



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 JUL 2019	DATE: TUESDAY
TABLED BY: MAJORITY WHIP	
CLERK AT THE TABLE: 	

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
THE MINISTRY OF EDUCATION - STATE  
DEPARTMENT OF EARLY LEARNING AND  
BASIC EDUCATION VOTE 1063**

**FOR THE YEAR ENDED  
30 JUNE 2018**

PARLIAMENT  
OF KENYA  
LIBRARY





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**MINISTRY OF EDUCATION  
STATE DEPARTMENT FOR EARLY LEARNING AND BASIC EDUCATION**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE, 2018**

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

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

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**Table of Contents**  
**Page**

I.	KEY ENTITY INFORMATION AND MANAGEMENT .....	ii
II.	FORWARD BY THE CABINET SECRETARY .....	xi
III.	STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES.....	xvi
IV.	REPORT OF THE AUDITOR GENERAL ON STATE DEPARTMENT FOR EARLY LEARNING AND BASIC EDUCATION .....	xviii
V.	STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2018.....	1
VI.	STATEMENT OF ASSETS AND LIABILITIES AS AT 30 <sup>TH</sup> JUNE 2018.....	2
VII.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2018.....	3
VIII.	SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED.....	4
IX.	SUMMARY STATEMENT OF APPROPRIATION: RECURRENT.....	6
X.	SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT.....	7
XI.	BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES .....	8
XII.	SIGNIFICANT ACCOUNTING POLICIES .....	9
XIII.	NOTES TO THE FINANCIAL STATEMENTS.....	13

**Ministry of Education**  
**State Department for Early Learning and Basic Education**  
**Reports and Financial Statements**  
**For the year ended 30 June 2018**

**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The Ministry of Education was established through the Presidential Executive Order No. 1/2017 of May 2016, on organization of the Government of the Republic of Kenya. The order created four State Departments namely; Early Learning and Basic Education, Vocational and Technical Training, University Education and Research and Post-Training and Skills Development. Each of the State Departments is headed by a Principal Secretary.

The Ministry is headed by the Cabinet Secretary for Ministry of Education, Amb. (Dr.) Amina Mohamed, PhD, EGH who is responsible for the overall policy and strategic direction of the entity.

The State Departments under Ministry of Education are outlined below;

- (i) The State Department of Basic Education whose Principal Secretary is Dr. Belio R. Kipsang, CBS
- (ii) The State Department for Vocational and Technical Training headed by Dr. Kevit Desai, CBS
- (iii) The State Department for University Education and Research is headed by Prof. Collette A. Suda, PhD, FKNAS, CBS who is also the Chief Administrative Secretary for the Ministry.
- (iv) The State Department for Post-Training and Skills Development is headed by Mr. Alfred Cheruiyot

The accompanying financial statements constitute the financial statements for the State Department for Early Learning and Basic Education.

The vision, mission, core values and core function of the **State Department for Early Learning and** under **Ministry of Education** include:

**Vision**

Quality and inclusive education, training and research for sustainable development

**Ministry of Education**  
**State Department for Early Learning and Basic Education**  
**Reports and Financial Statements**  
**For the year ended 30 June 2018**

---

**Mission**

To provide, promote and coordinate competence based equitable learner centered education and training and research for sustainable development

**Mandate**

The mandate of the sub sector is to facilitate implementation of the provisions of the Constitution on the delivery of education to the Kenyan people and respond to the demands of the Kenya Vision 2030 in respect of lifelong education and life skills. The specific mandate of the sub-sector is the provision of literacy, numeracy and life-skills to the total population and preparing them for skills development at the later stage in their lives. In so doing, the sub sector is mandated to develop policies and strategies to address internal inefficiencies in the education system; improve financial management and accountability; and to make education in the country more inclusive, relevant and competitive regionally and internationally.

**Core Values**

**Access and equity** - Every Kenyan has a right to access quality and relevant education and training. The State Department shall therefore create an enabling environment, opportunities and mechanisms to provide pathways to those seeking to pursue quality education at all levels.

**Inclusivity and respect for cultural and social diversity**- National values shall be respected and promoted in all Education institutions and this includes principles that pay attention to the people with disability and respect human dignity while ensuring equity, equality and protection of marginalized learners.

**Non-discrimination** - There shall be no discrimination on grounds of race, colour, gender, religion, national or social origin, economic status, political or other opinions.

**Quality and Relevance** - Emphasis shall be placed on demand driven and outcome based education.

**Life-long Learning** - The education programmes will be designed to operate within a framework of open-ended and flexible structures in the context of lifelong education and training.

**Entrepreneurship Culture**—Education examination and competence assessment shall be centred on promoting and developing innovation, creativity and entrepreneurial minds for self-reliance.

**Partnerships** -Creating and promoting an enabling environment for Public-Private Partnerships for enhancing investment in delivery of education.

**Information and Communication Technology**- Promoting integration of information and communication technology

**Core Functions**

The core functions of the State Department of Early Learning and Basic Education include:

- a) Education Policy Management;
- b) Management of Continuing Education;

**Ministry of Education**  
**State Department for Early Learning and Basic Education**  
**Reports and Financial Statements**  
**For the year ended 30 June 2018**

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- c) Administration of Early Childhood Education,
- d) Education Standards and Norms;
- e) Management of Education Standards;
- f) Management of National Examinations and Certification;
- g) Curriculum Development;
- h) Quality Assurance in Education;
- i) Primary and Secondary Education Institutions Management;
- j) Teacher Education and Management;
- k) School Administration and Programme;
- l) Registration of Basic Education and Training Institutions;
- m) Special Needs Education Management;
- n) Representation of Kenya in UNESCO;
- o) Adult Education Management

**(b) Key Management**

The State Department's day –to-day management is under the following key organs:

- i) The Ministry is headed by the Cabinet Secretary, Amb. (Dr.) Amina Mohamed. As the Cabinet Secretary he guides the overall policy direction of the Ministry. The Cabinet Secretary, in carrying out the mandate of Early Learning and Basic Education is assisted by the Principal Secretary in charge of Early Learning and Basic Education.
- ii) The Principal Secretary oversees the management of the State Department and is the administrative head of the State Department. The Principal Secretary is also the Accounting Officer of the State Department. To manage the State Department, the Principal Secretary is supported by a team of technical directors and heads of support of departments.
- iii) The Management of the Ministry comprises eleven (10) technical directorates and various administrative and support departments. The technical directorates include: Primary Education; Secondary Education; Field Coordination and Co-Curriculum Activities; Teacher Education and Early Childhood Development and Education; Schools Audit; Policy, Partnerships and East African Community Affairs; Projects Coordination and Delivery; Adult and Continuing Education; Quality Assurance and Standards and Special Needs Education. The support departments include the Central Planning and Projects Monitoring Unit, Finance, Accounts, Human Resource Management and Development, Administration, Supply Chain Management,

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

**Ministry of Education**  
**State Department for Early Learning and Basic Education**  
**Reports and Financial Statements**  
**For the year ended 30 June 2018**

No.	Designation	Name
	Cabinet Secretary, Ministry of Education	Amb. (Dr.) Amina Mohamed PhD, EGH
	Principal Secretary, State Department Basic Education	Dr. Belio R. Kipsang, CBS
	Director, Administration	Andrew Rukaria
	Director, Primary Education	Abdi Sheikh Habat
	Director, Secondary Education	Paul Kibet
	Director, Field Coordination and Co-Curriculum Activities	Charles C. Mwita
	Senior Chief Finance Officer	Ben Khadiagala
	Director, School Audit	Victoria G. Angwenyi
	Director, Policy, Partnerships & EAC	Darius M. Ogutu
	Director, Human Resource Mngt & Dev.	Mr. Andrew A. Nyanhoga
	Director, Adult and Continuing Education	Irreneous N. Kinara
	National Council for Nomadic Education in Kenya	Harun Mohammed Yussuf
	Director, Teacher Education and ECDE	Milton M. Mokah
	Director, Quality Assurance and Standards	Pius K. Mutisya
	Director, Special Needs Education	Mrs. Maria K. Cheron
	Chief Economist	Michael M. Kahiti
	Senior Assistant Accountant General	Francis O Odera
	Head, Supply Chain Management Services	Ruth Mungai

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018  
Senior Management – State Department of  
Basic Education**



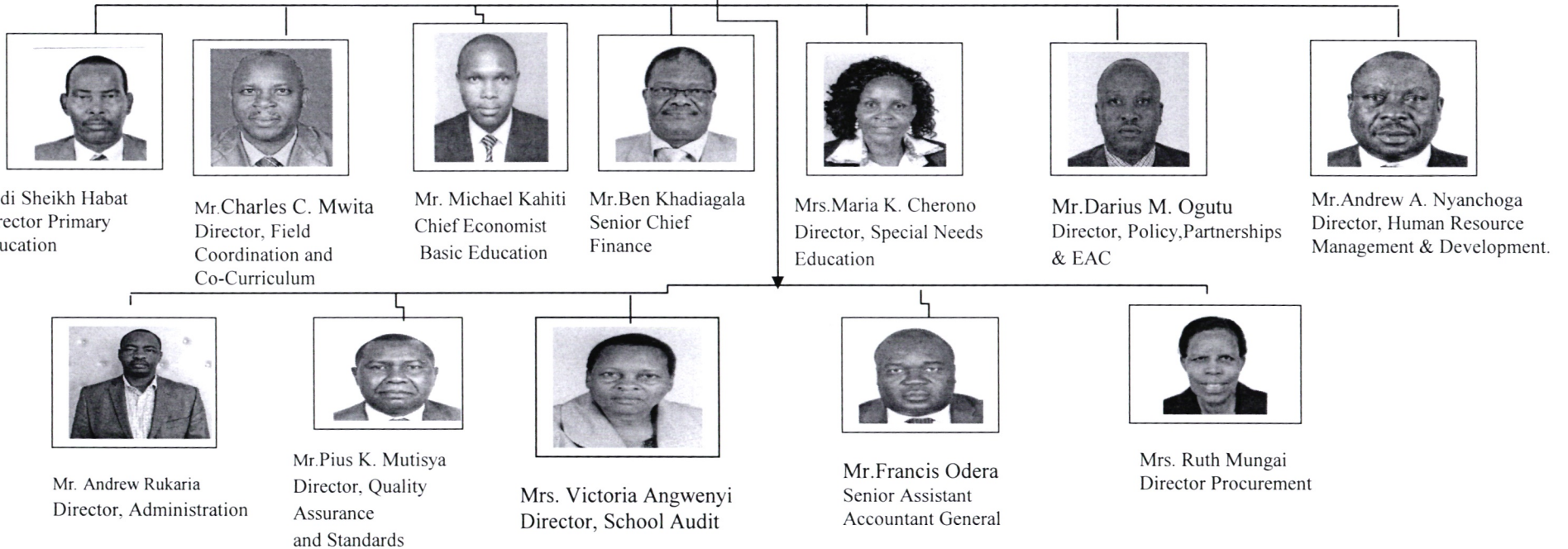
**Cabinet Secretary  
Amb (Dr.) Amina Mohamed, PhD,  
EGH**



**Dr. Belio Kipsang, CBS  
Principal Secretary, State Department of Early  
Learning and Basic Education**



**Mr. Robert M. Masese  
Ag. Director General & Director, Secondary Education**



*Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018*



**Cabinet Secretary  
Amb (Dr.) Amina Mohamed,  
PhD, EGH**

Amb. Amina Chawahir Mohamed is a renown Kenyan diplomat, lawyer and negotiator. She was born and raised in Kakamega County and has served in the Kenyan public service with distinction, for more than thirty years. She is the serving Cabinet Secretary for Education and the immediate Cabinet Secretary for Foreign Affairs and International Trade.

