

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 17 JUN 2026

DAY.

Wednesday

REPORT

TABLED
BY:

Deputy Majority Whip
Hon. Naomi Wager, MP

CLERK-AT
THE-TABLE:

Irene Nduku

OF

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

MERTI SECONDARY SCHOOL

FOR THE YEAR ENDED
30 JUNE, 2024

ISIOLO COUNTY

REVISED 30th June 2024.



MERTI SECONDARY SCHOOL



**MERTI SECONDARY SCHOOL
PUBLIC SECONDARY SCHOOL**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30th June 2024**

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

**MERTI SECONDARY SCHOOL
COUNTY SECONDARY SCHOOL**
Annual Report and Financial Statements
For the year ended 30th June 2024

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COUNTY SECONDARY SCHOOL
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1. Acronyms and Definition of Key Terms

A. Acronyms

BOM	Board of Management
CEB	County Education Board
IPSAS	International Public Sector Accounting Standards
KCSE	Kenya Certificate of Secondary Education
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
FY	Financial Year
FDSE	Free Day Secondary Education
TSC	Teachers Service Commission
SMASSE	Strengthening of Mathematics and Science in Secondary Education
FS	Financial Statements

B. Definition of Key Terms

Comparative Year –Means the Prior Period

PUBLIC SECONDARY SCHOOLS - (MERTI SECONDARY SCHOOL)
Reports and Financial Statements
For the year ended 30th June 2024

2. KEY SCHOOL INFORMATION AND MANAGEMENT

(a) Background information

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

The school was registered in 04/1989 under registration number H/A/1191/89 and is currently categorized as a County public school established, owned or operated by the Government.

The school is a day/boarding school and had **102** number of students as at 30th June 2024. It has 1 stream and 9 teachers of which 2 teachers are employed by the School Board of Management.

(b) School Board of Management - Board Members

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

Ref:	Name of Board Member	Designation	Date of appointment
1	Adan Jirma Duba	Chairman	29th August,2022
2	Nyencho Galgalo Dima	Secretary - Principal	"
3	Asli Abduba	Member	"
4	Jirma Hussein Kuta	Member	"
5	Kanu Guyatu Halake	Member	"
6	Guyo Godana	Member	"
7	Golo Tanu Galgalo	Member	"
8	Dade Boru	Member – Rep CEB	"
9	Jarso Jillo Abduba	Member Rep Teachers	"
10	Mohamed Okile, Hassan Duba, Boru A. Adan	3 Members - Sponsor	"
11	Abkul Godana	Member - Community	"
12	Hussein Halkano	MemberSpecial Needs	"
13	Abdulmalik Abdi	Rep Students	"

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The function of the School Board of Management includes:

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

(c) Committees of the Board

Ref:	Name of Committee	Names of Members	Designation	Number of meetings attended during the year
1	Executive Committee	ADAN JIRM DUBA NYENCHO GALGALLO ABKUL GODANA DADE BORU MOHAMED OKILE	Chairman Secretary Member Member Member	2/3 3/3 2/3 0/3 3/3
2	Audit Committee	Adan Jirm Duba Nyencho Galgallo Golo Tanu Dade Boru Mohamed Okile Abkul Godana	Chairman Secretary Member Member Member Member	2/2 2/2 0/2 1/2 2/2
3	Finance, procurement and general purposes Committee	Adan Jirm Duba Nyencho Galgallo Guyatu Kanu Dade Boru Mohamed Okile Golo Tanu	Chairman Secretary Member Member Member Member	1/1 1/1 0/1 0/1 1/1 1/1
4	Academic Committee	Jirma Hussein Kuta Nyencho Galgallo Adan Jirm Duba Boru Abduba Adan Dade Boru Mohamed Okile Golo Tanu Kanu Guyatu Halake Asli Abduba Safo Ali Guyo Jarso Jillo Abduba	Chairman Secretary Member Member Member Member Member Member Member Member Member	1/2 2/2 2/2 1/2 0/2 1/2 2/2 1/2 0/2 2/2 2/2

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		Abkul Godana	Member	2/2
		Golo Tanu	Chairman	0/0
		Nyencho Galgallo	Secretary	0/0
		Mohamed Okile	Member	0/0
		Adan Jirma	Member	0/0
5	Development Committee	Abkul Godana	Member	0/0
		Abkul Godana	Chairman	
		Nyencho Galgallo	Secretary	
		Adan Jirm Duba	Member	2/2
		Mohamed Diba	Member	2/2
		Dade Boru	Member	1/2
		Mohamed Okile	Member	0/2
		Golo Tanu	Member	0/2
		Kanu Guyatu Halake	Member	1/2
		Asli Abduba	Member	2/2
		Safo Ali Guyo	Membe	1/2
		Jarso Jillo Abduba	Member	1/2
		Mohamed Hussein	Member	1/2
		Mohamed Okile	Member	1/2
		Hassan Duba	Member	2/2
6	Discipline and welfare Committee			1/2
	Adhoc Committee (if any during the year)			

(d) School operation Management

For the financial year ended 30th June 2024 the School day-to-day management was under the following persons:

Ref:	Designation	Name	TSC/ID Number
1	Principal	Nyencho Galgallo Dima	420206
2	Deputy Principal	Jarso Jillo Abduba	492777
3	School Bursar	Abdi Adi Sora	12542492

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KEY SCHOOL INFORMATION AND MANAGEMENT (Continued)

(e) Schools contacts

Post Office Box: 177-60300; ISIOLO
Telephone: 0720908188
E-mail: mertisecondaryschool@gmail.com
Website:
Facebook:
Twitter:

(f) School Bankers

The school operated 5 number of bank accounts in the following banks: (Ensure all accounts including CDF accounts are included)

1. Name of Bank: KCB-(OPERATION)
Branch: ISIOLO
Account Number: 1103343009
2. Name of Bank: CONSOLIDATED-(TUITION)
Branch: ISIOLO
Account Number: 10111203000011
3. Name of Bank: ABSA-(BOARDING)
Branch: MERU
Account Number: 0132009708
4. Name of Bank: KCB-(INFRASTRUCTURE)
Branch: ISIOLO
Account Number: 1266987185
5. Name of Bank: EQUITY-(NG-CDF)
Branch: ISIOLO
Account Number: 0410279919080

6. MPESA Pay Bill No. **303030** attached to **0132009708** bank account

(Ensure all bank accounts operated by the school are disclosed and that all Pay Bill Numbers are also disclosed)

