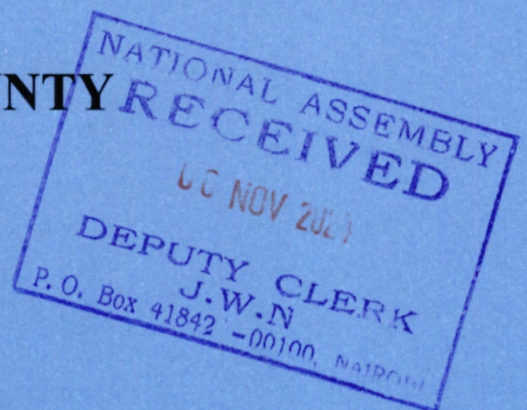
THE AUDITOR-GENERAL

ON

MUCHARAGE SECONDARY SCHOOL

**FOR THE SIX (6) MONTHS' PERIOD ENDED
30 JUNE, 2021**

NYERI COUNTY





MUCHARAGE SECONDARY SCHOOL
PUBLIC SECONDARY SCHOOL
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021

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

MUCHARAGE SECONDARY SCHOOL
PUBLIC SECONDARY SCHOOL
Annual Report and Financial Statements
For the year ended 30th June 2021

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I. KEY SCHOOL INFORMATION AND MANAGEMENT

(a) Background information

The school is domiciled in Kenya and its operations are governed under the Basic Education Act, 2013. It is located in Nyeri County, Othaya Sub-County

The school was registered on 7-11-2005 under registration number GP1/A/3548/2005 and is currently categorized as a County public school established, owned or operated by the Government.

The school is a boarding school and had 250 numbers of students as at 30th June 2021. It has 2 streams and 17 teachers of which none of teachers are employed by the School Board of Management.

(b) School Board of Management - Board Members

The School Board of Management established under Section 55 of the Basic Education Act, 2013; is composed of the following members:

Sl. No.	Name of Board Member	Designation	Date of Appointment
1	TIMOTHY MUCHIRI THUKU	Chairman	4/3/2019
2	JANE WAIORIMU N.	Secretary - Principal	4/3/2029
3	LILIAN WANGECI	Member	4/3/2019
4	JAMES KIRATHE	Member	4/3/2019
5	JAMES KARICHO	Member	4/3//2019
6	PAUL GACHOKA	Member	4/3/2019
7	BEATRICE GACHAMBI	Member-Community	4/3/2019
8	NGUMO MBOGO	Member – Rep CEB	4/3/2019
9	JOHN WAGENI	Member Rep Teachers	4/3/2019
10	ALEX NJUNJI	Sponsor	4/3/2019
11	NANCY MWANGI	Sponsor	4/3/2019
12	EVA WANGECI	sponsor	4/3/2019
13	NORMAN MWANIKI	Member Special Needs	4/3/2019
14	MARY WANJERU	Rep Students	4/3/2019

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Key School Information And Management (Continued)

The function of the School Board of Management include:

- Promote the best interests of the School and ensure its development.
- Promote quality education for all pupils in accordance with the standards set under the Basic Education Act, 2013
- Ensure and assure the provision of proper and adequate facilities for the School
- Manage the School's affairs in accordance with the rules and regulations governing occupational safety and health.
- Advise the County Education Board on the staffing needs of the School.
- Determine cases of pupils' discipline and make reports to the CEB
- Prepare comprehensive termly report on all areas of its mandate and submit the report to CEB
- Administer and manage the resources of the School
- Receive, collect and account for any funds accruing to the institution in accordance with Article 226 (1) (a) of the Constitution of Kenya, Section 81 of the Public Finance Management Act, 2012 and the Fourth Schedule para 21 and 23 of the Basic Education Act, 2013.

(c) Committees of the Board

Ref	Name of Committee	Names of Members	Designation	Number of meetings attended during the year
1	Executive Committee	Timothy Thuku Peter Ngatia Nancy Mwangi Alex Njunji Jane Wairimi	Chairman Member Member Member Secretary	4/7
2	Audit Committee	Timothy Thuku Alex Njunji Nancy mwangi Charles mwaura Peter ngatia	Chairman Deputy chair Member Member PA chair	2/3
3	Finance, procurement and general purposes Committee	James karicho James kirathe Lilian kanyi Timothy Thuku Peter Ngatia	Member Member Member Chair BOM Chair PA	4/6
4	Academic Committee	NgumoMbogo Beatrice Gachambi Alex Njunji John Wageni Jane Wairimu	Member Member Deputy Member Secretary	5/7
5	Development Committee	Timothy Thuku NgumoMbogo Jane Wairimu	BOM Chair Member Secretary	6/7