Amb. Mohamed's long and distinguished diplomatic career spans over thirty years with experience in domestic and international leadership. At the international level, Amb. Mohamed served as Kenya's Ambassador and Permanent Representative to the United Nations in Geneva between 2000 and 2006. In 2008, she was appointed Permanent Secretary in the Ministry of Justice and Constitutional Affairs. In 2011, she joined the United Nations Environment Programme (UNEP) as Deputy Executive Director. She has also held other high-level international leadership positions in various organisations including; WTO, WIPO, ILO, WHO, UNCTAD, UNHCR and UNAIDS.

Her dedicated service to the Country and the international community has earned her various awards including: the Nilen Award which is the highest State Commendation in The Republic of The Sudan; the Prestigious Adebisi Babatunde Thomas Entrepreneurship Institute Excellence in Diplomacy Award, the Grand Cordon of the Order of the Rising Sun (Government of Japan) for her distinguished contribution to bilateral relations between Kenya and Japan; and an Honorary Knighthood by the Italian Government, with the title of Cavaliere dell' Ordine della Stella della Solidarietà Italiana (Knight of the Order of the Star of Italian Solidarity) (abbreviated, CAV) in recognition of distinguished service in promoting the diplomatic relations between Kenya and Italy. She also holds Kenya's highest National Award of Elder of the Golden Heart awarded in December 2015 for her unparalleled commitment to public service and was honoured by the United Nations Development Programme (UNDP) as one of the four UNDP Champions for the year 2016.

Amb. Mohamed's professional key competencies include: domestic and international law, public sector and institutional reforms and governance, strategic leadership at bilateral and multilateral level, Resource mobilization, Consensus building at national, regional and international levels, communication and policy implementation.

**Ministry of Education**  
**State Department for Early Learning and Basic Education**  
**Reports and Financial Statements**  
**For the year ended 30 June 2018**



Dr. Belio R. Kipsang, CBS  
**Principal Secretary**  
State Department, of Early  
Learning and Basic Education

Dr. Belio R. Kipsang is currently the Principal Secretary, State Department of Basic Education. He previously served as Managing Trustee/Chief Executive Officer (CEO) Coffee Development Fund and; Deputy CEO and Head of Operations Higher Education Loans Board where he also previously held various Strategic Management positions.

Dr. Richard Belio Kipsang is a holder of PhD degree in Education (Educational Administration and Planning from The Catholic University of Eastern Africa, a Masters of Arts degree in Economics and a Bachelors (Honours) degree in Education (Business and Economics) both from the University of Nairobi. He has had extensive professional trainings and commands numerous expose to local and international conferences and workshops in areas of education financing and administration, leadership, management, micro-enterprise development, fraud, corruption and combating economic crime, agricultural value chain financing, computing and other areas of business and management among others particularly in prestigious institutions such as the London School of Economics (LSE) in the UK, Harvard University in the USA, State University of New York in the USA, among other institutions in Kenya, Germany, Belgium, Sweden, Denmark, Thailand among others. He is a member of Institute of Directors of Kenya.

**(d) Fiduciary Oversight Arrangements**

**(i) Human Resources Management Advisory Committee Activities**

Their duties include:

- Review of promotions of officers in Job Group A-P
- Review of confirmations in appointment
- Review of disciplinary matters
- Review of re-designation of officers from one cadre to another and
- Confirmation of surcharge of officers found to have misused government resources
- Overall coordination of the training functions in the State Department
- Review and implementation of the State Department training plan
- Review of induction of newly appointed officers and activities around long term training

**(ii) The Budget Implementation Committee**

Their duties include:

- To review and consider the cash flow plans. this shall involve regular review of the Ministerial cash plan and approval of any changes to the initial cash flow plan to be communicated to the National Treasury.
- To review the utilization of donor funds voted for the State Department
- To advice Accounting Officer on any Challenges related to the budget implementation.
- To review and recommend reallocation of expenditures.
- To review and approve the submission of the expenditure returns, IPPD, Pending bills and A-I-A returns and recommend actions to be taken.
- To prepare budgets in consultation with Heads of Directorates/Departments.

**(e) Entity Headquarters**

**State Department of Early Learning and Basic Education**  
P.O. Box 30040 – 00100  
Jogoo House “B”  
Harambee Avenue  
Nairobi, Kenya

**Entity Contacts**

Telephone: +254-020-3318581

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

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Email: [ps@education.go.ke](mailto:ps@education.go.ke)

Website: [www.education.go.ke](http://www.education.go.ke)

**(f) Entity Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**(g) Independent Auditors**

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

**(h) Principal Legal Adviser**

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

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

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**II. FORWARD BY THE CABINET SECRETARY**

The Ministry of Education (MOE) is comprised of the State Department of Early Learning and Basic Education; the State Department of Vocational and Technical Training; the State Department of University and Research; and the State Department of Post Training and Skills Development. The vision of the Ministry is to build “*Quality and inclusive education, training and research for sustainable development*”.

The mission of the Ministry is “To provide, promote and coordinate competence based equitable learner centred education and training and research for sustainable development.” The sector’s overall goal is to increase access to education and training; improve quality and relevance of education, reduce inequality as well as exploit knowledge and skills in science, technology and innovation for global competitiveness.

During the 2017/18 FY the Ministry implemented 8 programmes including Primary Education; Secondary Education; Quality Assurance and Standards; University Education, Technical Vocational Education and Training; Research, Science Technology and Innovations; Youth Training and Development; and General Administration, Planning and Support Services.

To support implementation of the 8 programs the Government allocated a total of Ksh 69.54 billion to the State Department of Early Learning and Basic Education during the 2017/18 FY. Out of this, Kshs.56.7 billion was voted under Recurrent while kshs.12.84 billion was voted under Development. The Ministry’s budget performance based on economic classification in the FY under review is provided in the attached Financial Statement.

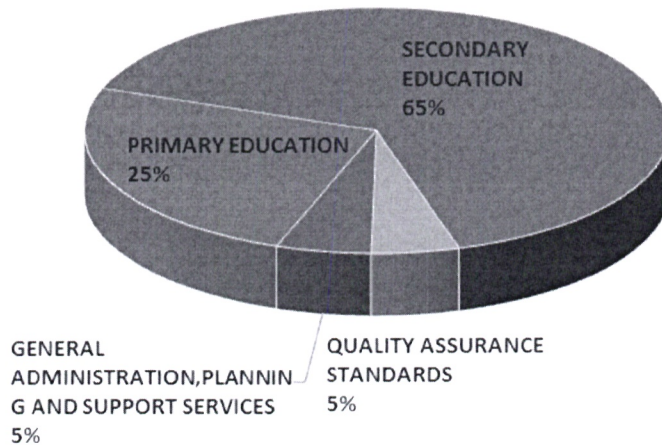
**Performance of Programs in the State Department of Basic Education**

Provision of quality basic education has been a priority of the Kenya Government since independence, as stipulated in relevant policy documents, including Kenya Vision 2030, Constitution of Kenya, 2010 and the Basic Education Act, 2013.

The State Department has prioritized the pre-primary level of education. An Early Childhood Development Education (ECDE) Policy was developed and finalized in 2017/18 financial year. Collaboration with the County Governments has greatly improved and investment in the sub-sector has substantially increased. The growth in the sub-sector is demonstrated by the achievements detailed hereunder.

Ministry of Education  
 State Department for Early Learning and Basic Education  
 Reports and Financial Statements  
 For the year ended 30 June 2018

**BUDGET ALLOCATION BY PROGRAMMES**

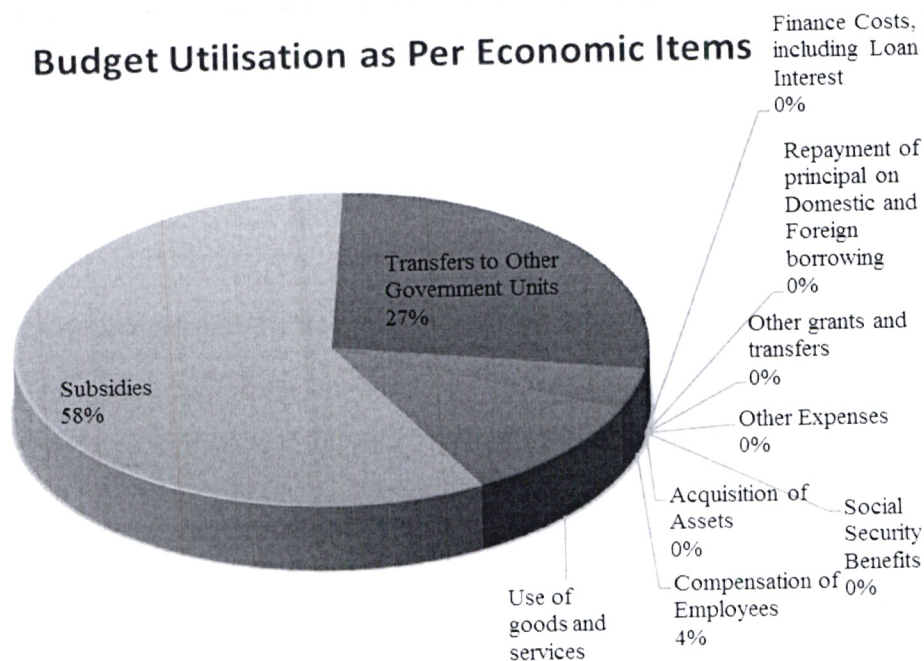


	Approved Budget Allocation	Actual Payments	Variance
Compensation of Employees	3,882,400,000	3,850,626,686	31,773,314
Use of goods and services	8,794,443,096	9,647,926,541	- 853,483,445
Subsidies	54,067,990,612	54,008,807,387	59,183,225
Transfers to Other Government Units	26,573,749,478	25,053,527,312	1,520,222,166
Other grants and transfers	19,320,913	9,731,869	9,589,044
Social Security Benefits	15,000,000	14,087,769	912,231
Acquisition of Assets	335,154,482	1,167,000	333,987,482
Finance Costs, including Loan Interest	-	-	-
Repayment of principal on Domestic and Foreign Loans	-	-	-
Other Expenses	-	-	-
<b>Total Payments</b>	<b>93,688,058,581</b>	<b>92,585,874,563</b>	<b>1,102,184,018</b>