(g) Independent Auditors

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

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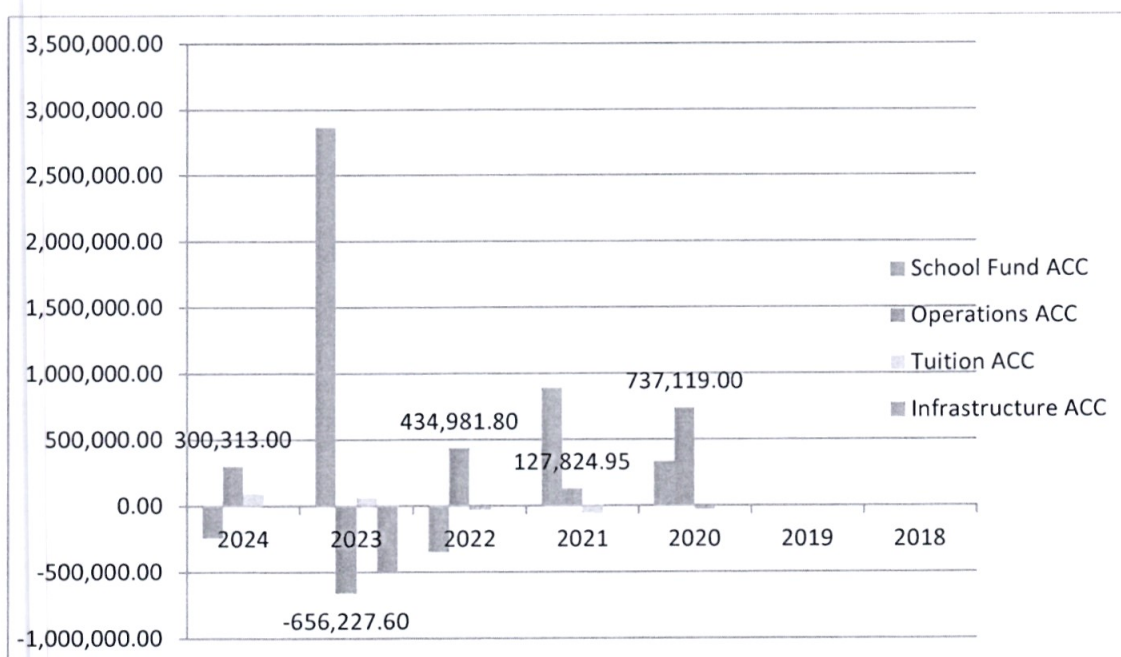
3. SUMMARY REPORT OF PERFORMANCE OF THE SCHOOL

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

a) **Financial performance:**

SNO	ACCOUNTS	2023/2024	2022/2023	2021/2022
		Kshs.	Kshs.	Kshs
1	School Fund Account	(240,755.00)	2,864,663.95	(351,202.15)
2	Operations Account	300,313.00	(656,227.60)	434,981.80
3	Tuition Account	90,890.00	62,330.25	(30,825.60)
4	Infrastructure Account	-	(508,640.00)	
	TOTAL	150,448.00	1,762,126.60	52,954.05
	Increase/Decrease	(1,611,678.00)	1,709,172.55	52,954.05

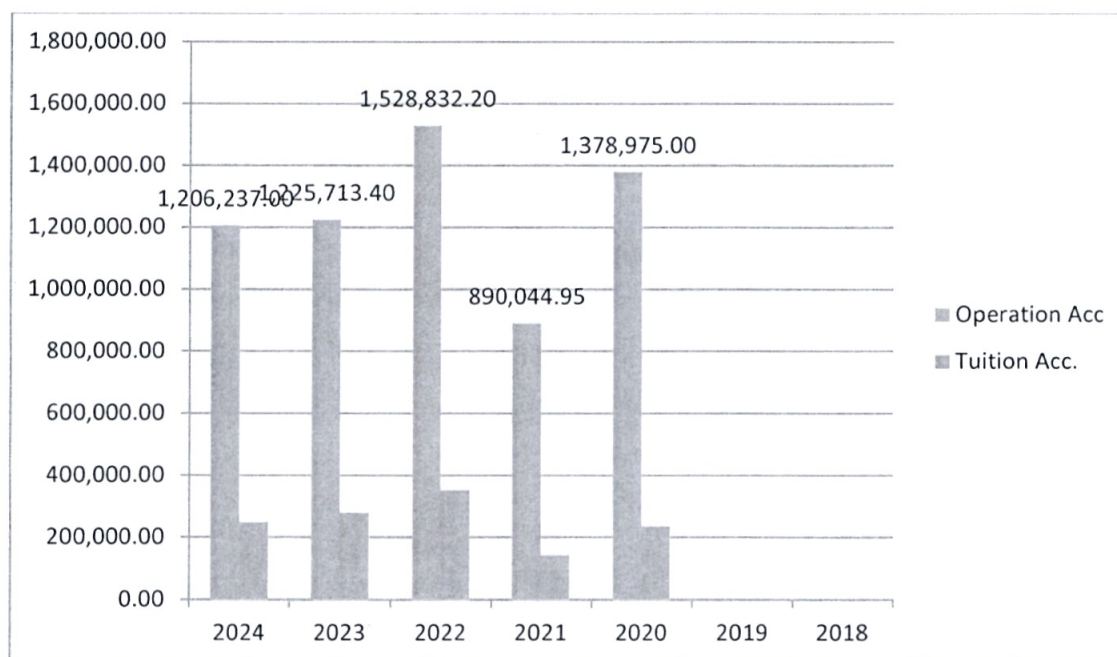
Trend over the last two years



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SNO	ACCOUNTS	2023/2024	2022/2023	2022	2021
		Kshs.	Kshs.	Kshs.	Kshs.
1	Operations Account	1,206,237.00	1,225,713.40	1,528,832.20	890,044.95
2	Tuition Account	249,020.00	280,730.00	352,090.40	141,999.75
	Total	1,455,257.00	1,506,563.65	1,880,922.60	1,032,044.70
	Increase/Decrease	151,307.00	(374,358.95)	848,877.90	(581,980.30)
	No of students	102	96	106	112
	Ratio of Capitation per students	1:14,267.00	1:15,693.00	1:17,745.00	1:9,215.00