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		Peter Ngatia	PA Chair	
6	Discipline and welfare Committee	Alex Njunji Jane Wirimu John Wageni Timothy Thuku	Deputy Secretary Member BOM chair	8/8
7	Adhoc Committee (if any during the year)	Peter Ngatia Eva wangecei Lilian kanyi Paul gachoka Norman mwaniki	PA chair Member Member Member member	2/7

(d) School operation Management

For the financial year ended 30th June 2021 the School day-to-day management was under the following persons:

Ref :	Designation	Name	TSC Number
1	Principal	JANE WAIRIMU	240217
2	Deputy Principal	LUCY GATIMU	272243
3	School Bursar	ELENA KARIMI	ID:12474899

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Key School Information And Management (Continued)

(e) Schools contacts

Post Office Box: 155-10106 OTHAYA
 Telephone: 0797511006
 E-mail: mucharageschool@yahoo.com
 Website:
 Facebook:
 Twitter:

(f) School Bankers

The school operated 7 numbers of banks Accounts and 1 paybill number Othaya as follows;

	ACCOUNT NO	ACCOUNT NAME	PURPOSE	BANK	BRANCH
1	1101544090	Mucharage Sec School	Tuition A/c	KCB	Othaya
2	1101521724	Mucharage Sec School	Operation A/c	KCB	Othaya
3	1101540451	Mucharage Sec School	Boarding A/c	KCB	Othaya
4	1272126714	Mucharage Sec School	Infrastructure A/c	KCB	Othaya
5	0080294463603	Mucharage Sec School	Fee collection A/c	EQUITY	Othaya
6	044020207850	Mucharage Sec School	Farm A/c	Taifasacco	Othaya
7	0080266105144	Mucharage Sec School	CDF A/c	EQUITY	Othaya

(g) Independent Auditors

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

II. SUMMARY REPORT OF PERFORMANCE OF THE SCHOOL

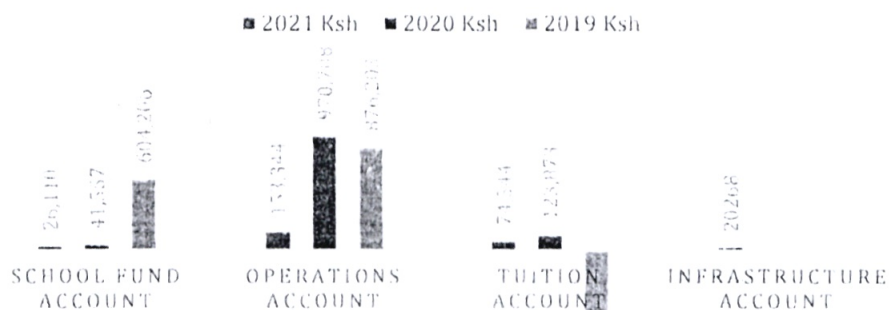
The following is a summary report of the performance of the school against the set performance evaluation criteria:

a) Financial performance:

Surplus/Deficit For The Year

ACCOUNTS	2021	2020	2019
	Ksh	Ksh	Ksh
School fund account	26,110	41,557	604,206
operations account	153,344	970,708	876,203
Tuition account	74,544	123,873	- 593,288
Infrastructure account	20268		
TOTAL	274,266	1,136,139	887,122
Increase/Decrease	(861,872)	249,018	

Movement Of Surplus/Deficit



Capitation Summary

SNO	ACCOUNTS	2021	2020	2019
		KSHS	KSHS	KSHS
1	Operations Account	2,442,101	3,334,134	4,852,959
2	Tuition Account	389,154	606,288	1,267,142
	Total	2,831,255	3,940,422	6,120,101
	Increase/Decrease	(1,109,166.85)	(2,179,679.10)	
	No of Students	234	285	301
	Ratio of Capitation per student	1;12099	1;13826	1;20332

Summary Report Of Performance Of The School (Continued)

Capitation Summary

■ 1 Operations Account ■ 2 Tuition Account

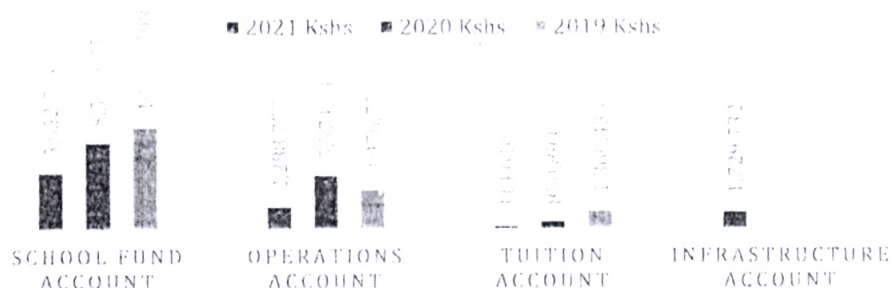


Expenditure

SNO	ACCOUNTS	2021 Kshs	2020 Kshs	2019 Kshs
1	School Fund Account	5,652,734	8,599,675	10,133,308
2	Operations Account	2,288,757	5,374,341	3,976,756
3	Tuition Account	314,610	830,894	1,860,430
4	Infrastructure Account	1,729,732		
	Total	9,985,833	14,804,910.00	15,970,494
	Increase/Decrease	(4,819,077)	(1,165,584)	