Ministry of Education  
 State Department for Early Learning and Basic Education  
 Reports and Financial Statements  
 For the year ended 30 June 2018

	Actual Payments
Compensation of Employees	3,850,626,686
Use of goods and services	9,647,926,541
Subsidies	54,008,807,387
Transfers to Other Government Units	25,053,527,312
Other grants and transfers	9,731,869
Social Security Benefits	14,087,769
Acquisition of Assets	1,167,000
Finance Costs, including Loan Interest	-
Repayment of principal on Domestic and	-
Other Expenses	-
<b>Total Payments</b>	<b>92,585,874,563</b>

**Budget Utilisation as Per Economic Items**



Access to pre-primary education (ECDE) continued to grow buoyed by expansion of centers across the country. The number of ECDE centers increased from 40,775 in 2015 to 41,248 in 2016 and further to 41,779 in 2018. The net increment in the number of centers was 1,037 for the period, 407 attributed to the efforts of county governments. Enrolment increased from 3,167,855 in 2015, 3,199,841 in 2016 to 3,293,813 in 2017 representing Gross Enrolment Rate of 76.5%,

**Ministry of Education**  
**State Department for Early Learning and Basic Education**  
**Reports and Financial Statements**  
**For the year ended 30 June 2018**

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76.6% and 77.1% respectively. The number of children of the right age attending ECDE increased with the gap between GER and NER reducing over the period. NER increased from 74.6 % in 2015, 74.9 % in 2016 and further to 76.9% in 2017.

In Primary, the number of schools receiving FPE support grew from 21,676 in 2015/16 FY to 21,953 in 2016/17 FY and 22,344 schools representing a 3.1% growth over the review period. Correspondingly, enrolment in public primary schools moved from 8,903,974 in 2015/16 to 8,879,685 in 2016/17 and 8896932 in FY 2017/18 and currently standing at 8,899,668. The marked increase the final year of review could be attributed to interventions undertaken like school meals, stringent follow-up on illegal charges taken by the government, community mobilization and stakeholder's supports. The total enrolment in primary schools (public and private) increased from 10.1 million in 2015 to 10.3 million in 2016 and stands at 10.4 million in 2017. This implies that the FPE grants support close to 90% of the population in primary schools. The total enrolment in primary schools translated to GER of 103.6% in 2015 and 104.1% in 2016 while it stood at 104 in 2017 indicating that the system has sufficient capacity to carry the expected primary population with the government supporting 90% of this capacity. Due to the sustained support from FPE, Primary Completion Rate (PCR) increased from 82.7% in 2015 to 83.5% in 2016 and 84% in 2017. Primary to secondary transition rate also increased from 76.1% to 81.3 % in the same period. The FPE initiative to pay examination fees for all KCPE candidates in public primary schools from 2015/16 FY and from all primary schools from the 2016/17 FY. The KCPE candidature has changed from 938,912 in 2015 to 942,021 in 2016 and 1,003,446 in 2017.

The Volunteer Graduates Assistants (VGA's) program recruits and inducts VGAs on basic pedagogy and content in literacy for two weeks before posting them as volunteers to primary schools away from their home counties with the aim of promoting national cohesion through cultural integration (staying in a host family in county other than one's home county). This program was initiated following the ethnic tensions witnessed during the 2007/08 PEV. In addition to national integration and cohesion, the VGAs promote primary education outcomes through provision of remedial support to class 2 & 3 learners struggling with literacy. In the FY 2017/18 the program received KES 201M which was able to recruit, train and deploy 1,176 Volunteer Graduate Assistants (VGA's) in 614 primary schools across 22 counties.

Under Special Needs Education, the state department disbursed KES 153,673,820 to 108,221 learners with special needs enrolled in 2,867 special schools, integrated programmes and units at the rate of KES 1,420 per learner. The learners also received FPE top up amounting to KES 252,908,300 at the rate of KES 2,300. In addition, KES 455,000,000 was disbursed to 31,153 learners enrolled in 290 special schools and units as SNE grants to support boarding and personnel emolument expenses for non-teaching staff who provide essential services for learners with disabilities in schools. Through the Kenya Institute for the Blind, the State Department

**Ministry of Education**  
**State Department for Early Learning and Basic Education**  
**Reports and Financial Statements**  
**For the year ended 30 June 2018**

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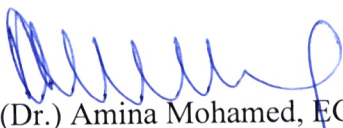
supplied 11,513 brailled volumes and 95 new titles supplied to class four to eight in special schools for the blind attaining a ratio of 1:4 at a cost of 15M thereby facilitating access to user friendly materials and increased level of self-reading by the visually impaired learners.

In secondary education, KES 59 billion was disbursed to 9,111 schools where 2.79 million students enrolled in public secondary schools benefited. It is also important to note that the capitation per student increased from KES 12,870 in 2016/17 to 22,244 in 2017/18 FY. The increases in the capitation reduced the burden on parents and enabled more children access and attain the minimum basic secondary education. Overall, the number of secondary schools increased from 9,966 in 2016 (8,609 and 1,357 private) to 10,655 school in 2017 (9,111 public and 1544 private). The GER increased from 63.3 percent in 2015 (60.9 male and 55.5 female) to 66.7% in 2016 (67.1% male and 32.9% female) and further to 69% in 2017. This indicates how the FDSE program continues to spur access to secondary education.

In addition to improving learning environment, the resources voted to secondary education were spent in improving health standards for secondary school students. This has seen 2.8 million students access medical cover through the National Hospital Insurance Fund at a cost of 2.52 Billion Kenya shillings. In an effort to ensure a text book ratio of 1:1, the State Department started the supply of textbooks to secondary schools. This saw 21,654,706 textbooks distributed to schools across the country in line with the textbook policy revised and endorsed by the Ministry. The department has endorsed this approach as a sustainable method to ensure all students have adequate textbooks and learning materials for improved learning outcomes.

To enhance quality assurance of institutions, the Ministry initiated an Institutional Based Quality Assurance (IBQA) which will build the capacity of education managers to undertake quality assurance at the institution level. The Ministry has been sensitizing education stake holders on the IBQA process for buy in ahead of its implementation. In the year 2017/2018, 10,000 head teachers and 57 Quality assurance officers were sensitized on the IBQA process. As the department moves towards its full roll out, comprehensive training for all stakeholders has been scheduled to go on. The department is also developing the Quality Assurance and Standards Framework (NEQASF) which will support the implementation of the IBQA.

The department acknowledges the tremendous efforts of the Government of Kenya in providing valuable resources for the development of education in the country. This continues to strengthen the much needed human capital for pursuing and sustaining the development status espoused in the Kenya Vision 2030, Africa Agenda 22063 and the Sustainable Development Goals.



Amb. (Dr.) Amina Mohamed, EGH, CAV.

**Cabinet Secretary**

**Ministry of Education**  
**State Department for Early Learning and Basic Education**  
**Reports and Financial Statements**  
**For the year ended 30 June 2018**

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**III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES**

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department of Basic Education is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2017. 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 entity; (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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department of Basic Education accepts responsibility for the entity'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 Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department of Basic Education further confirms the completeness of the accounting records maintained for the State Department which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the State Department of Basic Education confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

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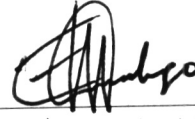
**Approval of the financial statements**

The State Department's financial statements were approved and signed by the Accounting Officer on 30 SEPT 2018.



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Principal Secretary  
Dr. Beho Kipsang



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Assistant Accountant General  
CPA E. Mukira Gichigo

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON THE MINISTRY OF EDUCATION - STATE DEPARTMENT OF EARLY LEARNING AND BASIC EDUCATION VOTE 1063 FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Qualified Opinion

I have audited the accompanying financial statements of the Ministry of Education - State Department of Early Learning and Basic Education set out on pages 1 to 31 which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts, statement of appropriation recurrent and development combined 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 matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respect, the financial position of The Ministry of Education - State Department of Early Learning and Basic Education as at 30 June 2018, 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 Public Finance Management Act 2012.

##### Basis for Qualified Opinion

##### 1.0 Compensation for L.R.NO.7879/4 Ruaraka High School and Drive-Inn Primary School

Note 6 to the financial statements reflects other expenses totaling Kshs.5,548,266,723 for the year ended 30 June 2018. Included in this amount is part payment of Kshs.1,500,000,000 to the National Land Commission for acquisition of L.R.NO.787914 Ruaraka High School and Drive Inn Primary School.