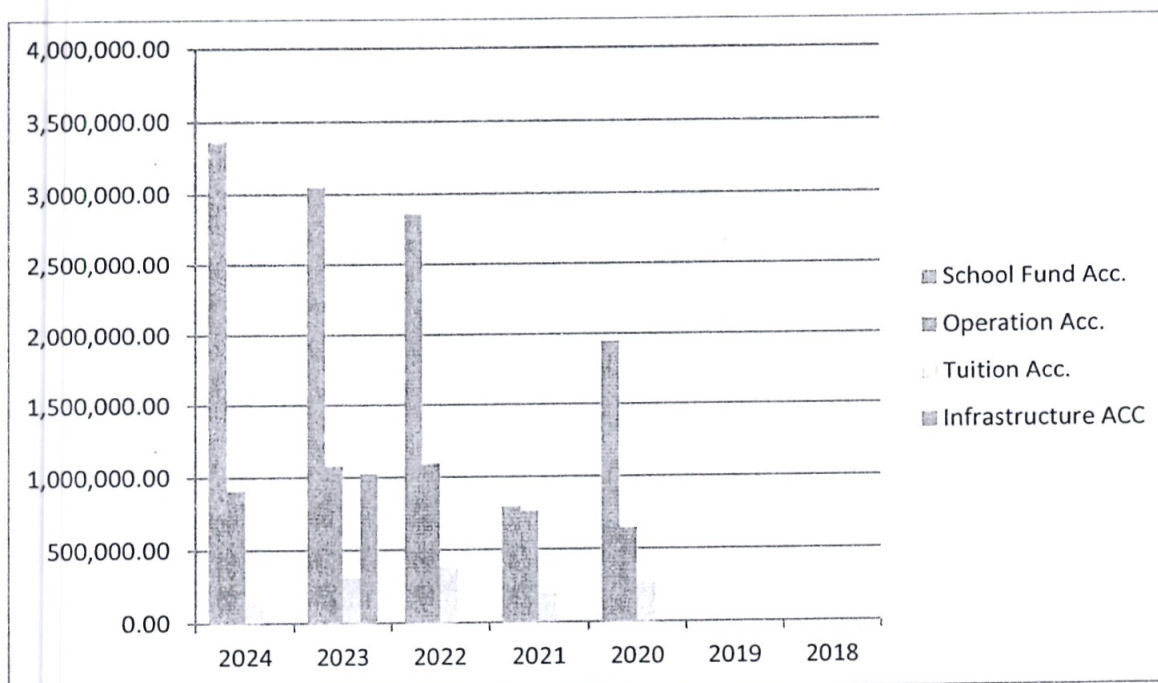
Trend over the last two years



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SNO	ACCOUNTS	2023/2024	2022/2023	2021/2022	2020/2021
		Kshs.	Kshs.	Kshs.	Kshs
1	School Fund Account	3,362,705.00	1,532,992.00	2,856,062.15	791,779.80
2	Operations Account	905,924.00	1,809,991.00	1,093,850.40	762,220.00
3	Tuition Account	158,130.00	310,850.00	382,916.00	198,031.00
4	Infrastructure Account		1,024,640.00	-	-
	Total	4,426,759.00	4,678,473.00	4,332,828.55	1,752,030.80
	Increase/Decrease	(251,744.00)	345,644.00	(2,580,797.75)	(1,101,127.40)

Trend over the last two years



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b) Teacher Student ratio:

Between the month of July 2023 and June 2024, the status of the teaching staff is as follows:

There are 7 teachers posted by the Teachers Service Commission and 2 recruited by the Board of Management. It was unfortunate that 1 teacher was released from the school in the period, and replaced by one. No retiree in the period July 2023 to June 2024. Although the teacher student ratio lies at 1:16, we have a shortage of three teachers because of the subject combination

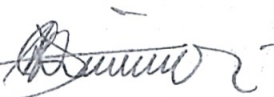
c) Mean score in the 2023, 2022, 2021, 2020, 2019, 2018 KCSE:

YEAR	ENTRY	MEAN	TRANSITION	TRANSITION (%)	SCHOOL TARGET	COMMENTS
2023	10	5.208	3	30	4.5	Exceeded the target
2022	24	4.028	0	0	4.0	Positive deviation
2021	21	3.429	0	0	3.5	Positive deviation
2020	27	2.852	0	0	3.5	Positive deviation noted.
2019	39	2.615	0	0	2.8	Positive deviation noted
2018	36	2.176	0	0	2.5	The target was not meet.

d) Development projects carried out by the school:

Sno.	Project	Year	Status	Amount	FundSource
1	N/A				
2	N/A				

Sign



School Principal

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4. STATEMENT OF SCHOOL MANAGEMENT RESPONSIBILITY

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

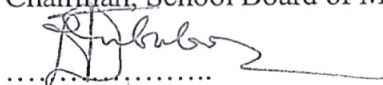
Schedule 4 (Section 23) of the Education Act, 2013 requires the Board of Management of a public institution of basic education to be keep all proper books and records of accounts of the income, expenditure and assets of the institution.

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

The Board of Management is of the opinion that the school's financial statements give a true and fair view of the state of the school's transactions during the financial year ended 30th June, 2024, and of the school's financial position as at that date.

Name: ADAN JIRMA DUBA
Designation: Chairman, School Board of Management

Sign:



Date:

10/3/26

Name: NYENCHO GALGALLO DIMA
Designation: School Principal & Secretary to Board of Management

Sign:

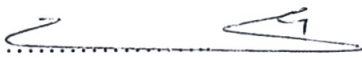


Date:

10/03/2026

Name: ABDI ADI SORA
Designation: Bursar/ Finance Officer

Sign:



Date:

10/3/2026

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MERTI SECONDARY SCHOOL FOR THE YEAR ENDED 30 JUNE, 2024 - ISIOLO COUNTY

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Merti Secondary School set out on pages 14 to 36, which comprise of the statement of assets and liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and

statement of budgeted versus actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Merti Secondary School as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Basic Education Act, 2013.

Basis for Qualified Opinion

1. Inaccuracies in Financial Statements

Review of the financial statements submitted for audit revealed the following inaccuracies:

- i) The opening balances for the financial year 2022/2023 in the financial statements differed with those recorded in the Notes to the financial statements:

Component	Opening Balances - Financial Statements (Kshs)	Opening Balances - Notes to the Financial Statements (Kshs)	Variance (Kshs)
Statement of Receipts and Payments			
School Fund Income - Parents Contribution (Note 3)	2,864,633	2,093,100	771,533
Payments for Tuition	310,850	218,520	92,330
Payments for Operations	1,078,473	1,601,491	(523,018)
Boarding and School Fund Payments	3,049,243	1,519,392	1,529,851
Statement of Financial Assets and Liabilities			
Accumulated Fund balance brought forward	15,751,389	17,382,817	(1,631,428)

- ii) The actual amounts reported in the statement of budgeted versus actual amounts differ from the actual amounts disclosed in the statement of receipts and payments, resulting in unexplained variances as shown below:

Component	Statement of Receipts and Payments (Kshs)	Statement of Budgeted versus Actual (Kshs)	Variance (Kshs)
Capitation Grant for Tuition	249,020	259,499	(10,479)
Capitation Grants for Operations	1,206,237	1,223,333	(17,096)

Component	Statement of Receipts and Payments (Kshs)	Statement of Budgeted versus Actual (Kshs)	Variance (Kshs)
School Fund Income - Parents' Contribution	3,121,950	1,751,650	1,370,300
Payments for Tuition	158,130	164,130	(6,000)
Payments for Operations	905,924	1,750,477	(844,553)
Boarding and School Fund	3,362,705	2,507,658	855,047

- iii) The actual amounts reported in the statement of budgeted versus actual amounts differ from the actual amounts disclosed in the statement of cash flows, resulting in unexplained variances as shown below;

Component	Statement of Cash flows (Kshs)	Statement of Budgeted versus Actual (Kshs)	Variance (Kshs)
Capitation Grant for Tuition	249,020	259,499	(10,479)
Capitation Grants for Operations	1,206,237	1,223,333	(17,096)
School Fund Income - Parents' Contribution	3,121,950	1,751,650	1,370,300
Payments for Tuition	158,130	164,130	(6,000)
Payments for Operations	905,924	1,750,477	(844,553)
Boarding and School Fund	3,362,705	2,507,658	855,047

In the circumstances, the accuracy and completeness of balances reflected in the financial statements could not be confirmed.