Expenditure Movement

■ 2021 Kshs ■ 2020 Kshs ■ 2019 Kshs

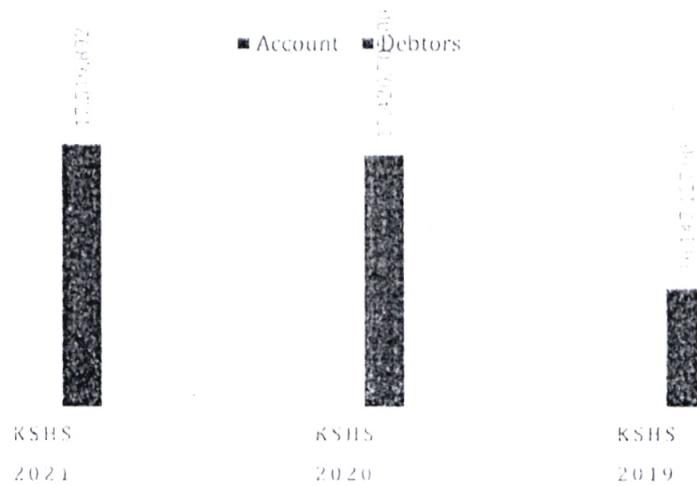


Summary Report Of Performance Of The School (Continued)

Debtors Movement

SNO	ACCOUNTS	2021	2020	2019
	School Fund Account	KSHS	KSHS	KSHS
	Debtors	17,519,892	17,420,707.00	16,147,127.00
	Total	17,519,892	17,420,707.00	16,147,127.00
	Increase/Decrease	99,185	1,273,580.00	

Debtors Movement

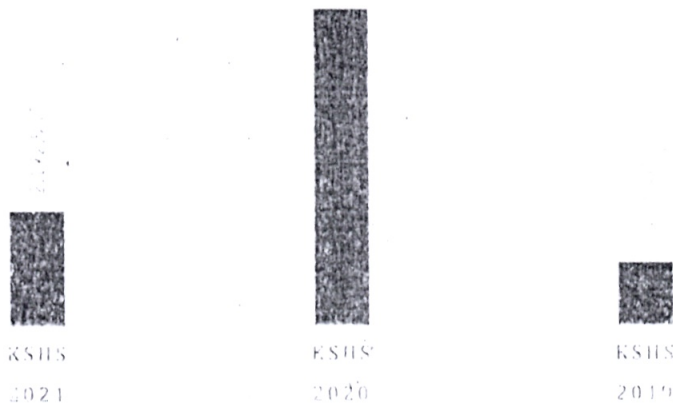


Creditors

SNO	ACCOUNTS	2021	2020	2019
1		KSHS	KSHS	KSHS
	Creditors	2,172,935	5,911,741	1,199,219
	Total	2,172,935	5,911,741	1,199,219
	Increase/Decrease	(3,738,806)	4,712,522	

Summary Report Of Performance Of The School (Continued)

Creditors

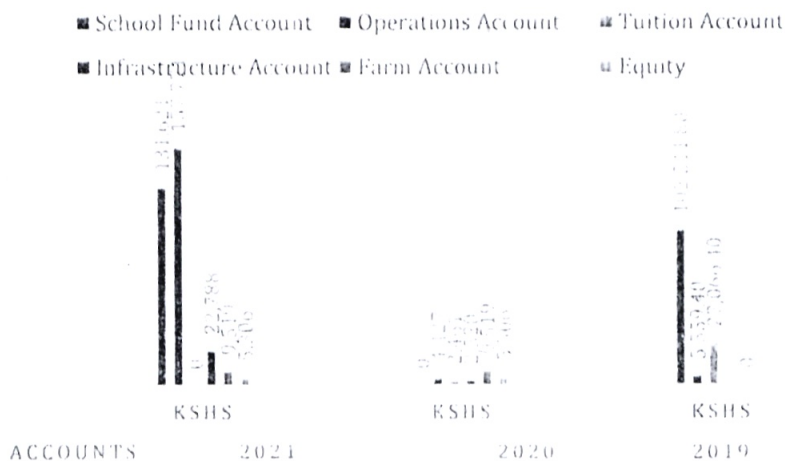


Cash And Bank Balances

SNO	ACCOUNTS	2021 KSHS	2020 KSHS	2019 KSHS
1	School Fund Account	131,621	105,512	102,511.80
2	Operations Account	157,771	4,427	5,559.40
3	Tuition Account	77,005	2,461	2,7066.4
4	Infrastructure Account	22,788	2,520	
5	Farm Account	9,519	9,519	-
6	Equity	5,306	5,306	
	Total	404,011	129,745	135,138
	Increase/Decrease	274,266	(5,393)	