However, a review of the transaction documents availed for audit verification indicated the following:

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*Report of the Auditor-General on the Financial Statements of the Ministry of Education - State Department of Early Learning and Basic Education Vote 1063 for the Year Ended 30 June 2018*

- (i) There was no evidence of budgetary allocation for the payment neither approval of the same.
- (ii) In 1984, the said proprietors of L.R No. 7879/4 Afrison Export Import Ltd and Huelands Ltd applied for the subdivision/development of the above land to the then Director of City Planning. In his reply to the applicants through letter Ref. No. CPD/0644/7879/4 dated 28 March 1984, the Director of City Planning-Nairobi gave a conditional subdivision approval where the owners were to set aside land for public utilities. However, the developers through unreferenced letter dated 5 April 1984 declined and stated clearly they were no longer interested with Director of City Planning conditional approval and should therefore cancel the entire application of subdivision. However, the entire area has been developed contrary to the provisions of the physical planning Act of 1996 (Revised 2012) section 30, 31 and 41, where application for development should be accompanied by such plans and particulars as are necessary to indicate the purposes of the development, and in particular shall show the proposed use and density, and the land which the applicant intends to surrender for purposes of principal and secondary means of access to any subdivisions within the area included in the application and to adjoining land; and public purposes consequent upon the proposed development. Had due diligence been observed by all parties in the whole transaction, compensation for the land that ought to have been surrendered for public utilities should not have occurred.
- (iii) The National Land Commission on 13 September, 2016 wrote to the Cabinet Secretary Education Ministry informing him the Africon Expert Import Ltd had filed a complaint with the Commission that the two schools have been occupying the firms land for 30 years without compensation.
- (iv) The National land Commission on 24, April 2017 in response to Ministry letter dated 7 February 2017 instructed the Ministry to set aside Kshs.3,269,040,600 as compensation for the land.
- (v) In a valuation report dated 14 June, 2017, the National Land Commission valued the land at a total valuation of Kshs.3,262,136,690.

In the circumstances, it has not been possible to confirm that the expenditure totalling Kshs.1,500,000,000 for the year ended 30 June 2018 was procedural and a proper charge to public funds.

## **2.0 Cash and Cash Equivalents**

### **2.1 Long Outstanding Balances in the Bank Reconciliation Statement**

Included in the statement of assets and liabilities as at 30 June 2018 is cash and bank balance of Kshs119,211,679 being cash and cash equivalent.

However excluded from the balance of Kshs.119,211,679 are stale cheques amounting to Kshs.32,452,532 and which have not been reversed to the cashbook as at 30 June 2018.

The state department has not explained why these stale cheques payments were not reversed in the cashbook.

Consequently, it has not been possible to confirm that the cash and cash equivalent balance of Kshs.119,211,679 as at 30 June 2018 is fairly stated.

### **3.0 Accounts Receivable**

#### **3.1 Imprests**

The Statements of assets and liabilities as at 30 June 2018 reflects account receivable balance of Kshs.712,165,859 which is disclosed in Note 13 to the financial statements. Review of the imprest register indicated the following:-

- (i) Included in this balance is an amount of Kshs.1,498,543 being imprest that had not been surrendered as at 30 June 2018. This is contrary to Section 93(5) of the Public Finance Management (National Government) Regulation, 2015 which provides that a holder of temporary imprest shall account or surrender the imprest within seven (7) working days after returning from duty.
- (ii) Further the Integrated Financial Management Information Systems Imprest register for the year ended 30 June 2018 reflects a balance of Kshs.3,165,243 resulting to a variance of Kshs.1,666,700. No explanation has been given for the variance between the two sets of records which should in normal circumstances reflect the same balance.

In the circumstances, it has not been possible to confirm the accuracy, validity and completeness of the outstanding temporary imprest figure of Kshs.2,879,366.

### **4.0 Accounts Payable - Deposits and Retentions**

As reported previously, the statement of assets and liabilities as at 30 June, 2017 reflects accounts payable balance of Kshs.80,139,200 which as disclosed in note 14 to the financial statements includes other liabilities figure of Kshs.78,277,274 and whose nature and supporting documents were not availed for audit review. In addition, it is not clear and management has not explained why the payables balance of Kshs.62,990,464 which has been outstanding over four (4) years has not been settled as at the date of this report. In the circumstances, the accuracy, validity and completeness of the accounts payable balance of 80,139,200 for the year ended 30 June, 2018 could not be ascertained.

## **5.0 Subsidies**

Note 7 to the financial statements reflects subsidies totaling Kshs.54,008,807,387 for the year ended 30 June 2018.

Included in this amount is overpayment of subsidies to Secondary Schools amounting to Kshs.269,254,288 to 185 Secondary Schools in eleven (11) sampled counties whose enrolment data was inflated.

Although the State Department of Early Learning and Basic Education has explained that the officer involved in the data entry that resulted to a variance between the enrolment data submitted by schools and the enrolment data used by the State Department for computation of amounts due to the schools was interdicted and the matter referred to Ethics and Anti-corruption Commission for further investigation, the case has not been concluded. In addition, two non-existent schools in Kakamega received a total of Kshs.27,329,598.95.

In the circumstances, it has not been possible to confirm that payment of Kshs.296,583,887 to the 187 Secondary Schools was a proper charge to public resources.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Ministry of Education - State Department of Early Learning and Basic Education in accordance with ISSAI 30 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.

### **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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

### **Other Matter**

#### **1. Budgetary Control and Performance**

The State Department of Early Learning and Basic Education had a total expenditure budget of Kshs.93,688,058,581 voted for the financial year 2017/2018 comprising of Kshs.9,913,658,996 for development and Kshs.83,774,399,585 for recurrent votes respectively. The budget absorption in the State Department was as follows:

Item	Budget 2017-2018	Actuals 2017- 2018	Under Absorption	Absorption %
	Kshs.	Kshs.	Kshs.	
Recurrent	83,774,399,585	83,832,934,873	(58,535,287)	(0.07)%
Development	9,913,658,996	8,752,939,691	1,160,719,305	11.7%
<b>Grand Total</b>	<b>93,688,058,581</b>	<b>92,585,874,563</b>	<b>1,102,184,018</b>	<b>1.18%</b>

It has not been explained why the State Department did not utilize the allocation budget of Kshs.1,102,184,018 as at 30 June 2018. This is an indication of lack of adequate planning in budget making process to prioritize goods and services for efficient and effective delivery to the Kenyan citizens.

### Recurrent Vote

The State Department of Early Learning and Basic Education had an annual recurrent budget of Kshs.83,774,399,585 against actual expenditure of Kshs.83,832,934,873 resulting to overall under expenditure of Kshs.(58,535,287) as summarized below:

Item	Budget 2017-2018 Kshs.	Actuals 2017-2018 Kshs.	Under Absorption Kshs.	Over Absorption Kshs.	Absorption %
Compensation of employees	3,883,070,000	3,850,626,686	32,443,314	-	99%
Use of goods and services	5,443,548,596	6,752,958,918	(1,309,410,322)	1,309,410,322	124%
subsidies	54,069,590,101	54,008,807,387	60,782,714	-	100%
Transfer to other government units	20,026,465,493	19,195,555,244	830,910,249		96%
Other grants and transfers	19,320,913	9,731,869	9,589,044	-	50%
Social security benefits	15,000,000	14,087,769	912,231	-	94%
Acquisition of Assets	317,404,482	1,167,000	316,237,482	-	0.37%
<b>Grand Total</b>	<b>83,774,399,585</b>	<b>83,832,934,873</b>	<b>1,250,875,034</b>	<b>1,309,410,322</b>	

From the above analysis, the State Department underutilized the budget under other grants and transfers and acquisition of assets by 50% and 99.63% respectively. The under absorption of the approved budget is an indication of activities not implemented by the state department which implies non delivery of planned goods and services to the Kenyan citizens for the year ended 30 June 2018. Therefore, the stake holders did not obtain value for their resources.

## Development Vote

The State Department of Early Learning and Basic Education had an annual development budget of Kshs.9,913,658,996 against actual expenditure of Kshs.8,752,939,691 resulting to under expenditure of Kshs.1,160,719,305 as summarized below:

Item	Budget 2017-2018 Kshs.	Actuals 2017-2018 Kshs.	Under Absorption Kshs.	Absorption %
Use of goods and services	3,351,000,000	2,894,967,623	456,032,377	87%
Transfer to other government units	6,544,908,996	5,857,972,068	686,936,928	90%
Acquisition of Assets	17,750,000	0	17,750,000	0%
<b>Grand Total</b>	<b>9,913,658,996</b>	<b>8,752,939,691</b>	<b>1,160,719,305</b>	<b>88%</b>

From the above analysis, the State Department underutilized the budget under use of goods and services and acquisition of assets by 13% and 100 % respectively. The under absorption of the approved budget is an indication of activities not implemented by the State Department which implies non delivery of planned goods and services to the Kenyan citizens for the year ended 30 June 2018. Therefore, there is need for the State Department to re-look at its budget making process with a view to focusing on priority areas for efficient and effective delivery of goods/services to citizens.

## 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.

### Basis for Conclusion

#### Payment of Rent without Valid Lease Agreements

As reported previously, the statement of receipts and payments for the year ended 30 June 2018 reflects use of goods and services figure of Kshs.9,647,926,541 which includes payments totalling Kshs.174,949,886 in respect of rentals of produced assets as disclosed in note 6 to the financial statements. The figure of Kshs.174,949,886 also includes Kshs.15,583,858 being rent of office space for various state department offices whose valid

and current lease agreements with various landlords and property managers were not availed for audit verification.

In the circumstances, it was not possible to confirm that the rent paid of Kshs.15,583,858 was in line with the existing agreement and consistent with market rates and therefore the propriety of the same could not be ascertained for the year ended 30 June 2018.

## **2.0 Unresolved Prior Year Matters**

### **2.1 Nugatory Payment on Tyres**

As reported previously, the statement of receipts and payments for the year ended 30 June, 2017 reflects use of goods and services figure Kshs.4,843,009,920 which includes a payment of Kshs.459,420 in respect of purchase of thirty (30) pcs of tyres size 205/65R16. A physical check of the store done in February 2018 revealed that the tyres were still lying in the store and that the state department has no vehicles using this size of tyres. No explanation has been provided for this omission and it is not clear why the department procured tyres contrary to the provisions of section 68 (1) of the Public Finance Management Act 2012 which stipulates that the accounting officer should ensure that the resources of the respective entity for which he or she is the accounting officer are used in a way that is lawful, authorized, effective, efficient, economical and transparent. Consequently, the propriety of expenditure totalling Kshs.459,420 on tyres for the year ended 30 June, 2017 could not be ascertained.

### **2.2 Obsolete Stores**

As previously reported, examination of stores records revealed that 128 uninterrupted power supply batteries(UPS's) worth Kshs.1,218,176 at the latest market price index issued by the Public Procurement Regulatory Authority have been lying in the store for over four (4) years and have since become obsolete. It is not clear and management has not explained the circumstances under which the UPSs were procured and never put to use. Physical verification done in February 2018 revealed the UPS were still in the store. In the circumstances, it has not been possible to confirm the propriety of expenditure totalling Kshs.1,218,176 and the expenditure may have been wasteful.