2. Unsupported and Long Outstanding Accounts Receivables

The statement of assets and liabilities and as disclosed in Note 11 to the financial statements reflects accounts receivable balance of Kshs.15,044,702. However, the supporting schedules, detailed aging analysis, issued invoices and listing of the students with outstanding fees indicating how much each owes the school were not provided for audit review. Further, included in the balance is accounts receivable balance of Kshs.12,824,688 which had been outstanding for more than two (2) years. The school did not have a policy on the impairment of long outstanding fees arrears casting doubt on full recoverability of the accounts receivables balance.

In the circumstances, the fair presentation, accuracy, and recoverability of the receivables balance could not be confirmed.

3. Cash and Cash Equivalents

3.1 Unsupported Cash and Cash Equivalents

The statement of assets and liabilities and as disclosed in Note 10 to the financial statements reflect an amount of Kshs.1,254,335 with respect to bank accounts. However, the school did not maintain a cashbook for the infrastructure account. Further, there was

no evidence of segregation of duties in the preparation and review of bank reconciliations, as the statements were unsigned and did not indicate the preparer or the reviewing officer.

In the circumstances, the accuracy of the cash and cash equivalent balance of Kshs.1,254,335 could not be confirmed.

3.2 Non-Disclosure of a Bank Account

The statement of assets and liabilities and as disclosed under Note 8 to the financial statements, reflects a balance of Kshs.1,254,335 in respect of bank accounts as at 30 June, 2024. However, a review of the school bankers as presented in the financial statements revealed that the school maintained an NG-CDF account at Equity Bank and whose balance was not disclosed. Further, the bank statements, certificate of bank balance, cashbook, and bank reconciliation statements were not provided for audit review.

In the circumstances, the accuracy of the cash and cash equivalent balance of Kshs.1,254,335 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the Year ended 30 June, 2024 reflects final total revenues budget and actual amounts on comparable basis of Kshs.6,480,921 and Kshs.3,234,604 respectively, resulting to an under funding of Kshs.2,700,690 or 41.7% of the budget. Similarly, the School spent Kshs.4,422,265 against actual receipts of Kshs.3,234,604 resulting to an over-expenditure of Kshs.1,187,661 or 136.7% of the actual revenue without approval of the board.

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

My opinion is not modified in respect of this matter.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues remained unresolved;

No.	Financial Year	Audit Issue
1	2022/2023	Inaccuracies in the Financial Statements
2	2022/2023	Unsupported Cash and Bank Balances
3	2022/2023	Unsupported Accounts Receivable Balance
4	2022/2023	Unsupported Accounts payable Balance
5	2022/2023	Late submission of Financial Statements for Audit
6	2022/2023	Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements
7	2022/2023	Non-Compliance with the Public Procurement and Assets Disposal Act, 2015
8	2022/2023	Excess supply of textbooks
9	2022/2023	Unconfirmed Students enrollment
10	2022/2023	Failure to prepare School Improvement Plan
11	2023/2024	Lack of Land ownership documents and incomplete fixed asset Register
12	2023/2024	Weaknesses in the governance of the School

Other Information

Management is responsible for the Other Information set out on page 3 to 13 which comprise of Key School Information and Management, Summary Report of Performance of the School, Statement of School Management Responsibility. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Merti Secondary School financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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

1. Non-Compliance with Public Sector Accounting Standards Board (PSASB) Financial Reporting Template

Review of financial statements revealed the following areas on non-compliance with the Public Sector Accounting Standards Board (PSASB) financial reporting template.

- i) Pagination: The page numbers for the sections covering Acronyms and Definitions of Key Terms, the Summary Report of Performance and Management, the Statement of School Management Responsibility, and the Report of the Independent Auditor should be presented in Roman numerals.
- ii) The Summary Report on the Performance of the School on pages 8 to 10 includes tables and graphs analyzing various data. However, the table presented had no title, and some of the information disclosed was not consistent with the financial statements.
- iii) The management did not provide a commentary on significant budget underutilization (below 90% of utilization) and any overutilization above 100% as required in the template.

In the circumstances, the financial statements as prepared and presented are not in compliance with IPSAS reporting framework.

2. Unconfirmed Students Enrolment Data

The statement of receipts and payments reflects capitation grants for tuition and capitation grants for operations totalling Kshs.1,455,247. Comparison of data from National Education Management and Information System (NEMIS) with the school records revealed that during the period of 24 June, 2024, NEMIS reflected 113 students while records from the school had 111 students, resulting to an overfunding of the school by an amount of Kshs.8,311 This was contrary to Ministry of Education vide Circular MOE.HQS/3/10/18/ (46) dated 7 February, 2022 and Circular MOE.HQS/3/13/3 dated 16 June, 2021 issued guidelines on implementation of Free Day Secondary Education (FDSE) requires that all learners to be registered in NEMIS the principals to ensure their records are accurate.

In the circumstances, the School was over funded due to inaccuracy enrolment in NEMIS system.

3. Partial and Late Transfer of Infrastructure Funds from Operations Bank Account

The statement of receipts and payments reflects operations grants amount of Kshs.1,206,237 as disclosed in Note 2 to the financial statements from the Ministry of Education credited in the operations bank account. Included in the amount is Kshs.393,100 in respect of infrastructure grants which were to be transferred to infrastructure bank account for maintenance and improvement of the school's facilities.

However, only Kshs.124,300 was transferred to infrastructure account, leaving a balance of Kshs.268,800 as at 30 June, 2024. Further, an amount of Kshs.124,300 was transferred on 24 July, 2024 or 33 days after receipt. This was contrary to the Ministry of Education Circular Ref. No: MOE.HQS/3/13/3 dated 16 June, 2021 which directs that infrastructure grants as well as maintenance and improvement funds be transferred to the school infrastructure account fifteen days upon receipt of the funds in the operations account.

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

4. Unbalanced Budget

The statement of budgeted versus actual amount reflects budgeted revenue of Kshs.6,480,921 and an approved expenditure budget of Kshs.6,176,903 resulting to a budgeted surplus of Kshs.304,018. However, no explanation was provided as to why the school board approved the unbalanced budget contrary to section 33 of the Public Finance Management (National Government) Regulations, 2015 which requires the budget to be balanced.