Summary Report Of Performance Of The School (Continued)

Cash And Bank Balances



b) **Teacher Student ratio:** 1:10

c) **Mean score in the 2021 KCSE:**

YEAR	NO of candidates	Mean score
2018	63	2.371
2019	33	3.03
2020	47	2.638
2021	57	

d) **Number of Candidates in the 2021 KCSE:**

YEAR	NO of candidates	Mean score
2018	63	2.371
2019	33	3.03
2020	47	2.638
2021	57	

e) **Capacity of the school:** 320 STUDENTS

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Summary Report Of Performance Of The School (Continued)

f) Development projects carried out by the school:

S/N	PROJECT	YEAR	STATUS	AMOUNT	FUNDS SOURCE
1.	-Drainage system -procured 150 locker & chairs	2019	Done	1.9MILLION	Ministry of education
2	Ablution -15 toilets, putting watering points, electrifying and fencing the area.	2020	Done	1.6MILLION	Ministry of education
3.	For economic stimulus 21FY Constructed first phase of 1 classroom of a classroom comprising of 3 classrooms	2020/2021FY	DONE	2 MILLION	Ministry of education
4	-Walling and painting of classrooms -Walling and painting of the dorms	2021/2022	On-going projects	Ksh549,860 Ksh349,000	Ministry of education

Sign

 18/06/2024

School Principal



III. STATEMENT OF SCHOOL MANAGEMENT RESPONSIBILITY

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, each National Government School shall prepare financial statements in respect of that school. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

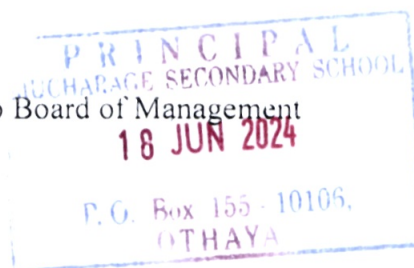
Schedule 4 (Section 23) of the Education Act, 2013 requires the Board of Management of a public institution of basic education to be keep all proper books and records of accounts of the income, expenditure and assets of the institution.

The Board of Management of Mucharage secondary school accepts responsibility for the school's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The Board of Management is of the opinion that the school's financial statements give a true and fair view of the state of the school's transactions during the financial year ended 30th June 2021, and of the school's financial position as at that date.

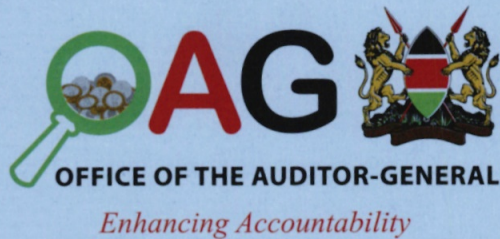
Name: TIMOTHY THUKU
Designation: Chairman, School Board of Management
Sign: [Signature]
Date: 18/06/2024

Name: JANE MAMA
Designation: School Principal & Secretary to Board of Management
Sign: [Signature]
Date: 18/06/2024



Name: ESTHER KIANGUI
Designation: Bursar/ Finance Officer
Sign: [Signature]
Date: 18-06-2024

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON MUCHARAGE SECONDARY SCHOOL FOR THE SIX (6) MONTHS' PERIOD ENDED 30 JUNE, 2021 - NYERI COUNTY

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 the Government achieves value for money and that such funds are applied for the 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 controls, 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

Qualified Opinion

I have audited the accompanying financial statements of Mucharage Secondary School - Nyeri County set out on pages 14 to 26, which comprise of the statement of financial

assets and financial liabilities, as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget versus actual amount for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mucharage Secondary School - Nyeri County as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Basic Education Act, 2013.

Basis for Qualified Opinion

1. Inaccuracies in Capitation Grants

The statement of receipts and payments reflects capitation grant for tuition and operations amounts of Kshs.389,154 and Kshs.2,442,101 respectively. However, review of the National Education Management Information System (NEMIS) capitation disbursements made to the School against the amount received by the school as per the bank statements revealed a variance of Kshs.418,013.