In the circumstances, it was not possible to confirm if the above expenditure was a proper charge to public funds.

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 INTERNAL CONTROL EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

### **Conclusion**

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

### **Basis for Conclusion**

#### **Audit Committee**

As required by Section 73(5) of the Public Finance Management Act (2012) the State Department did have an audit Committee in place. However, the Minutes of the deliberations of the Committee were not availed for audit review.

In the absence of the minutes, it has not been possible to confirm that the audit committee's roles of ensuring the integrity of the state department's financial information, its system of internal controls, and the legal and ethical requirements provided for in section 3.2 of gazette notice No.2690 dated 15 April 2016 were achieved.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 (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, State Department's risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the National Government either intends to cease operations, or have no realistic alternative but to do so.

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.

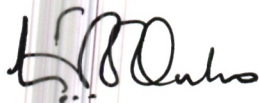
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 ability to continue as a going concern or 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 State Department to cease to continue as a going concern or 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 Ministry 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.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**13 March 2019**

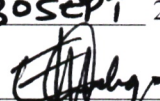
**Ministry of Education**  
**State Department for Early Learning and Basic Education**  
**Reports and Financial Statements**  
**For the year ended 30 June 2018**

**V. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2017-2018	2016-2017
<b>RECEIPTS</b>			
Proceeds from Domestic and Foreign Grants	1	1,814,966,207	255,973,492
Transfers from National Treasury	2	89,862,197,522	67,759,404,472
Proceeds from Sale of Assets	3	1,356,019,650	1,361,982,850
Other Revenues	4	70,000,000	340,119,136
<b>TOTAL REVENUES</b>		<b>93,103,183,379</b>	<b>69,717,479,950</b>
<b>PAYMENTS</b>			
Compensation of Employees	5	3,850,626,686	3,434,936,255
Use of goods and services	6	9,647,926,541	4,843,009,920
Subsidies	7	54,008,807,387	28,987,667,712
Transfers to Other Government Units	8	25,053,527,312	31,768,317,355
Other grants and transfers	9	9,731,869	4,255,893
Social Security Benefits	10	14,087,770	7,856,640
Acquisition of Assets	11	1,167,000	669,517,184
<b>TOTAL PAYMENTS</b>		<b>92,585,874,564</b>	<b>69,715,560,958</b>
<b>SURPLUS/DEFICIT</b>		<b>517,308,815</b>	<b>1,918,993</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 30 SEPT 2018 and signed by:

  
 Principal Secretary  
 Dr. Belio Kipsang


  
 Assistant Accountant General  
 CPA E. Mukira Gichigo

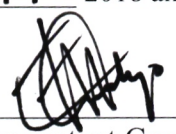
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**State Department for Early Learning and Basic Education**  
**Reports and Financial Statements**  
**For the year ended 30 June 2018**

**VI. STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2018**

	Note	2017-2018	2016-2017
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
Cash and Cash Equivalents			
Bank Balances	12A	119,175,026	84,986,299
Cash Balances	12B	36,653	178,126
<b>Total Cash And Cash Equivalents</b>		<b>119,211,679</b>	<b>85,164,425</b>
Accounts Receivables - Outstanding Imprest and Clearance Accounts	13	712,165,859	213,617,488
<b>TOTAL FINANCIAL ASSETS</b>		<b>831,377,538</b>	<b>298,781,914</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payables - Deposits	14	80,139,200	64,852,390
<b>NET FINANCIAL ASSETS</b>		<b>751,238,338</b>	<b>233,929,524</b>
<b>REPRESENTED BY</b>			
Fund balance B/fwd	15	233,929,524	476,041,860
			(244,031,329)
Surplus/Deficit for the year		517,308,814	1,918,993
<b>NET FINANCIAL POSITION</b>		<b>751,238,338</b>	<b>233,929,524</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 30 SEPT 2018 and signed by:

  
 Principal Secretary  
 Dr. Belio Kipsang

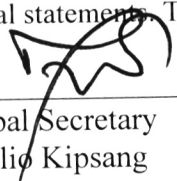
  
 Assistant Accountant General  
 CPA E. Mukira Gichigo

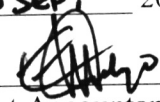
Ministry of Education  
 State Department for Early Learning and Basic Education  
 Reports and Financial Statements  
 For the year ended 30 June 2018

VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-2018 Kshs	2016-2017 Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	1	1,814,866,207	255,973,492
Transfers from National Treasury	2	89,862,197,522	67,759,404,472
Other Revenues	4	70,000,000	340,119,136
		<b>91,747,163,729</b>	<b>68,355,497,100</b>
Payments for operating expenses			
Compensation of Employees	5	3,850,626,686	3,434,936,255
Use of goods and services	6	9,647,926,541	4,843,009,920
Subsidies	7	54,008,807,387	28,987,667,712
Transfers to Other Government Units	8	25,053,527,312	31,768,317,355
Other grants and transfers	9	9,731,869	4,255,893
Social Security Benefits	10	14,087,770	7,856,640
		<b>92,584,707,564</b>	<b>69,046,043,774</b>
<b>Adjusted for:</b>			
Changes in receivables		(498,548,370)	115,824,411
Changes in payables		15,286,810	175,124
Adjustments during the year	16	-	(244,031,329)
<b>Net cash flow from operating activities</b>		<b>(1,320,805,395)</b>	<b>(818,578,468)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	3	1,356,019,650	1,361,982,850
Acquisition of Assets	11	(1,167,000)	(669,517,184)
<b>Net cash flows from Investing Activities</b>		<b>1,354,852,650</b>	<b>692,465,666</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Domestic Borrowings		-	-
Net cash flow from financing activities		-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>34,047,225</b>	<b>( 126,112,802)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>85,164,425</b>	<b>211,277,227</b>
<b>Cash and cash equivalent at END of the year</b>		<b>119,211,680</b>	<b>85,164,425</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 30 SEP 2018 and signed by:

  
 Principal Secretary  
 Dr. Belio Kipsang

  
 Assistant Accountant General  
 CPA E. Mukira Gichigo

*Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018*

**VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Proceeds from Domestic and Foreign Grants	34,865,000	2,170,865,000	2,205,730,000	1,814,966,206	390,763,794	82%
Exchequer releases	46,375,084,388	43,672,644,193	90,047,728,581	89,862,197,522	185,531,059	100%
Proceeds from Foreign Borrowings	22,500,000	(20,500,000)	2,000,000	0	2,000,000	0%
Proceeds from Sale of Assets	1,346,300,000	16,300,000	1,362,600,000	1,356,019,650	6,580,350	100%
Other Receipts	35,000,000	35,000,000	70,000,000	70,000,000	0	100%
<b>Total Receipts</b>	<b>47,813,749,388</b>	<b>45,874,309,193</b>	<b>93,688,058,581</b>	<b>93,103,183,378</b>	<b>584,875,203</b>	<b>99%</b>
<b>Payments</b>						
Compensation of Employees	2,425,745,364	1,456,654,636	3,882,400,000	3,850,626,686	31,773,314	99%
Use of goods and services	5,235,227,874	3,559,215,223	8,794,443,096	9,647,926,541	(853,483,445)	110%
Subsidies	22,810,992,959	31,256,997,653	54,067,990,612	54,008,807,387	59,183,225	100%
Transfers to Other Government Units	17,254,474,225	9,319,275,253	26,573,749,478	25,053,527,312	1,520,222,166	94%
Other grants and transfers	7,500,000	11,820,913	19,320,913	9,731,869	9,589,044	50%
Social Security Benefits	7,500,000	7,500,000	15,000,000	14,087,769	912,231	94%
Acquisition of Assets	72,308,966	262,845,516	335,154,482	1,167,000	333,987,482	0%
Other Expenses	0	0	0	0	0	0%
<b>Grand Total</b>	<b>47,813,749,388</b>	<b>45,874,309,193</b>	<b>93,688,058,581</b>	<b>92,585,874,563</b>	<b>1,102,184,018</b>	<b>99%</b>
<b>Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>517,308,815</b>	<b>(517,308,815)</b>	

**Proceeds from Domestic and Foreign Grants- 82%** The MDTI were not able to collect the anticipated appropriation in aid

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

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**Proceeds from Foreign Borrowings- 0%**- The under-collection was due to failure by the Donor meeting his obligations in the field stations.


**Use of goods and services - 110%**- The over-collection was occasioned by 2015-2016 returned of project money from the field stations which was applied during the year

**Other grants and transfers- 50%**- The under-expenditure was occasioned by failure for the Donor meeting his obligations in the field stations.

**Acquisition of Assets - 1%**- It was anticipated that contracted officers were to retire at the end of the financial year which turned out not to be the case

The entity financial statements were approved on 30 SEPT 2018 and signed by:

  
\_\_\_\_\_  
Principal Secretary  
Dr. Be'io Kipsang

  
\_\_\_\_\_  
Assistant Accountant General  
CPA E. Mukira Gichigo

Ministry of Education  
 State Department for Early Learning and Basic Education  
 Reports and Financial Statements  
 For the year ended 30 June 2018

**IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**


Receipt/Expense 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 %
<b>RECEIPTS</b>						
Exchequer releases	42,591,584,388	39,750,215,197	82,341,799,585	82,341,349,762	449,823	100%
Proceeds from Sale of Assets	1,346,300,000	16,300,000	1,362,600,000	1,356,019,650	6,580,350	100%
Other Receipts	35,000,000	35,000,000	70,000,000	70,000,000	0	100%
<b>Total Receipts</b>	<b>43,972,884,388</b>	<b>39,801,515,197</b>	<b>83,774,399,585</b>	<b>83,767,369,412</b>	<b>7,030,173</b>	
<b>PAYMENTS</b>						
Compensation of Employees	2,425,745,364	1,456,654,636	3,883,070,000	3,850,626,686	32,443,314	99%
Use of goods and services	3,965,227,874	1,478,215,223	5,443,548,596	6,752,958,918	(1,309,410,322)	124%
Subsidies	22,810,992,959	31,256,997,653	54,069,590,101	54,008,807,387	60,782,714	100%
Transfers to Other Government Units	14,721,109,225	5,307,731,257	20,026,465,493	19,195,555,244	830,910,249	96%
Other grants and transfers	7,500,000	11,820,913	19,320,913	9,731,869	9,589,044	50%
Social Security Benefits	7,500,000	7,500,000	15,000,000	14,087,769	912,231	94%
Acquisition of Assets	34,808,966	282,595,516	317,404,482	1,167,000	316,237,482	0%
<b>Grand Total</b>	<b>43,972,884,388</b>	<b>39,801,515,197</b>	<b>83,774,399,585</b>	<b>83,832,934,873</b>	<b>(58,535,287)</b>	
<b>Surplus/Deficit</b>				<b>(65,565,461)</b>	<b>65,565,461</b>	