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

5. Irregularities in Procurement Processes

5.1 Lack of a Functional Procurement Unit

The school did not have an established procurement function managed by qualified procurement professional as required under Section 47(2) of the Public Procurement and Asset Disposal Act, 2015 requiring public entities function to be handled by a registered procurement profession and Regulation 33 of the Public Procurement and Asset Disposal Regulations, 2020 requiring public entities to establish a procurement function. Procurement activities were undertaken by individuals lacking the requisite qualifications.

5.2 Lack of a Procurement Plan

The statement of Receipts and payments reflects amounts of Kshs.4,577,207 and Kshs.4,426,759 in respect of total receipts and payments respectively. However, during the year, the Management did not prepare an annual procurement plan as part of the

annual budget preparation process. This was contrary to Regulation 40(1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that a procuring entity prepare a procurement plan for each financial year as part of the annual budget preparation process’.

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

6. Failure to Prepare School Improvement Plan

During the year under review, the School did not have an approved School Improvement plan, contrary to Section 2.2 of the Ministry of Education Operation Manual for Utilization of Learner Capitation Grant and Other School Funds, which requires schools to identify in every three-year school improvement planning cycle, one priority area in each of the four key areas which include curriculum implementation, foundational literacy and numeracy outcomes, an enabling environment for learning and parental involvement and community engagement for implementation.

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

7. Non-Compliance with Data Protection Act, 2019

Audit review established that the Merti Secondary School had not registered with the Office of the Data Protection Commissioner (ODPC) as a data controller and data processor, despite actively collecting, processing, and storing personal data of staff, service providers and students during the year under review. This was contrary to Section 18(1) of the Data Protection Act, 2019 which requires that data controllers and data processors who process personal data must register with the Office of the Data Protection Commissioner (ODPC).

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

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

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects an amount Kshs.3,362,706 with respect to boarding and school fund payments. Included in this expenditure is an amount of Kshs.11,900 transferred to Kenya Secondary School Heads Association (KESSHA). However, KESSHA is a welfare organization that draws its membership from School Principals only. The organization is not defined in Government Funding system and there is no assurance that it has implemented effective, efficient, and transparent financial management and internal control systems to manage the funds transferred by schools.

In the circumstances, value for money transferred to KESSHA amounting to Kshs.11,900 could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Weaknesses in Human Resource Management

Audit review established that the school did not have an approved salary structure for supporting staff, an approved staff establishment, or a formal scheme of service for Board of Management teachers outlining job descriptions, qualifications and recruitment standards. This indicates weaknesses in internal controls over human resource management, thereby exposing the school to risks of irregular recruitment, inconsistent remuneration, and unauthorized payments.

In the circumstances, the effectiveness of internal controls over staff recruitment, deployment, and payment of personal emoluments could not be confirmed.

2. Lack of Land Ownership Documents and Incomplete Fixed Asset Register

Annex 2 to the financial statements on the summary of the fixed assets register reflect a balance of Kshs.60,098,045. However, review of the detailed fixed assets register revealed that school land had not been valued and ownership documents were not provided for audit. In addition, the register lacked critical details such as cost, date of acquisition, asset codes, and serial numbers. Further, physical inspection of assets conducted on 26 February, 2026 established that several items, including furniture and printers, were not tagged.

In the circumstances, the effectiveness of management controls over assets could not be confirmed.

3. Lack of Automation of Key Processes

Audit review established that the school majorly relies on manual systems for transaction processing and record keeping. This exposes the school to inherent risks associated with manual operations, including processing errors, inaccurate financial reporting, susceptibility to manipulation of records and compromised data integrity and

confidentiality. Further, manual processes are inefficient and hinder timely processing and retrieval of information.

In the circumstances, the adequacy and effectiveness of internal controls over financial processing and record management could not be confirmed.

4. Weaknesses in the Board of Management

4.1 Inactivity of Board Committees

The school established Board Committees, including Finance and General Purpose, Audit, Executive, Academic, Development, and Discipline and Welfare, in line with Section 61(2) of the Basic Education Act, 2013. However, audit review revealed that no evidence was provided to confirm that any of these committees held meetings during the year under review.

4.2 Failure to Hold Board Meetings

During the year under review, the Board of Management convened only one meeting, held on 11 October, 2023 thereby limiting its ability to provide strategic direction, ensure accountability, and effectively oversee the operations of the school. This was contrary to Section 6(1) of the Fourth Schedule to the Basic Education Act, 2013, which requires the Board to meet at least once every four months.

In the circumstances, the effectiveness of governance and oversight by the Board of Management could not be confirmed

5. Cohesion and Affirmative Action

During the year under review, audit established that Merti Secondary School had not put in place adequate policies, procedures, and oversight mechanisms to prevent discrimination on the basis of ethnicity, race, or national origin in procurement, recruitment, promotions, and service delivery. This was contrary to Section 3 of the National Cohesion and Integration Act.

In the circumstances, the effectiveness of governance in ensuring adherence to national cohesion and integration principles could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the School's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 April, 2026

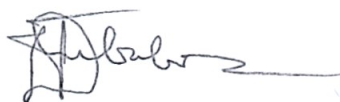
MERTI SECONDARY SCHOOL
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6. STATEMENT OF RECEIPTS AND PAYMENTS PERIOD TO 30TH JUNE 2024

DESCRIPTION OF VOTE HEAD	Note	2023/2024 Kshs.	2022/2023 Kshs.
RECEIPTS			
Capitation grants for tuition	1	249,020	280,730
Capitation grants for operations	2	1,206,237	1,225,713
School Fund Income- Parents' Contributions	3	3,121,950	2,864,633
School Fund Income- Other receipts	4		120
Proceeds from borrowings			-
TOTAL RECEIPTS		4,577,207	4,371,227
PAYMENTS			
Payments for Tuition	5	158,130	310,850
Payments for operations	6	905,924	1,078,473
Boarding and school fund payments	7	3,362,705	3,049,243
TOTAL PAYMENTS		4,426,759	4,438,566
SURPLUS/DEFICIT		150,447	(67,338)

The school financial statements were approved on _____ 2024 and signed by:

Sign:



Name: Adan Jirma

Chair BOM

Date:

10/3/26

Sign



Name: Nyencho Galgallo

School Principal/
Secretary to BOM

Date:

10/03/2026

Sign

Name: Abdi Adi Sora

Bursar/
Finance Officer

Date:

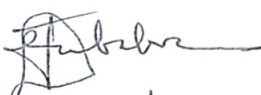
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7. STATEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS AT 30TH JUNE 2024

	Note	2023/2024	2022/2023
		Kshs.	Kshs.
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8	1,254,335	1,006,743
Cash Balances	9	3,770	104,230
Short term Investment	10		-
Total Cash and cash equivalent		1,258,105	1,110,973
Account's receivables	11	15,044,702	15,998,695
TOTAL FINANCIAL ASSETS		16,302,807	17,109,668
FINANCIAL LIABILITIES			
Accounts Payables	12	401,360	1,273,149
NET FINANCIAL ASSETS		15,901,447	15,836,519
REPRESENTED BY			
Accumulated Fund b/fwd		15,751,390	15,433,455
Surplus/Deficit for the year		150,447	317,934
NET FINANCIAL POSITION		15,901,447	15,751,389