In the circumstances, the accuracy and completeness of the capitation grants for tuition and operations amounting to Kshs.389,154 and Kshs.2,442,101 respectively, could not be confirmed.

2. Inaccuracies in Cash and Cash Equivalents

The statement of financial assets and financial liabilities reflects a balance of Kshs.404,011 in respect to total cash and cash equivalents which includes bank balances of Kshs.278,578, and cash balances of Kshs.125,433 as disclosed in Notes 10 and 11 to the financial statements. However, bank reconciliation statements and board of survey report were not provided for audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.404,011 could not be confirmed.

3. Unsupported Accounts Receivables

The statement of financial assets and liabilities reflects account receivables balance of Kshs.17,519,892 and as disclosed in Note 12 to the financial statements in respect to

students' fees arrears. However, ledgers showing the name, admission number, class, balance brought forward, amount billed and paid during the year were not provided for audit. Further, the amount relates to long outstanding fees arrears brought forward from previous years. Management did not explain the steps being taken to recover the arrears from the concerned students.

In the circumstances, the completeness, accuracy and recoverability of the accounts receivables Kshs.17,519,892 could not be confirmed.

4. Unsupported Accounts Payables

The statement of assets and liabilities reflects accounts payables amounting to Kshs.2,172,935 owed to various suppliers as disclosed in Note 13 to the financial statements. However, documents supporting the trade payables such as invoices were not provided for audit.

In the circumstances, the completeness and existence of the accounts payable balance of Kshs.2,172,935 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Mucharage Secondary School - Nyeri County Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

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. Failure to Transfer Infrastructure Funds from Operations Bank Account to the Infrastructure Bank Account.

Review of documents revealed that the school received infrastructure grants amounting to Kshs.2,000,000 from the State Department of Basic Education during the period under review. The funds were credited to the school operations bank account. The entire amount was supposed to be transferred to the school infrastructure bank account. However, only Kshs.1,750,000 was transferred to the school infrastructure bank account resulting to a variance of Kshs.250,000. This implies that infrastructure grants were irregularly diverted to fund other school operations. This was contrary to the Ministry of Education Circular Ref. No: MOE.HQS/3/13/3 dated 16 June, 2021 which directed that infrastructure grants as well as maintenance and improvement funds should be transferred to the school infrastructure account fifteen (15) days upon receipt of the funds in the operations account.

In the circumstances, Management was in breach of the Ministry of Education Circular.

2. Irregular Transfer of Funds to Kenya Secondary Schools Heads Association

Review of documents revealed that the school transferred co-curricular funds totalling Kshs.283,800 to Kenya Secondary School Heads Association (KESSHA) which is a private entity that is not subject to the Public Finance Management Act, 2012 without authority or law governing such payments. The funds were wired from Government operation capitation grants account. The transfer to KESSHA is not supported by any legal framework since it's a welfare organization that draws its membership from schools principals only.

This was contrary to Regulation 23(2)c of the Public Finance Management (National Government) Regulations, 2015 which requires that an Accounting Officer shall, before transferring any funds to an entity within or outside Government, ensure that there is a written assurance from the entity that it shall implement effective, efficient and transparent financial management and internal control systems, or, if such written assurance is not or cannot be given, render the transfer of the funds subject to conditions and remedial measures requiring the entity to establish and implement effective, efficient and transparent financial management and internal control systems.

In the circumstances, the validity of the transfer of Kshs.283,800 could not be confirmed and the expenditure was not a proper charge to public funds.

3. Unconfirmed the Student Enrollment Data

Review of documents provided for audit revealed that there were discrepancies between the data held by the County Director of Education (CDE), National Education Management Information System (NEMIS) and the School records relating to the

enrolment of students. During the financial year 2020/2021, the NEMIS reported a total of 299 students while the enrolment record provided by the school indicated a total of two hundred and fifty-two (252) students, resulting to an unexplained variance of forty-seven (47) students.

As a result of the variance, the school was overfunded by Kshs.710,613 during the year under review.

In the circumstances, the under-funding of the school may have affected service delivery to the students.

4. Late Submission of Financial Statements to the Auditor-General

The financial statements for the year 2020/2021 were submitted on 15 February, 2023 to the Auditor-General and not on the statutory date of 30 September 2021. This is contrary to Section 47(1) of the Public Audit Act, 2015 which requires that financial statements to 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 Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Ownership Documents

Review of documents revealed that the school occupies seven (7) acres of land without the requisite ownership documents. In absence of these legal documents, the authentic

ownership of the parcel of land and the accuracy of the reported valuation could not be confirmed.

In the circumstances, the existence of effective internal controls on management of fixed assets could not be confirmed.

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 controls, risk management and overall 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 (Cash 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 School's ability to continue to sustain its services, disclosing, as applicable, matters related to the sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the School 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 School's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 School's 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 Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School'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 school to cease 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 School to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.


 FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 September, 2024

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V. STATEMENT OF RECEIPTS AND PAYMENTS PERIOD TO 30TH JUNE 2021

DESCRIPTION OF VOTE HEAD	Note	JAN 2021-JUNE 2021	2020
		Kshs	Kshs
RECEIPTS			
Capitation grants for tuition	1	389,154	
Capitation grants for operations	2	2,442,101	
School Fund Income- Parents' Contributions	3	2,590,913	
School Fund Income- Other receipts	4	3,087,931	
Infrastructure receipts	5	1,750,000	
TOTAL RECEIPTS		10,260,099	
PAYMENTS			
Payments for Tuition	6	314,610	
Payments for operations	7	2,288,757	
Boarding and school fund payments	8	5,652,734	
Infrastructure payments	9	1,729,732	
TOTAL PAYMENTS		9,985,833	
SURPLUS/DEFICIT		274,266	

The school financial statements were approved on 18th June 2024 and signed by:

Sign: *Timothy Thuku*

Name: *Timothy Thuku*

Chair BOM

Date: 18/06/2024

Sign: *Jane Mwangi*

Name: JANE MWANGI

School Principal/
Secretary to BOM

Date: 18/06/2024

Sign: *Esther Kiangui*

Name: ESTHER KIANGUI

Bursar/
Finance Officer

Date: 18-06-2024

MUCHARAGE SECONDARY SCHOOL
18 JUN 2024

Box 134, MURURU
THAT

MUCHARAGE SECONDARY SCHOOL
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VI. STATEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS AT
 30TH JUNE 2021

	Note	JANUARY 2021	JUNE 2021
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10	278,578	
Cash Balances	11	125,433	
Total Cash and cash equivalent		404,011	
Account's receivables	12	17,519,892	
TOTAL FINANCIAL ASSETS		17,923,903	
FINANCIAL LIABILITIES			
Accounts Payables	13	(2,172,935)	
NET FINANCIAL ASSETS		15,750,968	
REPRESENTED BY			
Accumulated Fund b/fwd	14	15,476,702	
Surplus/Deficit for the year		274,266	
NET FINANCIAL POSSITION		15,750,968	

The School's financial statements were approved on 18th June 2024 and signed by:

Name: *TIMOTHY THAKU*
 Chairman, BoM

Sign: *[Signature]*

Date: *18/06/2024*

Name: *JANE MUKA*
 School Principal/Secretary
 to BoM

Sign: *[Signature]*

Date: *18/06/2024*

Name: *ESTHER WAHGU*
 Bursar/Finance

Sign: *[Signature]*

Date: *18-06-2024*

PRINCIPAL
 MUCHARAGE SECONDARY SCHOOL
 18 JUN 2024
 P. O. Box 155 - 10195,
 OTHAYA

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VII. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30TH JUNE 2021

		2020	2021
Receipts for operating income			
Capitation grants for tuition	1	389,154	
Capitation grants for operations	2	2,442,101	
School fund income- Parents contributions/ fees	3	2,590,913	
School fund income- other receipts	4	3,087,931	
Infrastructure receipts	5	1,750,000	
Total receipts		10,260,099	
Payments			
Payments for Tuition	6	314,610	
Payments for operations	7	2,288,757	
Boarding and school fund payments	8	5,652,734	
Payments for infrastructure	9	1,729,732	
Total payments		9,985,833	
Net cash flow from operating activities		274,266	
NET INCREASE IN CASH AND CASH EQUIVALENTS		274,266	
Cash and cash equivalent at BEGINNING of the year		129,745	
Cash and cash equivalent at END of the year		404,011	

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VIII. STATEMENT OF BUDGETED VERSUS ACTUAL AMOUNTS FOR THE YEAR
 ENDED 30TH JUNE 2021

Receipt/expenses Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c%
	Kshs	Kshs			Kshs	Kshs
RECEIPTS						
<i>(1) CAPITATION GRANT ON TUITION</i>						
Laboratory equipment	200,000		200,000	179,774	20,227	89%
Teaching / learning materials	250,000		250,000	209,380	40,620	83%
TOTALS	450,000		450,000	389,154	60,847	86%
<i>(2) CAPITATION GRANT ON OPERATIONS</i>						
Repairs and maintenance	1,100,000		1,100,000	1,048,500	51,500	95%
Medical	1,400,000		1,400,000	1,393,601	6,399	99%
TOTALS	2,500,000		2,500,000	2,442,101	57,899	97%
<i>(3) FEES CHARGED ON PARENTS</i>						
Repairs and maintenance	500,000		500,000	403,350	96,650	80%
OTHERS	4,400,000		4,400,000	4,367,381	32,619	99%
Medical	30,000		30,000	24,800	5,200	82%
Activity	100,000		100,000	26,010	73,990	26%
Fee on Boarding Equipment and Stores	3,200,000		3,200,000	3,087,931	112,069	96%
OTHER INCOME						
Total	8,230,000		8,230,000	7,909,472	320,528	96%
TOTAL INCOME	11,180,000					
<i>(1) EXPENDITURE FOR TUITION</i>						
Laboratory equipment	200,000		200,000	250,000.00	(50,000)	125%

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Teaching / learning materials	250,000		250,000	30,000	220,000	12%
Exams and assessment	35,000		35,000	33,500	1,500	95%
Bank Charges				1,110		
	485000		485,000	314,610	170,390	64%
(2) EXPENDITURE FOR OPERATIONS						
Repairs, maintenance & improvements	1600000		1,600,000	1,599,557	443	99%
Local transport / travelling(Others)	675000		675,000	674,700	300	99%
Medical	20000		20,000	14,500	5,500	72%
	2295000		2,295,000	2,288,757	6,243	99%
(3) EXPENDITURE FOR SCHOOL FUND						
Repairs, maintenance and improvements	720000		720,000	711,777	2,223	98%
Electricity, water and conservancy(OTHERS)	5250000		5,250,000	5,114,043	135,957	97%
Medical Expenses	20000		20,000	14,000	6,000	70%
Boarding Equipment and Stores	2342000		2,342,000	2,043,542	298,458	87%
TOTALS	7684000		7,684,000	7,883,362	(199,362)	102%%

IX. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprest, salary advances and other receivables and b) payables that include deposits and retentions and payables from operations.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *school* and all values are rounded to the nearest Kenya Shilling (Kshs). The accounting policies adopted have been consistently applied to all the years presented.

2. Recognition of receipts and payments

The *school* recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the *school*. In addition, the *school* recognises all expenses when the event occurs and the related cash has actually been paid out by the *school*.

3. In-kind contributions

In-kind contributions are donations that are made to the *school* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *school* includes such value in the statement of receipts and payments both as a receipt and as a payment in equal and opposite amounts; otherwise, the contribution is not recorded.

4. 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 various financial institutions at the end of the financial year.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

6. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements. Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years.

7. Non-current assets

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the school fixed asset register a summary of which is provided as a memorandum to these financial statements.

8. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *school's* budget was approved by the School Board of Management. A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

9. Comparative figures

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

10. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2021.

MUCHARAGE SECONDARY SCHOOL
 PUBLIC SECONDARY SCHOOL
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X. NOTES TO THE FINANCIAL STATEMENTS

1 CAPITATION GRANT FOR TUITION

	2020	2021
	Kshs	Kshs
Teaching / learning materials	209,380	
Laboratory chemical & equipment	179,774	
Total	389,154	

2 CAPITATION GRANT FOR OPERATIONS

	2020	2021
	Kshs	Kshs
Repairs and maintenance	1,048,500	
Medical	1,393,601	
Total	2,442,101	

3 PARENTS CONTRIBUTION/FEES - SCHOOL FUND ACCOUNT

	2020	2021
	Kshs	Kshs
Repairs and maintenance	403,350	
OTHERS LTT, Administration costs, Electricity, water	1,479,788	
Transfer from Operations	595,000	
Fees arrears recovered	86,765	
Activity	26,010	
Total	2,590,913	

4 OTHER RECEIPTS – SCHOOL FUND ACCOUNT

	2020	2021
	Kshs	Kshs
Fee on Boarding Equipment and Stores	3,087,931	
Total	3,087,931	

5 Infrastructure Receipts

	2020	2021
	Kshs	Kshs
Infrastructure	1,750,000	
Total	1,750,000	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 PAYMENTS FOR TUITION

	2020 Ksh.	2020 Ksh.
Laboratory equipment	250,000	
Teaching / learning materials	30,000	
Exams and assessment	33,500	
Bank Charges	1,110	
Total	314,610	

7 PAYMENTS FOR OPERATIONS

	2020 Ksh.	2020 Ksh.
Personnel emoluments		
Service Gratuity		
Repairs and maintenance & improvements		
OTHERS LTT Adm cost,EWC,PE	1,599,557	
Administration costs		
Medical	14,500	
Activity Expenses		
Transfer to Boarding	595,000	
NSSF	33,200	
Creditors Paid	46,500	
TOTAL	2,288,757	

8 BOARDING AND SCHOOL FUND PAYMENTS

	2020 Ksh.	2020 Ksh.
Repairs and maintenance & Improvements	711,777	
OTHERS LTT Administration costs,,Electricity,water	1,525,982	
Fee on Boarding Equipment and Stores	2,043,542	
Creditors paid	920,945	
Net transfer to equity collection account	450,488	
TOTAL	5,652,734	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Infrastructure Payments

	2021	2020
	Kshs	Kshs
Infrastructure	1,728,270	
Bank charges	1,462	
Total	1,729,732	

10 BANK ACCOUNTS

Name of Bank Account No & currency	Bank Account Number	2021	2019-2020
		Kshs	Kshs
Tuition Account	1101544090	77,005	
Operations Account	1101521724	157,771	
School Fund Account/Boarding	1101540451	6,189	
Equity	0080294463603	5,306	
Income generating activities Account	04-0402-002-07850	9,519	
Infrastructural Account	1272126714	22,788	
Total		278,578	

11 CASH IN HAND

Description	2021	2019-2020
	Kshs	Kshs
School Fund account	125,433	
Total	125,433	

12 ACCOUNTS RECEIVABLE

Description	2021	2019-2020
	Kshs	Kshs
Fees arrears	17,519,892	
Total	17,519,892	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Description	2020-2021 KSh.	2019-2020 KSh.
Fees arrears for the previous year	1,372,765	
Fees arrears for prior periods (over two years)	16,147,127	
Total	17,519,892	

13 ACCOUNTS PAYABLE

Description	2020-2021 KSh.	2019-2020 KSh.
Trade creditors (See ageing below and appendix 1)	2,171,935	
Prepaid fees	1,000	
Total	2,172,935	

[Include an ageing of the creditor's arrears below]

Description	2020-2021 KSh.	2019-2020 KSh.
Trade creditors for current year	971,716.00	
Trade creditors for the previous year	1,200,219	
Total	2,171,935.00	

14. FUND BALANCE BROUGHT FORWARD

Description	2020-2021 KSh.	2019-2020 KSh.
Bank balances	123,678	
Cash balances	6,067	
Receivables	17,519,892	
Payables	(2,172,935)	
Total	15,476,702	

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Other important disclosure notes

IPSAS 1 encourages an entity to disclose accrual related information in relation to an entity's assets and liabilities. The notes outlined below are disclosure notes in relation to the school's non- financial assets and liabilities.

15. Biological assets

Description	Numbers	2020-2021 KShs	2019-2020 KShs
Cattle	3	400,000	
Trees	240	480,000	
Total		880,000	

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16. 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.

No. Sl.	Issue/ Observation from Auditor	Management comment	Status (Resolved/ Not Resolved)	Time frame (Within time when you reply the issue to be resolved)

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To Date	Outstanding Balance 2021	Outstanding Balance 2021	Comments
	KSh	KSh	KSh	KSh	KSh	
Construction of buildings						
1. Othaya central Supplies	204,400	1/1/2021		204,400		
Sub-Total	204,400			204,400		
Supply of goods						
2. Eunice Wachinga	164,000	1/1/2021		164,000		
3. Nuthu Wangome	150,000	1/1/2021		150,000		
4. Andrew Wanyingi	23,180	1/1/2021		23,180		
5. Resana Stationers	169,685	1/1/2021		169,685		
6. Isaac Makumi	544,500	1/1/2021		544,500		
7. Zynelle Kenya	33,500	1/1/2021		33,500		
8. Zachary Mahianyu	639,600	1/1/2021		639,600		
Sub-Total	1,732,535			1,732,535		
Supply of services						
9. Lichi security systems ltd	243,000	1/1/2021		243,000		
Sub-Total	243,000			243,000		
Grand Total	2,171,935			2,171,935		

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ANNEX 2 – SUMMARY OF FIXED ASSETS REGISTER

Assets	Date	Location	Historical Cost	Additions	Disposals during the year	Historical Cost
			30 th June 2021	2021	2021	30 th June 2021
Land			15,000,000			15,000,000
Buildings and structures 5 Classrooms 1 Dining Hall 3 Dormitory 2 Laboratory 3 Teachers Houses 1 Library		School compound	10,000,000			10,000,000
Motor vehicles	2010	School Garage	5,000,000			5,000,000
Office equipment, furniture and fittings 200 Desks 200 Chairs Benches Tables		Classroom Classroom Dining Hall Dinning Hall	1,500,000			1,500,000
ICT Equipment, and Other ICT Assets Computers Photocopier Machine		Office	1,000,000			1,000,000
Tools and apparatus			1,500,000			1,500,000

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Textbooks		School Library	500,000			500,000
Other Machinery and Equipment 1 Generator			250,000			250,000
Heritage and cultural assets						
Intangible assets- soft ware Zerachi		School	50,000			50,000
Hemisoft		computers	45,000			45,000
Total			34,845,000			34,845,000