**Use of goods and services- 121%-** There was a supplementary cut during the financial year

**Other grants and transfers- 50%-** *The under-expenditure was occasioned by failure for the Donor meeting his obligations in the field stations.*

**Acquisition of Assets - 1%-** It was anticipated that contracted officers were to retire at the end of the financial year which turned

The entity financial statements were approved on 30 SEPT 2018 and signed by:

  
 Principal Secretary  
 Dr. Belio Kipsang

  
 Assistant Accountant General  
 CPA E. Mukira Gichigo

Ministry of Education  
 State Department for Early Learning and Basic Education  
 Reports and Financial Statements  
 For the year ended 30 June 2018

X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>Receipts</b>						
Proceeds from Domestic and Foreign Grants	34,865,000	2,170,865,000	2,205,730,000	1,809,866,207	395,863,793	82%
Exchequer releases	3,783,500,000	3,922,428,996	7,705,928,996	7,520,847,760	185,081,236	98%
Proceeds from Foreign Borrowings	22,500,000	(20,500,000)	2,000,000	-	2,000,000	0%
<b>Total Receipts</b>	<b>3,840,865,000</b>	<b>6,072,793,996</b>	<b>9,913,658,996</b>	<b>9,330,713,967</b>	<b>582,945,029</b>	
<b>Payments</b>						
Use of goods and services	1,270,000,000	2,081,000,000	3,351,000,000	2,894,967,623	456,032,377	87%
Transfers to Other Government Units	2,533,365,000	4,011,543,996	6,544,908,996	5,857,972,068	686,936,928	90%
Acquisition of Assets	37,500,000	(19,750,000)	17,750,000	0	17,750,000	0%
<b>Grand Total</b>	<b>3,840,865,000</b>	<b>6,072,793,996</b>	<b>9,913,658,996</b>	<b>8,752,939,691</b>	<b>1,160,719,305</b>	
<b>Surplus/Deficit</b>				<b>577,774,276</b>	<b>(577,774,276)</b>	

**Proceeds from Domestic and Foreign Grants- 18%** The under-collection was due to failure by the Donor meeting his obligations in the field stations.


**Proceeds from Foreign Borrowings- 0%**- The under-collection was due to failure by the Donor meeting his obligations in the field stations.


**Use of goods and services- 87%**- The under expenditure was due to failure by the donor to meet his obligation

**Transfers to Other Government Units- 82**

**Acquisition of Assets-0%**

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 Principal Secretary  
 Dr. Belio Kipsang

  
 Assistant Accountant General  
 CPA E. Mukira Gichigo

Ministry of Education  
 State Department for Early Learning and Basic Education  
 Reports and Financial Statements  
 For the year ended 30 June 2018

**XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES**

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>PRIMARY EDUCATION</b>	<b>23,443,996,374</b>		<b>23,443,996,374</b>	<b>22,091,284,781</b>	<b>1,352,711,593</b>
Free Primary Education	19,212,354,182.00		19,212,354,182	18,345,958,058.15	866,396,123.85
Special Needs Education	1,036,600,000.00		1,036,600,000	1,036,569,123.15	30,876.85
Early Child Development and Education	25,840,125.00		25,840,125	7,779,484.00	18,060,641.00
Primary Teachers Training and In-servicing	466,202,035.00		466,202,035	360,715,340.20	105,486,694.80
Alternative Basic Adult and Continuing Education	97,972,587.00		97,972,587	82,095,681.90	15,876,905.10
School Health,Nutrition and Meals	2,605,027,445.00		2,605,027,445	2,258,167,093.55	346,860,351.45
<b>SECONDARY EDUCATION</b>	<b>60,764,741,897</b>		<b>60,764,741,897</b>	<b>60,292,520,263</b>	<b>472,221,634</b>
Secondary Bursary Management Services	99,588,260.00		99,588,260	96,193,603.00	3,394,657.00
Free Day Secondary Education	59,879,065,337.00		59,879,065,337	59,426,063,039.30	453,002,297.70
Secondary Teachers Education Services	347,655,000.00		347,655,000	347,655,000.00	-
Secondary Teachers In-Service	238,433,300.00		238,433,300	238,433,300.00	-
Special Needs Education	200,000,000.00		200,000,000	184,175,320.45	15,824,679.55
<b>QUALITY ASSURANCE STANDARDS</b>	<b>4,536,685,928</b>		<b>4,536,685,928</b>	<b>4,386,030,987</b>	<b>150,654,942</b>
Curriculum Development	1,141,358,540.00		1,141,358,540	1,141,358,540.00	0.00
Examination and Certification	1,842,000,000.00		1,842,000,000	1,842,000,000.00	0.00
Co-Curriculum Activities	1,553,327,388.00		1,553,327,388	1,402,672,446.50	150654941.50
<b>GENERAL ADMINISTRATION, PLANNING AND SUPPORT SERVICES</b>	<b>4,942,634,382</b>		<b>4,942,634,382</b>	<b>5,934,650,771</b>	<b>(992,016,389)</b>
Headquarters Administrative Services	1,955,485,592.00		1,955,485,592	2,973,085,473.70	(1,017,599,881.70)
County Administrative Services	2,987,148,790.00		2,987,148,790	2,961,565,297.55	25,583,492.45
<b>TOTAL</b>	<b>93,688,058,581.00</b>		<b>93,688,058,581.00</b>	<b>92,704,486,801.45</b>	<b>983,571,779.55</b>

*Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018*

**XII. SIGNIFICANT ACCOUNTING POLICIES**

The principle 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 Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

**2. Reporting entity**

The financial statements are for the State Department of Basic Education The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

**Food Assistance to Primary and Pre Primary Schools in Semi-Arid and Arid Areas and Disadvantaged Urban Children World Food Program  
Kenya Primary Education Development Project  
Secondary Education Quality Improvement Project (SEQUIP)  
Education for Young People Programme**

**3. Recognition of receipts and payments**

**a) Recognition of receipts**

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the entity.

**Tax receipts**

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

**SIGNIFICANT ACCOUNTING POLICIES**

**Transfers from the Exchequer**

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

**External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

**Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

**Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

**Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

**Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

**b) Recognition of payments**

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

### **Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

### **Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

### **Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

### **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of disclosure. This summary is disclosed as an annexure to the entity's financial statements.

## **4. In-kind contributions**

In-kind contributions are donations that are made to the *entity* 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 *entity* includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

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**SIGNIFICANT ACCOUNTING POLICIES**

**5. 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.

**Restriction on cash**

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2018, this amounted to Kshs 80,139,200 compared to Kshs 64,852,390 in prior period as indicated on note 14

There were no other restrictions on cash during the year

**6. 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 payments 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.

Ministry of Education  
 State Department for Early Learning and Basic Education  
 Reports and Financial Statements  
 For the year ended 30 June 2018

**XIII. NOTES TO THE FINANCIAL STATEMENTS**

**1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

Name of Donor	Date received	Amount in foreign currency	2017-2018	2016-2017
			Kshs	Kshs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>				
ADB				3,560,000
WFP			1,389,832,189	-
G-UNITED				-
GPE- PRIEDE			425,034,018	237,413,492
<b>Grants Received from Multilateral Donors (International Organisations)</b>				
UNICEF				15,000,000
<b>TOTAL</b>			<b>1,814,866,207</b>	<b>255,973,492</b>

**2 EXCHEQUER RELEASES**

Description	2017-2018 Kshs	2016-2017 Kshs
Total Exchequer Releases for quarter 1	22,879,981,991	12,783,660,000
Total Exchequer Releases for quarter 2	3,732,086,756	6,189,680,035
Total Exchequer Releases for quarter 3	41,532,436,420	29,002,758,216
Total Exchequer Releases for quarter 4	21,717,692,355	19,783,306,221
<b>TOTAL</b>	<b>89,862,197,522</b>	<b>67,759,404,472</b>

*(Our budget was not funded by the exchequer to the tune of Kshs. 185,531,059)*

**3 PROCEEDS FROM SALE OF ASSETS**

	2017-2018 Kshs	2016-2017 Kshs
Receipts from the Sale of Inventories, Stocks and Commodities	1,356,019,650	1,361,982,850
<b>TOTAL</b>	<b>1,356,019,650</b>	<b>1,361,982,850</b>

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

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

**4 OTHER REVENUES**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Receipts from Administrative Fees and Charges	70,000,000	70,000,000
Other Receipts Not Classified Elsewhere		270,119,136
<b>TOTAL</b>	<b>70,000,000</b>	<b>340,119,136</b>

(Explain what other receipts not classified elsewhere relates to All other revenues must be classified into their relevant classes and explained)

**5 COMPENSATION OF EMPLOYEES**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic salaries of permanent employees	2,385,472,659	2,126,596,360
Basic wages of temporary employees	106,039,533	101,237,338
Personal allowances paid as part of salary	1,338,615,001	1,195,040,992
Employer Contributions Compulsory national social security schemes	7,940,668	3,236,123
Employer Contributions Compulsory national health insurance schemes	12,558,823	8,825,442
<b>TOTAL</b>	<b>3,850,626,684</b>	<b>3,434,936,255</b>

**6 USE OF GOODS AND SERVICES**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	88,086,831	86,448,621
Communication, supplies and services	24,719,130	57,987,700
Domestic travel and subsistence	241,558,430	157,386,084
Foreign travel and subsistence	6,452,260	17,453,500
Printing, advertising and information supplies & services	17,090,609	26,690,023
Rentals of produced assets	174,949,886	195,654,482
Training expenses	10,175,973	38,506,994
Hospitality supplies and services	35,390,034	68,965,633
Specialised materials and services	2,933,131,155	41,259,910
Office and general supplies and services	219,651,095	246,231,499
Other operating expenses	5,548,266,723	3,598,868,303
Routine maintenance – vehicles and other transport equipment	149,347,887	113,963,512
Routine maintenance – other assets	48,492,079	90,226,564
Fuel Oil and Lubricants	150,614,449	103,367,096
<b>TOTAL</b>	<b>9,647,926,541</b>	<b>4,843,009,920</b>

Ministry of Education  
 State Department for Early Learning and Basic Education  
 Reports and Financial Statements  
 For the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 SUBSIDIES