The School's financial statements were approved on _____ 2024 and signed by:

Name: Adan Jirma
Chairman, BoM

Sign: 
Date: 16/3/26

Name: Nyencho Galgallo
School Principal/Secretary to BoM

Sign: 
Date: 16/03/2026

Name: Abdi Adi
Bursar/Finance

Sign: 
Date: 16/3/26

**MERTI SECONDARY SCHOOL
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8. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30TH JUNE 2024

		2023/2024	2022/2023
		Ksh.	KShs.
Receipts for operating income			
Capitation grants for tuition	1	249,020	280,730
Capitation grants for operations	2	1,206,237	1,225,713
School fund income- Parents contributions/ fees	3	3,121,950	2,864,663
School fund income- other receipts	4		120
Total receipts		4,577,207	4,371,227
Payments			
Payments for Tuition		158,130	310,850
Payments for operations		905,924	709,713
Payments for Infrastructure			1,024,640
Boarding and school fund payments		3,362,705	3,049,243
Total payments		4,426,759	5,094,446
Net cash flow from operating activities		150,448	(723,218)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		-	-
Acquisition of Assets		-	-
Proceeds from investments		-	-
Purchase of investments		-	-
Net cash flows from Investing Activities		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from borrowings/ loans		-	-
Repayment of principal borrowings		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		150,448	(916,949)
Cash and cash equivalent at BEGINNING of the year		1,110,974	2,027,923
Cash and cash equivalent at END of the year		1,261,402	1,110,973

The above presentation of cash flow statement uses the direct method of cash flow presentation which is encouraged under IPSAS. Schools' should therefore adopt the direct method of cashflow as recommended by PSASB.

PUBLIC SECONDARY SCHOOLS - (MERTI SECONDARY SCHOOL)

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9. STATEMENT OF BUDGETED VERSUS ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2024

Receipt/expenses Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs			Kshs	Kshs
RECEIPTS						
(1) CAPITATION GRANT ON TUITION						
T/books and reference materials	32,269	-	32,269	8,500	23,769	26.3
Exercise books	80,670	-	80,670	53,000	27,670	65.7
Laboratory equipment	146,806	-	146,806	110,488	36,318	75.3
Internal exams	22,000	-	22,000	10,000	12,000	45.5
Teaching / learning materials	75,538	-	75,538	26,840	48,697	35.5
Chalks	9,000	-	9,000	7,000	2,000	77.8
Exams and assessment	23,403	-	23,403	13,000	10,403	55.5
Administration costs	55,000	-	55,000	30,191	24,809	54.9
Teachers guides	3,000	-	3,000	480	2,520	16
SUB-TOTAL	447,686	-	447,686	259,499	188,168	58
(2) CAPITATION GRANT ON OPERATIONS						
Personnel emoluments	515,900		515,900	309,077	206,827	59.9
Repairs and maintenance	510,000		510,000	409,000	(510,000)	80.2
Local transport / travelling	183,588		183,588	150,623	154,539	82
Electricity and water	204,024		204,024	154,539	49,486	75.7
Medical	204,000	-	204,000	8,475	195,525	4.2
Administration costs	132,633		132,633	154,539	21,906	116.5
Activity	151,000	-	151,000		19,031	21.2

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Receipt/expenses Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs			Kshs	Kshs
				31,969		
Gratuity	-	-	-	-	-	
Bank	-	-	-	5112	(5112)	
SMASSE				-		
SUB-TOTAL	1,901,145	-	1,901,145	1,223,333	132,202	64.3
3) FDSE for infrastructure						
Maintenance and Improvement MoE						
M&I Parents Contribution						
Economic Stimulus Programs						
Transition Infrastructure Grants						
Administration Block						
(4) FEES CHARGED ON PARENTS						
Personnel emoluments	474,096	-	474,096	130,350	343,746	27.5
Repairs and maintenance	204,000	-	204,000	82,400	121,600	40.4
Local transport / travelling	172,380	-	172,380	61,600	110,780	35.7
Electricity and water	152,400	-	152,400	65,300	87,100	42.8
Medical	-	-	-	--	-	
Fee on Boarding Equipment and Stores	2,919,164	-	2,919,164	1,342,750	1,576,414	46
Administration costs	153,250	-	153,250	40,900	112,350	26.7
Activity	56,800	-	56,800.00	28,350.00	28,450	49.9
SMASSE	-	-	-	-	-	

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Receipt/expenses Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs			Kshs	Kshs
SUB-TOTAL	4,132,090		4,132,090	1,751,650	2,380,440	42.4
5. OTHER INCOME						
Rent income	-	-	-	-	-	
Income from farming activities	-	-	-	-	-	
Insurance compensation	-	-	-	-	-	
Income from Posho mill	-	-	-	-	-	
Income from Bus Hire	-	-	-	-	-	
Fee for hire of ground and equipment	-	-	-	-	-	
Interest income	-	-	-	120	(120)	-
Income from any other investment	-	-	-	-	-	
TOTAL INCOME	6,480,921		6,480,921	3,234,604	2,700,690	49.9
(6) EXPENDITURE FOR TUITION						
Textbooks and reference materials	32,269	-	32,269	2500	29,769	7.7
Exercise books	80,672	-	80,672	7000	73,672	8.7
Laboratory equipment	146,806	-	146,806	95,070	51,736	64.8
Internal exams	22,000	-	22,000	1,700	20,300	7.7
Teaching / learning materials	75,538	-	75,538	15,150	60,388	20.1
Chalks	9,000	-	9,000	9000	0.00	100
Exams and assessment	23,403	-	23,403	7,000	16,403	29.9
Administration costs	55,000	-	55,000	24,430	30,570	44.4
Teachers Guide	3,000	-	3,000	1,800	1,200	60

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Receipt/expenses Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs			Kshs	Kshs
Bank Charges	-	-	-	480	(480)	-
	447,688		447,688	164,130	283,558	36.7
(7) EXPENDITURE FOR OPERATIONS						
Personnel emoluments	515,900	-	515,900	451,200	64,704	87.5
Service Gratuity	-		-	-	-	-
Administration costs	132,633	-	132,633	28,125	104,508	21.2
Repairs, maintenance & improvements	510,000	-	510,000	510,000	0.00	100
Local transport / travelling	183,588	-	183,588	189,000	5,412	102.9
Electricity, water and conservancy	204,024	-	204,024	140,057	63,967	68.6
Medical	204,000	-	204,000	204,000	0.00	100
Infrastructure	-	-	-	199,013	(199,013)	-
Activity Expenses	51,000	-	51,000	23,970	27,030	47
SMASSE	-	-	-	-	-	-
Insurance Cost	-	-	-	-	-	-
Bank charges	-	-	-	5112.00	(5112)	
Acquisition of Assets	-	-	-	-	-	-
	1,801,145		1,801,145	1,750,477	61,496	109.6
8. EXPENDITURE FOR INFRASTRUCTURE						
Construction of Classroom						
Construction of LAB						
Construction of DORMS						
Purchase of Furniture						

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Receipt/expenses Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs			Kshs	Kshs
Purchase of Equipment						
Purchase of Machinery						
(9) EXPENDITURE FOR SCHOOL FUND						
Personnel emoluments	474,096	-	474,096	488,000	(13,904)	102.9
Repairs, maintenance and improvements	204,000	-	204,000	100,100	103,900	49.1
Local transport / travelling	172,384	-	172,384	208,000	(35,616)	120.7
Electricity, water and conservancy	152,400	-	152,400	197,332	(44,932)	129.5
Medical Expenses	-	-	-	-	-	-
BES	2,919,164	-	2,919,164	1,305,195	1,613,969	44.7
Administration cost	153,250	-	153,250	135,449	17,801	88.4
ACTIVITY	56,800	-	56,800	58,475	(1,675)	102.9
Lunch programme	-	-	-	-	-	-
Gratuity	-	-	-	-	-	-
Expenditure for Income Generating Activity	-	-	-	-	-	-
Insurance costs	-	-	-	-	-	-
Other expenses on investments	-	-	-	-	-	-
Rent Expenses	-	-	-	-	-	-
Bank Charges	-	-	-	15,107	(15,107)	-
Loan Principal Repayment	-	-	-	-	-	-
Loan Interest Repayment	-	-	-	-	-	-
Acquisition of Assets	-	-	-	-	-	-

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Receipt/expenses Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs			Kshs	Kshs
	4,132,094		4,132,094	2,507,658	1,624,436	60.7
TOTALS	6,380,927	-	6,380,927	4,422,265	1,969,490	71.6

10. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

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

2. Recognition of receipts and payments

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

3. In-kind contributions

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

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various financial institutions at the end of the financial year.

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Accounts Receivable

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

6. Accounts Payable

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

7. Non-current assets

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

8. Budget

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

9. Comparative figures

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

10. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2024.

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11. NOTES TO THE FINANCIAL STATEMENTS

1. CAPITATION GRANT FOR TUITION

	2023/2024	2022/2023
	Ksh.	Kshs.
Textbooks and reference materials	8,500	5,000
Exercise books	53,000	54,000
Laboratory equipment	110,488	121,000
Internal exams		10,000
Teaching / learning materials	26,841	34,000
Chalks	7,000	9,730
Exams and assessment	13,000	-
Teachers guides		-
Administration Cost	30,191	47,000
Total	249,020	280,730

2. CAPITATION GRANT FOR OPERATIONS

	2023/2024	2022/2023
	KSh.	Kshs.
Personnel emoluments	309,077	301,245
Repairs and maintenance	393,10	409,000
Local transport / travelling	154,539	150,622
	154,539	150,622
Electricity and water		150,622
Medical	8,475	21,200
Administration costs	154,539	150,623
Activity	31,969	42,400
Other Vote Heads(specify)		
Total	1,206,237	1,225,713

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PARENTS CONTRIBUTION/FEES - SCHOOL FUND ACCOUNT

	2023/2024	2022/2023
	Ksh.	Kshs.
Personnel emoluments	130,350	211,000
Repairs and maintenance	82,400	156,900
Local transport / travelling	61,600	95,120
Electricity and water	65,300	107,500
Medical	-	-
Boarding fee	1,342,750	1,044,330
Administration costs	40,900	61,550
Activity	28,350	20,700
SMASE	-	-
PA Levies		
Others(specify)		
Medical		-
Bursary	865,000	-
Debtors	509,300	-
Imprest	5,000	-
Total	3,121,950	2,093,100

4. OTHER RECEIPTS – SCHOOL FUND ACCOUNT

	2023/2024	2022/2023
	Ksh.	Kshs.
Income from farming activities	-	-
Insurance compensation	-	-
Income from Posho mill	-	-
Income from Bus Hire	-	-
Fee for hire of ground and equipment	-	-
Income from grants and donations*	-	-
Interest income	-	120
Dividends income	-	-
Total	0	120

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(Include an explanation on the kind and source of grants/ donations received by the school.)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. PAYMENTS FOR TUITION

	2023/2024	2022/2023
	Ksh.	Kshs.
Textbooks and reference materials		-
Exercise books	7,000	35,900
Laboratory equipment	95,070	126,450
Internal exams	-	1,700
Teaching / learning materials	15,150	33,400
Chalks	9,000	1,500
Exams and assessment	7,000	-
Teachers guides	-	-
Administration Costs	24,430	18,970
Bank Charges	480	600
Total	158,130	218,520

6. PAYMENTS FOR OPERATIONS

	2023/2024	2022/2023
	Ksh.	Kshs.
Personnel emoluments(Non- teaching/BOM teachers)	421,200	523,800
Service Gratuity	-	-
Administration Cost	28,125	243,217
Repairs and maintenance & improvements	-	516,000
Local transport / travelling	189,000	157,600
Electricity and water	140,057	160,394
Medical	-	-
Infrastructure	-	-
Activity Expenses	53,970	-
SMASSE	-	-
NSSF	51,360	
NHIF	17,100	
Insurance Cost	-	-
Bank Charges	5,112	480
Acquisition of Assets	-	-

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TOTAL	905,924	1,601,491
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7. BOARDING AND SCHOOL FUND PAYMENTS

	2023/2024	2022/2023
	Ksh.	Kshs.
Personnel emoluments(Non teaching and BOM Teachers)	488,000	116,200
Repairs and maintenance & Improvements	100,100	81,850
Local transport / travelling	208,000	71,200
Electricity and water	197,332	76,560
Medical Expenses	-	-
Administration costs	135,440	143,650
Activity	58,475	20,365
Gratuity	-	-
Bursary	856,000	
Lunch Program	-	-
Boarding Equipment and Stores	1,305,195	1,008,060
Expenses on Income Generating Activities	-	-
Insurance cost	-	-
Other expenses on investments	-	-
Rent Expenses	-	-
Bank Charges	14,164	15,107
Loan Principal repayment	-	-
Loan Interest repayment	-	-
Acquisition of Assets	-	-
PA expenses		
Others (specify)		
TOTAL	3,362,706	1,519,392

*Expenses on income generating activities** should include all costs relating to the school earnings on other receipts as recorded in note 4. These costs should include farm maintenance, posho mill maintenance, ground maintenance and costs incurred during hire of school bus among others.*

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. BANK ACCOUNTS

Name of Ban, Account No. & currency	Bank Account Number	Status	2023/2024	2022/2023
		Active/Dor mant	Ksh.	Kshs.
Tuition Account(CONSOLIDATED)	10111203000011	Active	169,846	78,956
Operations Account(KCB)	1103343009	Active	389,587	89,274
School Fund Account/Boarding(ABSA)	0132009708	Active	495,888	636,183
Savings Account	-	-	-	-
Parent Association Development Account	-	-	-	-
Income generating activities Account	-	-	-	-
Infrastructural Account(KCB)	1266987185	Active	199,013	202,329
Total			1,254,335	1,006,743

9. CASH IN HAND

Description	2023/2024	2022/2023
	KSh.	Kshs.
Tuition Account	-	-
Operation Account	-	-
School Fund account	3,770	104,230
Notes and Coins		
Total	3,770	104,230

10. SHORT TERM INVESTMENTS

Description	2023/2024	2022/2023
	Ksh.	Kshs.