Description	2017-2018 Kshs	2016-2017 Kshs
Subsidies to Public Corporations	54,008,807,387	28,987,667,712
<b>TOTAL</b>	<b>54,008,807,387</b>	<b>28,987,667,712</b>

8 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2017-2018 Kshs	2016-2017 Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)	19,090,555,244	19,485,539,154
Capital Grants to Government Agencies and other level of Government	3,609,119,094	8,997,676,183
Other Current ,transfers, grants and subsidies	105,000,000	105,000,000
Other capital Grants and transfers	2,248,852,974	3,180,102,018
<b>TOTAL</b>	<b>25,053,527,312</b>	<b>31,768,317,355</b>

9 OTHER GRANTS AND TRANSFERS

	2017-2018 Kshs	2016-2017 Kshs
Scholarships and other educational benefits	9,731,869	4,255,893
<b>Total</b>	<b>9,731,869</b>	<b>4,255,893</b>

10 SOCIAL SECURITY BENEFITS

	2017-2018 Kshs	2016-2017 Kshs
Government pension and retirement benefits	14,087,770	7,856,640
<b>TOTAL</b>	<b>14,087,770</b>	<b>7,856,640</b>

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

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

**11 ACQUISITION OF ASSETS**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b><u>Non Financial Assets</u></b>		
Purchase of Vehicles and Other Transport Equipment		642,762,846
Purchase of Office Furniture and General Equipment		3,480,200
Purchase of Specialised Plant, Equipment and Machinery	1,167,000	23,274,138
Acquisition of Intangible Assets		
<b>Sub Total</b>	<b>1,167,000</b>	<b>669,517,184</b>
<b><u>Financial Assets</u></b>		
Domestic Public Non-Financial Enterprises		
<b>Sub Total</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>1,167,000</b>	<b>669,517,184</b>

**12A: Bank Accounts**

<b>Name of Bank, Account No. &amp; currency</b>	<b>Amount in bank account currency</b>	<b>Indicate whether recurrent, Development, deposit e.t.c</b>	<b>2017-2018</b>	<b>2016-2017</b>
			<b>Kshs</b>	<b>Kshs</b>
<i>Central Bank of Kenya, 1000302445, KShs</i>		Recurrent	81,464	18,149,151
<i>Central Bank of Kenya, 1000302507, KShs</i>		Deposit	80,139,200	64,852,390
<i>Central Bank of Kenya, 1000302496, KShs</i>		Development	38,954,362	1,984,759
<b>TOTAL</b>			<b>119,175,026</b>	<b>84,986,299</b>

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

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

**12B: CASH IN HAND**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash in Hand – Held in domestic currency	36,653	178,126
<b>TOTAL</b>	<b>36,653</b>	<b>178,126</b>

**Cash in hand should also be analysed as follows:**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Headquarters, National Treasury Building, Cash office		
Location 1 Recurrent	19,053	66,121
Location 2 Development	17,600	112,005
<b>TOTAL</b>	<b>36,653</b>	<b>178,126</b>

**13: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS**

<i>Description</i>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Government Imprests	2,879,366	3,305,371
Domestic debtors and advances	604,243	222,204
Others debtors and prepayments		
Clearance accounts	708,682,250	210,089,914
<b>TOTAL</b>	<b>712,165,859</b>	<b>213,617,488</b>

**14. ACCOUNTS PAYABLE**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Deposits	1,861,926	1,861,926
Other Liabilities	78,277,274	62,990,464
<b>TOTAL</b>	<b>80,139,200</b>	<b>64,852,390</b>

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

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

**15. FUND BALANCE BROUGHT FORWARD**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	84,986,299	210,676,819
Cash in hand	178,126	600,408
Receivables - Outstanding Imprests	213,617,488	329,441,899
Payables - Deposits	(64,852,390)	(64,677,266)
<b>TOTAL</b>	<b>233,929,523</b>	<b>476,041,860</b>

**16. PRIOR YEAR ADJUSTMENTS**

<b>Description of the error</b>	<b>2017 – 2018</b>	<b>2016 – 2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Adjustments on bank account balances	-	(238,366,402)
Adjustments on cash in hand		
Adjustments on payables		
Adjustments on receivables	-	(5,664,927)
Others ( <i>specify</i> )	-	<b>(244,031,329)</b>

*(At the beginning of the year 2016-2017 the National treasury swept all the balances from our bank accounts which comprised of bank balances at the end of 2015-2016 and returns from the field station to the tune of Kshs.).*

**17. RELATED PARTY DISCLOSURES**

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the **(State Department for Early Learning and Basic Education)**

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

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

**Related party transactions:**

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Key Management compensation	54,176,134	34,777,680
Transfers to the Other Ministries Departments and Agencies		
Transfers to other State Corporations and Semi-Autonomous Government Agencies	8,099,024,285	6,939,035,358
Transfers to Government Development Projects	1,566,730,385	1,716,744,608
Transfers from other Ministries Departments and Agencies		
<b>TOTAL</b>	<b>9,719,930,804</b>	<b>8,655,779,966</b>

**18. OTHER IMPORTANT DISCLOSURES**

**18.1: PENDING ACCOUNTS PAYABLE (See Annex 1)**

<b>Description</b>	<b>2017 – 2018</b>	<b>2016 – 2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Supply of goods	137,584,275	458,518,072
Supply of services	19,699,029	22,896,562
<b>TOTAL</b>	<b>157,284,029</b>	<b>481,414,634</b>

#### 19. 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>RE F NO</b>	<b>ISSUES</b>	<b>Observation and Auditor's recommendations</b>	<b>Management comments</b>	<b>Focal point person to resolve the issue (NAME &amp; Designation )</b>	<b>Status: (resolve d/ not resolved )</b>	<b>Time frame: (put a date when you expect the issue to be resolved)</b>
1.	Supply of Sanitary Towels	The ministry should provide the relevant records to explain the anomalies so that the propriety of the expenditure can be confirmed.	The ministry provided comprehensive explanation as to why the tender was given to various bidders despite having quoted high.	HAU and Procurement	Un-Resolved	30 <sup>th</sup> June 2018
2.	Failure to surrender temporary imprests	The ministry should provide the measures it has taken to ensure that imprest are surrendered on time	The ministry instituted recovery from defaulters and laid down strict measures to deter recurrence	HRM and HAU	Resolved	30 <sup>th</sup> June 2018
3.	Accounts payables- Deposits and Retentions	The ministry to provide documentation supporting the existence and the owners of the funds	The ministry provided the analysed schedules	HAU	Un-resolved	30 <sup>th</sup> June 2018
4.	Single sourcing of servicers	The accounting officer to explain the anomaly	The ministry provided explanation and documents to show the true position	Procurement	Un-resolved	30 <sup>th</sup> June 2018

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

5.	Splitting of tenders	The accounting officer to explain the anomaly	The ministry provided explanation and documents to show the true scenario	Procurement	Un-resolved	30th June2018
6.	Nugatory payment of Kshs. 459,420	The accounting officer to explain the anomaly	The ministry provided explanation and documents to justify the expenditure	Procurement	Un-resolved	30th June2018
7.	Obsolete stores Kshs. 1,280,000	The accounting officer to explain the anomaly	The ministry provided explanation	Procurement	Un-resolved	30th June2018
8.	Payment of rent without valid contracts	The ministry to avail lease agreement duly signed	The ministry provided valid contracts for the leases	HAU and Procurement	Resolved	30th June2018
9.	Special Needs Education Grants	The ministry to provide the criteria and how funds were distributed	There ministry provided a an expiation and schedules for disbursement	SNE and HAU	Resolved	30th June2018
10.	Public Teachers Training College	The ministry to explain transfers to TTCs not included the Annual Work plan	There ministry provided a revised work plan which supersede the former	Procurement	Resolved	30th June2018
11.	Rehabilitation and Establishment of Primary Schools	The ministry to provide criteria of disbursement of funds to the schools	There ministry provided a an expiation and schedules for disbursement	DG and HAU	Resolved	30th June2018
12.	G- united National Volunteering Programme	The ministry to provide relevant documents to support the payments and its propriety The accounting officer to explain anomaly in procurement	The ministry provided the schedules and expiations for the programme	DG and HAU	Un-resolved	30th June2018
13.	Irregular procurement of computers and UPS for schools- Kshs	The ministry to explain the anomaly The accounting officer to produce distribution list for computers	The ministry provided explanation, tender documents and minute to confirm the propriety of the expenditure	HAU and Procurement	Resolved	30th June2018

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

	23,740,000.00					
14.	Unsupported expenditure	The ministry should provide sufficient documentation to support authenticity the expenditure in conformity with the Public Finance Management Act 2012	The ministry availed documents relating to court cases to the auditors for verification	HAU	Resolved	30th June2018
15.	Irregular procurement of Vehicles	The ministry should provide proper explanation on the anomalies observed in the procurement of additional vehicles.	The ministry has provided relevant documents to the auditors and has put measures in place to avoid reoccurrence of the same.	HAU	Resolved	30th June2018
	Irregular allowances Kshs 2,656,000.00	The ministry should provide explanation on the anomalies and also ensure adherence to government circulars regarding payments of allowances to officers.	The ministry has provided explanation and documents to the auditors for verification to justify the payment of allowances.	HAU	Resolved	30th June2018
16.	Double Payment of School Fees	The ministry should provide the necessary supporting documents to authenticate the payment	The ministry has provided documents such as admission letters, fees structures and a copy of the president directive to the auditors to support the expenditure.	HAU	Resolved	30th June2018
17.	Maintenance of Lifts without a Valid Contract Kshs. 596,800	The ministry should ensure validity of contracts on procurement of goods and services in conformity with the public procurement and disposal act 2015.	The ministry provided explanations as what necessitated the payment. It also provided extension communication from Supplies Branch.	HAU	Resolved	30th June2018
18.	Failure to disclose pending	The ministry should always disclose pending bills carried	The ministry has provided explanation to what	HAU	Resolved	30th June2018