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Cooperative shares	-	-
Treasury Bills	-	-
Fixed deposit	-	-
Equity stock	-	-
Other investments	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. a) ACCOUNTS RECEIVABLE

Description	2023/2024	2022/2023
	Ksh.	Kshs.
Fees arrears	15,044,702	15,993,695
Other non-fees receivables	-	-
Salary advances(list/schedule attached)	-	-
Imprest(list/schedule attached)	-	5,000
Rent arrears(list/schedule attached)		
Total	15,044,702	15,998,695

[Include an ageing of the fees / non fees arrears below]

11. b) Ageing analysis of Accounts Receivable

Description	2023/2024	% of the Total	2022/2023	% of the Total
	Ksh.		Kshs.	
Fees arrears for current year	876,300	5.8	1,853,014	11.59
Fees arrears for the previous year	1,343,714	8.9	657,634	4.11
Fees arrears for prior periods (over two years)	12,824,688	85.3	13,483,047	84.30
Total	15,044,702	100	15,993,695	100

12. a) ACCOUNTS PAYABLE

Description	2023/2024	2022/2023
	Ksh.	Kshs.
Trade creditors (See ageing below and appendix 1)	401,360	1,273,149
Prepaid fees	-	-
Retention monies	-	-
Unpaid salaries and statutory deductions		
Caution money		
Other payables (specify)		
Total	401,360	1,273,149

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

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12. b) Ageing analysis of Accounts Payable

Description	2023/2024	% of the Total	2022/2023	% of the Total
	Ksh.		Kshs.	
Trade creditors for current year	401,360	100	455,08	35.74
Trade creditors for the previous year	-		484,500	38.06
Trade creditors for prior periods (over two years)	-		333,569	26.20
Total	401,360	100	1,273,149	100

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. FUND BALANCE BROUGHT FORWARD

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Bank balances	1,254,335	1,006,743
Cash balances	3,770	104,230
Short Term Investments	-	-
Receivables	15,044,702	15,998,695
Payables	(401,360)	1,273,149
Total	15,901,447	17,382,817

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Other important disclosure notes

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

14. Non-current Liabilities Summary

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Bank loan(s)	-	-
Outstanding Leases	-	-
Hire purchase	-	-
Gratuity and leave provision	-	-
Total	-	-

15. Biological assets

Description	Numbers	2023/2024	2022/2023
			Kshs.
Cattle	-	-	-
Goats	-	-	-
Trees	-	-	-
Coffee or tea plantation	-	-	-
Poultry	-	-	-
Others(specify)	-	-	-
Total	-	-	-

16. Borrowings

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Borrowing at beginning of the year	-	-
Borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-

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Other important disclosure notes

17. a) Stock/ Inventory

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Stock/ inventory at beginning of the year	67,310	30,000
Stock/ inventory purchased during the year	1,431,415	777,310
Stock/ inventory issued during the year	1,345,415	(740,000)
Balance at end of the year	153,310	67,310

b) Stock/ Inventory

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Food stuffs	86,000	
Lab consumables	15,000	
Farm Produce	-	
Medication	-	
Construction Materials	-	
Stationaries	52,310	
Others(specify)		
Balance at end of the year	153,310	

(Stock to be measured at lower of cost and net realisable value. Net realisable value is the difference between selling costs less costs to sell)

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20. 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.

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Variance between Balances reflected in the statement of receipts and payments and corresponding notes.	Challenges in preparing FS under IPSAS as little training was done for accounts clerks. This has been rectified in the corrected FS	Resolved	
2	Unsupported Cash and Bank Balances	The errors in FS has since been rectified in the corrected financial statements	Resolved	
3	Inaccuracy in capitation Grants for operations	Sometime the figures from the MoE and what we receive in the school may differ, but we can report on what has been received in the school.	Resolved	
4	Late submission of Financial Statements	The FS for year 2023 was prepared towards the end of the year and submitted.	Resolved	
5	Weakness in Governance of the school.	The BoM met more than once in the year in question, however some of the minutes were missing in the file. This has been noted and proper filing adopted in the future.	Resolved	
6	Accuracy of school Enrolment Data	This is as a result of some students not having birth certificates, and also the NEMIS system not responsive sometimes especially to the cases of transfers.	Not resolved	By the end the year.

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PUBLIC SECONDARY SCHOOLS - (MERTI SECONDARY SCHOOL)
 Reports and Financial Statements
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12. ANNEXES

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 20XX	Outstanding Balance 20XX-1	Comments
	A	b	c	d=a-c		
	Kshs	Kshs	Kshs	Kshs	Kshs	
Construction of buildings						
1.	-			-		
2.	-			-		
3.	-			-		
Sub-Total						
Supply of goods						
1.Four silver Transportor LTD	329,750	01/05/2023	-	329,750		
2.Baranot Bookshop	71,610	01/05/2023		71,610		
3.	-			-		
Sub-Total	401,360			401,360		
Supply of services				-		
Sub-Total	0.00			0.00		
Grand Total	401,360			401,360		

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ANNEX 2 – SUMMARY OF FIXED ASSETS REGISTER

Asset class	Date purchased	Location	Historical Cost b/f (Kshs) 1 st July 2023	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 30 th June 2024
Land 1	1986	MERTI	17,000,000	-	-	17,000,000
Land 2	1986	MERTI	13,500,000	-	-	13,500,000
Buildings and structures	-		24,980,000	-	-	24,980,000
Motor vehicles	-		-	-	-	-
Office equipment, furniture and fittings			367,000	-	-	367,000
ICT Equipment, and Other ICT Assets			1,100,000	221,045	-	1,321,045
Tools and apparatus			920,00	-	-	920,000
Textbooks			1,980,000	-	-	1,980,000
Other Machinery and Equipment			-	-	-	-
Heritage and cultural assets			-	-	-	-
Intangible assets- soft ware			30,000.00	-	-	30,000
Total			59,877,000.00	-	-	60,098,045

(The School should ensure that a detailed fixed assets register is maintained).