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

	bills	forward to the next financial year in order to avoid any distortion in the subsequent year.	necessitated the non-disclosure of pending bills. It has also put in place measures to prevent such anomalies in future.			
19.	Unconfirmed stores records	The ministry should ensure that proper stores records are well maintained and availed for audit purpose.	The ministry has since provided the auditors with the stores records for verification.	HAU/AIE holder	Resolved	30th June 2018
20.	Cash and Bank balances	The ministry should prepare an up to date bank reconciliation statements and also provide explanation for the anomalies.	The ministry has analysed and provided relevant documents for verification.	HAU, Treasury	Resolved	30th June 2018
	<b>PRIOR YEAR UN-RESOLVED ISSUES</b>					
21	<b>Audit of Secondary Schools</b>					
21.1	Rent Arrears	The ministry should put in place appropriate measures are in place to ensure rent is promptly paid and outstanding arrears are recovered.	The ministry has provided explanation for the anomalies and has put in place the necessary measures to ensure that rents are paid promptly and arrears recovered as soon as possible.	HSE	Un-resolved	30 <sup>th</sup> June 2017
21.2	Institutional Creditors	The ministry should put in place appropriate measures to ensure that creditors are paid promptly and outstanding payments are made in good time subsequent to the	This has been necessitated by the delay by ministry in the provision of funds to schools due to the release of exchequers from the National Treasury. The ministry has	HSE/AIE Holder	Un-resolved	30 <sup>th</sup> June 2017

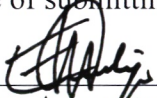
**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

		availability of funds	since put in place measures to address this anomaly.			
21.3	Land ownerships	The ministry should ensure the presidential direct on school land ownership is complied with.	The ministry has initiated measures through the schools management boards to ensure school land title deeds are acquired without further delay.	HSE/AIE Holder	Un-resolved	30 <sup>th</sup> June 2017
21.4	Pangani Girls High School	The ministry should ensure that the school provide supporting documents to confirm the propriety of the expenditure on the trip and purchase of the unserviceable generator	The ministry has initiated investigative process with a	HSE/AIE Holder	Un-resolved	30 <sup>th</sup> June 2017

***Guidance Notes:***

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

  
Principal Secretary  
Dr. Belio Kipsang

  
Assistant Accountant General  
CPA E. Mukira Gichigo

Ministry of Education  
 State Department for Early Learning and Basic Education  
 Reports and Financial Statements  
 For the year ended 30 June 2018

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	A	B	c	d=a-c		
<b>Supply of goods</b>						Exchequer Shortage
Negros Enterprises	350,000					Exchequer Shortage
Cynjoh Agencies	665,320					Exchequer Shortage
Petlaw Agencies	252,000					Exchequer Shortage
Welcas Enterprises	252,400					Exchequer Shortage
Muregi Company	195,140					Exchequer Shortage
Dennyln Logistics	958,000					Exchequer Shortage
Dormo Enterprises	159,475					Exchequer Shortage
Kepo General Supplies	672,000					Exchequer Shortage
National Oil Corporation of Kenya	212,500					Exchequer Shortage
Zarvin Trading Company	284,067					Exchequer Shortage
Erostar General Agencies	47,850					Exchequer Shortage
Fraima Investments	763,800					Exchequer Shortage
Germso General Merchants	140,200					Exchequer Shortage
Elms Africa	362,400					Exchequer Shortage
Zarvin Trading Company	360,000					Exchequer Shortage
Fraima Investments	129,200					Exchequer Shortage
Guyana Africa	581,000					Exchequer Shortage
Madrid Ventures	817,230					Exchequer Shortage
Lee Future Makers Investments	133,250					Exchequer Shortage
Pinetown Agencies	1,537,500					Exchequer Shortage
Janzik Enterprises	200,200					Exchequer Shortage
Vioken Investments Ltd	999,000					Exchequer Shortage
Negros Enterprises	112,500					Exchequer Shortage

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
Nyambaric Office Agencies	230,000					Exchequer Shortage
Inklink Printers	635,075					Exchequer Shortage
Jakaya Communications	1,262,000					Exchequer Shortage
Jakaya Communications	1,998,000					Exchequer Shortage
Priwama Enterprises	67,000					Exchequer Shortage
Benliz Enterprises	600,000					Exchequer Shortage
Monje General Suppliers	612,000					Exchequer Shortage
M/S Magdorm Investments	481,668					Exchequer Shortage
HHJ Spices & Cereals Suppliers	120,002,600					Partial delivery
Dorcato Enterprises	106,900					Exchequer Shortage
Nickline Printers & Printing Services	644,000					Exchequer Shortage
Sharsel General Supplies	450,000					Exchequer Shortage
Zarvin Trading Company	310,000					Exchequer Shortage
<b>Sub-Total</b>	<b>137,584,275</b>					
<b>Supply of services</b>						
Government Printer	927,200					Exchequer Shortage
Stantech Motors	67,048					Exchequer Shortage
Nakuru Girls High School	422,100					Late Submission of Documents
Shimo La Tewa Secondary	590,100					Late Submission of Documents
Kangaru School	1,677,600					Late Submission of Documents
Lata Merchants	231,000					Exchequer Shortage
Simba Corporation Ltd	90,244					Exchequer Shortage
Simba Corporation Ltd	35,847					Exchequer Shortage
Simba Corporation Ltd	47,446					Exchequer Shortage
Institute Human Resource Management	68,500					Exchequer Shortage
Toyota Kenya Ltd	14,800					Exchequer Shortage
Toyota Kenya Ltd	196,945					Exchequer Shortage
Toyota Kenya Ltd	51,582					Exchequer Shortage
Toyota Kenya Ltd	29,000					Exchequer Shortage

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
Stantech Motors	74,449					Exchequer Shortage
Toyota Kenya Ltd	18,700					Exchequer Shortage
Toyota Kenya Ltd	37,294					Exchequer Shortage
Intercontinental Nairobi	54,000					Exchequer Shortage
Capital and Affiliate Agency Ltd	1,602,000					Exchequer Shortage
Nalycy Enterprises	330,000					Exchequer Shortage
Winhope Co. Ltd	310,000					Exchequer Shortage
Kigama Enterprises	142,500					Exchequer Shortage
Khamis High School	344,400					Exchequer Shortage
Eclipse Services International	260,000					Exchequer Shortage
MFI Document Solutions Ltd	318,327					Exchequer Shortage
Stantech Motors	60,784					Exchequer Shortage
Crown Motors Group Ltd	88,594					Exchequer Shortage
Jonam Joytown Enterprise	356,100					Exchequer Shortage
Kenya National Commission for Unesco	2,310,000					Exchequer Shortage
Dovenest Lodged Ltd	770,000					Exchequer Shortage
Kenya School of Government Baringo	6,401,500					Exchequer Shortage
Egerton University ARC Hotel	545,200					Exchequer Shortage
Pago Airway Travel Services Ltd	46,750					Exchequer Shortage
Agricultural Society of Kenya	683,960					Exchequer Shortage
Nation Media Group Limited	495,784					Exchequer Shortage
<b>Grand Total</b>	<b>19,699,754</b>					

Ministry of Education  
 State Department for Early Learning and Basic Education  
 Reports and Financial Statements  
 For the year ended 30 June 2018

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2016/2017	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2017/2018
Buildings and structures	4,475,007,916	-	-	4,475,007,916
Transport equipment	647,611,846	-	-	647,611,846
Office equipment, furniture and fittings	592,888,879	-	-	592,888,879
ICT Equipment, Software and Other ICT Assets	265,171,822	-	-	265,171,822
Other Machinery and Equipment	23,274,138	1,167,000	-	24,441,138
<b>Total</b>	<b>6,003,954,601</b>	<b>1,167,000</b>	<b>-</b>	<b>6,005,121,601</b>

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

**ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE ENTITY (State Department for Early Learning and Basic Education)**

<b>Ref</b>	<b>Project Name</b>	<b>Principal activity of the project</b>	<b>Accounting Officer</b>	<b>Project consolidated in these financial statements</b>
1	<b>Food Assistance to Primary and Pre Primary Schools in Semi-Arid and Arid Areas and Disadvantaged Urban Children World Food Program</b>	Provision of Food in Semi-Arid, Arid and Disadvantaged urban Areas	<b>Dr Belio Kipsang</b>	Yes
2	<b>Kenya Primary Education Development Project</b>	Improve Early grade Mathematics Competency and strengthen management systems at schools	<b>Dr Belio Kipsang</b>	Yes
3	<b>Secondary Education Quality Improvement Project (SEQIP)</b>	Improving Student Learning and Transition from Primary to Secondary in targeted areas	<b>Dr Belio Kipsang</b>	Yes
4	<b>Education For Young People Programme</b>	To expand and improve early childhood development and education for the vulnerable and disadvantaged children	<b>Dr Belio Kipsang</b>	Yes

**Ministry of Education  
State Department for Early Learning and Basic Education  
Reports and Financial Statements  
For the year ended 30 June 2018**

**ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE ENTITY (State Department for Early Learning and Basic Education)**

<b>Ref</b>	<b>SC, SAGA or Public Fund's name</b>	<b>Principal activity of entity</b>	<b>Accounting Officer</b>	<b>Amount transferred during the year</b>	<b>Inter- entity reconciliations done</b>
1.	Kenya Education Management Institute	<b>Conduct Training, Research and Consultancy for Education Services</b>	<b>Graca Ngaca</b>	92,000,000	<b>Yes</b>
2.	Center For Mathematics Science And Technology East Africa	<b>Promoting Science and Technology</b>		694,466,900	<b>Yes</b>
3.	Kenya Institute Of Special Education		<b>Wambua T Mutiso</b>	414,000,000	<b>Yes</b>
4.	Kenya Institute Of Curriculum Development	<b>Curricula Development</b>		1,126,358,540	<b>Yes</b>
5.	Kenya National Commission For Unesco			349,228,425	<b>Yes</b>
6.	Kenya National Examination Council			4,904,903,420	<b>Yes</b>
7.	Science Equipment Production Unit			31,092,000	<b>Yes</b>
8.	Presidential Awards			30,000,000	<b>Yes</b>
9.	Scouts			77,500,000	<b>No</b>
10.	Girl Guides			28,125,000	<b>No</b>
11.	Institute Of the Blind			30,000,000	<b>No</b>
12.	Kibabii Teachers Training College			166,250,000	<b>Yes</b>
13.	Kagumo Teachers Training College			91,350,000	<b>Yes</b>
14.	Lugari Teachers Training College			48,750,000	<b>Yes</b>
15.	Moiben Teachers Training College			15,000,000	<b>Yes</b>
	<b>TOTAL</b>			<b>8,099,024,285</b>	

**Ministry of Education**  
**State Department for Early Learning and Basic Education**  
**Reports and Financial Statements**  
**For the year ended 30 June 2018**

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**ANNEX 7- REPORTS GENERATED FROM IFMIS**

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes