

REPUBLIC OF KENYA



REPORT

OF

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 26 NOV 2024 DAY: Tuesday

TABLED BY: Hon. Naomi Wago
CLERK-AT-THE-TABLE: Deputy Majority Whip
Lomale

THE AUDITOR-GENERAL

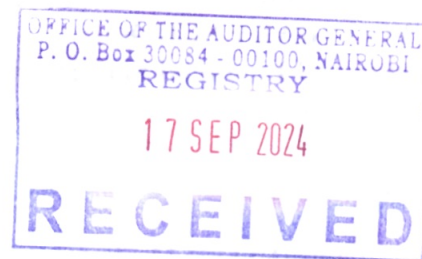
ON

MACHAKOS SCHOOL

**FOR THE EIGHTEEN (18) MONTHS' PERIOD
ENDED 30 JUNE, 2021**

MACHAKOS COUNTY

PARLIAMENT
OF KENYA
LIBRARY



**MACHAKOS SCHOOL
PUBLIC SECONDARY SCHOOL**

EIGHTEEN MONTHS REPORT AND FINANCIAL STATEMENTS

**FOR THE PERIOD ENDED
30th June 2021**

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

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MACHAKOS SCHOOL
PUBLIC SECONDARY SCHOOLS
Reports and Financial Statements
For the year ended 30th June 2021

I. KEY SCHOOL INFORMATION AND MANAGEMENT

(a) Background information

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

The school was registered in 11/2012 under registration number PU/S/3/9914/12 and is currently categorized as a National public school established, owned or operated by the Government.

The school is a boarding school and had 1902 number of students as at 30th June 2021. It has 8 streams and 76 teachers of which 14 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	DR. JONATHAN MWANIA	Chairman	28TH MAY 2019
2	MR. INDIMULI KAHU, OGW	Secretary - Principal	28TH MAY 2019
3	DAMARIS NDUVA	Member	28TH MAY 2019
4	MR. SOLOMON NGOMO	Member	28TH MAY 2019
5	DR. JANE KATHUKU	Member	28TH MAY 2019
6	ALI NOOR HUSSEIN	Member	28TH MAY 2019
7	DR. LUCAS MWOVE	Member	28TH MAY 2019
8	DR. JACINTA KINYILI	Member – Rep CEB	28TH MAY 2019
9	MR. BENJAMIN MUSELA	Member Rep Teachers	28TH MAY 2019
10	DR. BENARD M. MUIA	Member – Community	28TH MAY 2019
11	M/S BEATRICE NGUNGU	Member Special Needs	28TH MAY 2019
12	SADDIQ WAFI	Rep Students	28TH MAY 2019

KEY SCHOOL INFORMATION AND MANAGEMENT (Continued)

The function of the School Board of Management include:

- Promote the best interests of the School and ensure its development.
- Promote quality education for all pupils in accordance with the standards set under the Basic Education Act, 2013
- Ensure and assure the provision of proper and adequate facilities for the School
- Manage the School's affairs in accordance with the rules and regulations governing occupational safety and health.
- Advise the County Education Board on the staffing needs of the School.
- Determine cases of pupil's 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	Dr.Jonathan Mwanja Damaris Nduva Indimuli Kahi Ali Nur Hussein Jacinta Kinyili Solomon Ngomo	Chairperson Vice Chairperson Secretary Pa Chairman Member Member	2/3 3/3 3/3 2/3 2/3 3/3
2	Audit Committee	Ali Nur Hussein Dr Lucas Mwove Solomon Ngomo	Chairperson Member Member	Nil Nil Nil
3	Finance,procurement and general purposes Committee	Dr. Lucas Mwove Solomon Ngomo Ali Nur Hussein	Chairperson Member Pa Chairman	Nil Nil Nil
4	Academic Committee	Dr. Jacinta Kinyili Dr. Jane Kathuku Cosmas Mululu	Chairperson Member Member	2/2 1/2 2/2
5	Development/Infrastructure Committee	Solomon Ngomo Dr. Jonathan Mwanja Damaris Nduva Indimuli Kahi Ali Nur Jacinta Kinyili	Chairperson Member Member Secretary Member Member	3/3 3/3 3/3 3/3 2/3 3/3
6	Discipline and welfare Committee	Damaris Nduva Dr Lucas Mwove Beatrice Ngungu	Chairperson Member Member	3/3 2/3 3/3

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(d) School operation Management

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

Ref:	Designation	Name	TSC Number
1	Principal	INDIMULI KAHU, OGW	TSC No. 240280
2	Deputy Principal	BENJAMIN MUSELA	TSC No. 348647
3	School Bursar	RACHAEL KATIKU	ID No. 14426151

KEY SCHOOL INFORMATION AND MANAGEMENT (Continued)

(e) Schools contacts

Post Office Box: 39-90100
Telephone: 0721796771
E-mail: machakosschool@yahoo.com
Website: machakosschool.ac.ke
Facebook: Machakos School
Twitter:

(f) School Bankers

1. Name of Bank: Standard Chartered bank (boarding)
Branch: Machakos
Account Number: 0102065729300
2. Name of Bank: Standard Chartered bank (tuition)
Branch: Machakos
Account Number: 0102065729301
3. Name of Bank: Standard Chartered bank (operation)
Branch: Machakos
Account Number: 0102865729300
4. Name of Bank: Standard Chartered bank (infrastructure)
Branch: Machakos
Account Number: 0102865729302
5. Name of Bank: KCB (savings)
Branch: Machakos
Account Number: 050194117338
6. Name of Bank: Equity Bank (current)
Branch: Machakos
Account Number: 0600263557298
7. Name of Bank: Co-operative Bank (current)
Branch: Machakos
Account Number: 01139749330000
8. Name of Bank: KCB (needy kitty account)
Branch: Machakos
Account Number: 1224693841
9. Name of Bank: Daima Bank (dormant)
Branch: Machakos
Account Number: 5001880006
10. MPESA Pay Bill No. 146523 attached to Standard Chartered bank account (boarding)

(g) Independent Auditors

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

MACHAKOS SCHOOL
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II. SUMMARY REPORT OF PERFORMANCE OF THE SCHOOL

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

a) Financial performance:

CRITERIA	Jan 2020 - June 2021
Surplus/ deficit for the year	5,894,929
Capitation grants from the Ministry of Education	40,043,117
Enrolment	1902
Ratio of capitation grant per student	1:21053
Other income(s) earned by the school.	110,505,702
overview of growth of other income(s)	-
Total expenditure of the school	144,653,890
Overview of growth in expenditure of the school	-
Debtors/Receivables	18,447,267
Creditors/Payables	9,772,327
Cash and bank balances	10,753,739

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b) Teacher Student ratio:

	Jan 2020-June 2021	
Number of teachers-TSC	62	
Number of teachers-BOM	14	
Total number of teachers	76	
Enrolment	1902	
Teacher Student Ratio	1:24	
Number of Teachers Recruited during the year	1	
Number of Teachers transferred/retired during the year	0	
CBE		96
total no of teachers		62
Teacher Surplus/Shortage as per CBE		34
Subject Combinations on Shortage	SUBJECT COMBINATION	NO of Teachers
	Biology/Chemistry	4
	Maths/Physics	3
	Maths/Chemistry	3
	Biology/Agriculture	4
	English/Literature	3
	Physics/Chemistry	3
	Geography/Business Studies	3
	History/Geography	3
	Kiswahili/History	3
	History/IRE	1
	Computer/Business Studies	1
	French/Geography	1
	Computer/Maths	1
	Geography/IRE	1
		34

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c) Mean score in the 2020 KCSE:

Target Score for the year	2021
Mean Score in KCSE	7.9756
Mean Grade in KCSE	B-
Deviation	-0.7135
Total Number of Candidates	457
Number of candidates transited to university	345
% of candidates transited to University	76.50%
No. of candidates transited to other colleges/polytechnics	112
% of candidates transited to other colleges/polytechnics	24%

d) Number of Candidates in the 2021 KCSE:

Year	No. of Students
2021	457

e) Capacity of the school:	1902 students		
	IDEAL NO./CAPACITY	Jan-June 2021	Surplus/Shortage
Land with Title(LR No 909/409 Machakos Township)	115	115	
45 Capacity Classrooms	36	32	(4)
Science Laboratories	10	5	(5)
Toilets- Tuition Area	53	34	(19)
Toilets- Boarding Area	53	44	(9)
Mwatu Dormitory-Capacity	192	197	
Masaku Dormitory.....Capacity	192	202	
Ngei Dormitory.....Capacity	192	189	
Muindi Mbingu Dormitory.....Capacity	152	180	
Musau Dormitory.....Capacity	192	137	
Omondi Dormitory.....Capacity	200	204	
Mathendu Dormitory.....Capacity	192	183	
TOTAL DORM CAPACITY	1312	1292	
Assembly Hall-Converted to Dorm		298	
General Lab -Converted to Dorm		0	
Art Room- Converted to Lab		0	
Dorm X - Classroom		80	
Dorm Y- Classroom		72	
Total Students sleeping in other areas		450	
Student capacity needing dorms			(430)
Boreholes		2	(1)
Dining Hall 1- Used in 2 Shifts	900		(900)

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(f) Development projects carried out by the school:

Name of project	Source of funds	Status by 30/6/2021	Initial cost Ksh.	Amount spent	Expected completion date
Construction of 8 No. of classrooms	MOE Infrastructure grants Maintenance and improvement funds	Ongoing	25,904,284.80	5,556,524.00	30/6/2022

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III. STATEMENT OF SCHOOL MANAGEMENT RESPONSIBILITY

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

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

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

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

Name: Jonathan Mwanja
Designation: Chairman, School Board of Management

Sign: 
Date: 12/09/2024

Name: B.S Manoo
Designation: School Principal & Secretary to Board of Management

Sign: 
Date: 12/09/2024

CHIEF PRINCIPAL
MACHAKOS SCHOOL
P.O. BOX 39-90100,
MACHAKOS

Name: Rachael Katiku
Designation: Bursar/ Finance Officer

Sign: 
Date: 12/09/2024

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MACHAKOS SCHOOL FOR EIGHTEEN (18) MONTHS' PERIOD ENDED 30 JUNE, 2021 - MACHAKOS COUNTY

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided under 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 Machakos School - Machakos County set out on pages 13 to 33, which comprise of the statement of assets and

Report of the Auditor-General on Machakos School for the eighteen (18) Months' Period ended 30 June, 2021 - Machakos County

liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparison of budgeted versus actual amounts for the period 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, the financial position of Machakos School - Machakos County as at 30 June, 2021, and of its financial performance and its cash flows for the period 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. Unsupported Acquisition of Assets

The statement of cash flow reflects acquisition of assets of Kshs.18,318,549. However, Annex 2 to the financial statements which is a summary of the fixed assets register does not include acquisition of the assets. Additionally, the annexure does not indicate the historical values of the assets.

In the circumstances, the existence, accuracy and completeness of the acquisition of Assets of Kshs.18,318,549 cannot be confirmed.

2. Long Outstanding Receivables

The statement of financial assets and financial liabilities and as disclosed in Note 11 to the financial statements reflects accounts receivable of Kshs.18,447,267. Included in the receivables balance is Kshs.12,996,443 which had been outstanding for more than two years. However, there was no policy on the impairment of long outstanding fees arrears casting doubt on the fair statement of the accounts receivables balance.

In the circumstances, the accuracy and recoverability of the outstanding accounts receivables of Kshs.18,447,267 could not be confirmed.

3. Unsupported Other Receipts

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects school fund income-other receipts of Kshs.2,934,085. Included in the balance is rent income of Kshs.544,074, Bakery income of Kshs.474,825 and income from farming activities of negative balance Kshs.6,480. However, the management did

not operate a separate account for the streams of income and there were no separate cashbooks, bank certificates and bank reconciliation statements.

In the circumstances, the accuracy and completeness of school fund income-other receipts of Kshs.2,934,085 could not be confirmed.

4. Unsupported Bank Accounts

The statement of financial assets and financial liabilities reflects cash and cash equivalents balance of Kshs.10,753,739. Included in the balance is a bank balance and cash in hand balance of Kshs.10,712,601 and Kshs.41,138. Included in the bank balance are nine bank accounts totaling to Kshs.10,712,601. However, bank reconciliation statements for the nine school accounts and the authorizations to open and operate the accounts were not provided for audit review.

In the circumstances, the accuracy and completeness of the bank balance amount of Kshs.10,712,601 could not be confirmed.

5. Inaccurate Rental Income

The statement of receipts and payments and as detailed in Note 4 to the financial statements reflects other receipts of Kshs.2,934,085. Included in other receipts is rent income of Kshs.544,074. Physical inspection revealed that the School owned fifty-nine (59) rental houses which had been rented out to teachers and other staffs for a monthly rent ranging between Kshs.400 to Kshs.1500. However, the rent was not charged as per rent valuation by the relevant ministry or Market survey report on rent charged for similar houses in the locality.

In the circumstances, the accuracy and completeness of the rent income amount of Kshs.544,074 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Machakos 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

1. Budgetary Control and Performance

The statement of budgeted versus actual amounts reflects final receipts budget and actual on comparable basis of Kshs.156,395,750 and Kshs.139,098,482 respectively resulting to an under realization of budget by Kshs.17,297,269 or 11% of the budget.

However, the School spent a balance of Kshs.117,986,747 against actual receipts of Kshs.139,098,482 resulting to an under-utilization of Kshs.21,111,735 or 25% of actual receipts.

The under-funding and under-utilization 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.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Late Submission of Financial Statements

The annual report and financial statements for period ended 30 June, 2021 were submitted for audit on 6 March, 2024 instead of the statutory deadline of 30 September, 2021. This was contrary to the Ministry of Education circular Ref.No. MOE/DSAS/FIN/17/1/17 dated 19 August, 2021 which stated that the School's financial statements should be ready by 30 September, 2021 in compliance with Section 81 of the Public Finance Management Act, 2012 on preparation of the financial statements.

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

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

The statement of receipts and payments reflects boarding and school fund payments amount of Kshs.108,635,661 as disclosed in Note 7 to the financial statements. Included in the expenditure is an amount of Kshs.1,542,943 transferred to Kenya Secondary Schools 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.1,542,943 could not be confirmed.

3. Lack of a List of Registered Suppliers

The statement of receipts and payments reflects total payments of Kshs.144,653,890. However, Management of the School did not provide a list of registered suppliers for the total expenditure of Kshs.144,653,661. This is contrary to Section 57(1&2) of the Public Procurement and Disposals Act, 2015 which provides that the head of the procurement function of a procuring entity shall maintain and update lists of registered suppliers, contractors and consultants in the categories of goods, works or services according to its procurement needs.

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

4. Lack of a Procurement Plan

The statement of receipts and payments reflects an amount of Kshs.150,548,819 and Kshs.144,653,890 in respect of total receipts and total payments respectively. However, during the year, Management did not prepare an annual procurement plan as part of the annual budget preparation process. This was contrary to Regulation 40 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.

5. Lack of an Approved Budget

The statement of budgeted versus actual amounts reflects final receipts budget and actual on comparable basis of Kshs.156,395,750 and Kshs.139,098,482 respectively. However, budget figures were not supported with an approved budget. This is contrary to Section 16 (1) part 1 of the fourth schedule of the Basic Education Act, 2013 which states that (1) a Board of Management of a public institution of basic education shall prepare annual estimates of revenue and expenditure for the institution under its charge in such form and at such times as the Cabinet Secretary may prescribe.

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

6. Irregular Tender for Supply of School Uniform

The statement of receipts and payments reflects Boarding and school fund payments of Kshs.134,450,123. Included in the balances is a nil amount for Uniforms. However, review of procurement documents revealed that a tender was advertised for provision of uniform on 03/12/2020 and minutes of board meeting held on 3 June, 2021 in which bidders were awarded tenders for supply of school uniforms. However, a review of the admission forms revealed admission of 500 students with a uniform charge of Kshs.15,800 per student totaling to Kshs.7,900,000. This is contrary to Section 67(3) of the Basic Education Regulations, 2015, which states that, no institution shall prescribe a specific supplier of School uniforms or any other materials for the parent or guardian.

In the circumstances, Management was in breach of law.

7. Irregular and inadequate System

The statement of receipts and payments reflects an amount of Kshs.150,548,819 and Kshs.144,653,890 in respect of total receipts and payments respectively. Physical verification in the month of May, 2024 revealed the School was using a software to manage school fees and student receivables. However, service level agreement between the school and service provider was not provided for audit review. In addition, the certificate of approval of the software by the relevant government ministry was not provided for review.

Further, review of the software revealed that it could not generate school students master data, it could not generate aging analysis of student debtors and prepayments nor it could not generate reports of amount invoiced, amount paid and balance as at 30 June.

In the circumstances, value for money in the procurement and implementation of the system could not be confirmed.

8. Failure to Transfer Infrastructure Funds from Operations Bank Account

The statement of receipts and payments reflects operations grants amount of Kshs.35,348,175 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.7,406,500 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.6,496,000 was transferred to the school infrastructure bank account resulting to a balance of Kshs.910,500 as at 30 June, 2021. This was contrary to the Ministry of Education circular No. MOE.HQS/3/13/3 dated 16 June, 2021 that requires Schools to transfer infrastructure grants from operations accounts within fifteen days from date the funds are credited.

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

9. Un-Approved Infrastructure Projects

The statement of receipts and payments reflects total payments of Kshs.144,653,890. Review of school records revealed that Management of the School awarded a contract of Kshs.44,453,263 for construction of modern dormitory and construction of eight (8) classrooms at a cost of Kshs.15,000,000 without approval of the ministry headquarters. Additionally, management of the School awarded a contract to construct four (4) container toilets at cost of Kshs.10,000,000 without approval of the regional coordinator of Education.

This was contrary to Circular No. MOE.HQS/3/6/36 dated 14 January, 2021 on Implementation Guidelines for School Projects Under Maintenance & Improvement Fund (M&IF) and Economic Stimulus Programme (ESP) which provides that schools that receive funding of up to Kshs.5 Million, between Ksh.5 Million to 10 Million and above Ksh.10 Million will seek approval from the office of the County Director of Education, Regional Coordinator of Education and the Ministry Headquarters respectively.

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

10. Failure to Prepare a School Improvement Plan

During the period 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.

11. Delay in Opening of Tender

During the audit, it was noted that the tender advertisement for classrooms was done on 14 December, 2020 but the minutes of the opening committee was dated on 16 December, 2021 and appointment of the members was done 12 December, 2021 which was thirteen (13) months after the advertisement. This is contrary to Section 78(3) of the Public Procurement and Disposal Act, 2015 which provides that Immediately after the deadline for submitting tenders, the tender opening committee shall open all tenders received before that deadline.

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

12. Long Outstanding Payables

The statement of financial assets and liabilities and as disclosed in Note 12 of the statements reflects accounts payables balance of Kshs.9,772,327. Included in the

amount is pending bills totaling Kshs.5,867,472 in respect of supply of goods and provision of services that had been outstanding as at year ended June, 2021 . This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in approved budget estimates'.

In the circumstances, the School Management was in breach of the law and there is risk loss of public funds through litigations, interests and penalties.

13.Accuracy of Student Enrollment Data

The statement of receipts and payments reflects capitation grants for tuition, capitation grants for operations and infrastructure grants totalling Kshs.40,043,117. Comparison of data from National Education Management and information System (NEMIS) with records from the school revealed that during the financial year, the NEMIS reported a total number of 1831 students while the records from the enrolment record provided by the Machakos School indicated a total of 1886 students resulting to 55 students not being registered in NEMIS. At annual capitation of Kshs.22,224, the School was under funded by Kshs.1,223,420 for the period ended 30 June, 2021.

In the circumstances, the School could have been underfunded due to inaccurate enrolment data.

14.Loss on Bakery and Farming Activities

The statement of receipts and payments reflects other receipts of Kshs.30,160,348 and as detailed in Note 4 to the financial statements. Included in other receipts is Bakery activities which generated Kshs.474,825 after incurring an expenditure of Kshs.1,125,453 (Note 7) resulting to a loss of Kshs.650,628. In addition, Farming Activities Generated an income of Kshs.6480 after incurring an expenditure of Kshs.604,850 (Note 7) resulting to a loss of Kshs.598,370.

In the circumstances, the sustainability of the bakery and farming activities could not be confirmed.

15.Inadequate Number of Board Meetings

The review of board committee meeting data at page 4 of the financial statements and various committee minutes revealed Finance, procurement and General purposes committee and Audit Committee did not meet during the financial year contrary Section 6(1) of the fourth schedule of the Basic Education Act, 2013, which states that a Board of Management committees shall meet at least once every four months.

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

16. Non-Compliance to Procurement procedures

The statement of receipts and payments reflects operations grants amount of Kshs.35,348,175. Included in the amount is Kshs.7,406,500 for infrastructure. However, review of the procurement records on infrastructure revealed: -

- i. Management of the School did not obtain professional opinion after tender evaluation contrary to Section 84(1) of PPADA, 2015 which requires the head of procurement function of a procuring entity alongside the report to the evaluation committee to make secretariat comments, review the tender evaluation report and provide a signed professional opinion to the accounting officer on the procurement or asset disposal proceedings.
- ii. Management of the School did not appoint inspection and acceptance committee to inspect and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract contrary to Section 48. (1) of PPADA, 2025 which states that an accounting officer of a procuring entity may establish an ad hoc committee known as the inspection and acceptance committee. (3) The inspection and acceptance committee shall immediately after the delivery of the goods, works or services (b) inspect and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract and (c) accept or reject, on behalf of the procuring entity, the delivered goods, works or services. (4) The inspection and acceptance committee shall (a) ensure that the correct quantity of the goods is received (b) ensure that the goods, works or services meet the technical standards defined in the contract.

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

17. Excess Supply of textbooks

During the period under review, the Ministry of Education distributed textbooks to public secondary schools through Kenya Institute of Curriculum Development (KICD). Additionally, a review of the text books issued to Machakos School revealed a delivery of 864 books for eight different categories of set books against a student population of 792 students. This resulted to total excess supply of 576 text books for the eight (8) categories of books.

In the circumstances, value for money on the excess 576 set books could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Ownership Documents

Annex 2 to the financial statements reflects summary of fixed assets register in respect of fixed assets which includes land and motor vehicles which is not valued. Review of records revealed that Machakos School is located in a land of one hundred and fifteen (115) acres, LR No.909/409 within Machakos County. However, documents to show ownership of the land by the school were not provided for audit review.

Additionally, physical inspection of motor vehicles ownership logs books revealed that a New Holland Tractor Registration Number KBU 785T is jointly owned by the School and CMC Motors vide log book K282033H. However, supporting documents to show transfer of ownership to school were not provided for audit review.

In the circumstances, the existence and ownership of the School land and the motor vehicle could not be ascertained.

2. Lack of Asset Identification/ Tagging

Annex 2 to the financial statements is a summary of the fixed assets register. However, physical verification revealed that the assets owned by the School had no identification or tag numbers, which is contrary to the guidelines on asset and liability management by national treasury of March, 2020. Further the value of the assets are not disclosed in the asset register.

In the circumstances, identification and tracking of movement of assets may not be possible and the assets may be lost through theft/pilferage.

3. Lack of Internal Audit Function and Audit Committee

During the year under review, the School had not constituted an audit committee and an internal audit unit as required by Regulation 166(1) and (2) of the Public Finance

Report of the Auditor-General on Machakos School for the Eighteen (18) Months' Period ended 30 June, 2021 – Machakos County

Management (National Government), 2015 which states that, the internal audit unit of a National Government entity to assess effectiveness of the School through an internal performance appraisal commenting on its effectiveness in the annual report to The National Treasury.

In the circumstances, the School did not benefit from the oversight role and advice from the audit committee and the internal audit function.

4. Lack of Approved Human Resource Instruments

The management of the School did not provide an approved Human Resource Policy, Procedure Manual, staff establishment, scheme of service and salary structure for the period ended 30 June, 2021 despite having board teachers and non-teaching staffs. In absence of the above, it is unclear how vacancies were identified, filled and remunerated. Further, no records were available to confirm that the School has a qualified Human Resource personnel as per the Human Resource Management Professionals Act No. 29 of 2012.

In the circumstances, the School did not benefit from the advisory role of the Human Resource expert.

5. Lack of Risk Management Policy

During the period ended 30 June, 2021, Machakos School did not have a risk management strategy in place. In the circumstances, there was no approved processes and guidelines on how to mitigate operational, legal and financial risks. In addition, the management did not perform formal risk assessments on all key financial risk areas such as cash, revenue and expenditure. Further, it was noted that the management lacks a disaster recovery plan/business continuity plan and therefore crucial information may not be recovered in the event of a disaster.

In the circumstances, Management was not in a position to identify individual risks, significance areas, likelihood of occurrence of identified risks and the appropriate control measures.

6. Inadequate Textbooks Management

During the period under review, text books were issued to School. This included a delivery of four hundred and twenty-two (422) set books for each of the four types of set books totaling one thousand, six hundred and eighty-eight (1688) set books. However, with a student population of eight hundred and seventy-one (871) students, the required number of set books was three thousand four hundred and eighty-four (3,484) resulting to an under-supply of 1796 textbooks for the four (4) categories of set books.

Additionally, Review of the textbooks recorded revealed that stores records, issuance of the books list, returned books list, List of Lost books and closing balances of books in the library were not provided for audit review.

In the circumstances, the adequacy of internal controls on textbook management could not be confirmed.

7. Incomplete Records on Scholarships and Bursaries

Management of Machakos School did not maintain a control account of all bursaries received, amount credited to each beneficiary and the balance in which the beneficiaries have not been identified. In the circumstances, the School fund Income-parents' contributions may include bursary funds receipts which have not been allocated to the students.

In the circumstances, the adequacy of controls on management of scholarships and bursaries cannot be ascertained.

8. Inadequate Capacity

Physical verification carried out on 27 May, 2024 at six (6) dormitories revealed that the spacing of beds was 0.3 meters with corridors of 0.4 Meters. This is contrary to Regulation 83(k) of the Basic Education Regulations, 2015 which provides that for institutions with boarding facilities, the space between the beds should be at least 1.2 metres while the corridors or pathways shall be at least 2 metres wide.

Further, Machakos School was registered under the certificate of registration number PU/S/9914/12 dated 27 November, 2012 which permitted students enrollment up to a maximum number of 960 students from Form 1-4 at forty students per class and up to six streams. However, the School records reflects an enrolment of one thousand, nine hundred and two (1,902) students with 10 streams in form 1,3 and 4 and 9 streams in Form 2.

In the circumstances, the adequacy of the dormitories and classrooms to support the students' population in the school cannot be confirmed.

The audit was conducted in accordance with the 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 the Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the School's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the School or to cease its operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the School to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 October, 2024

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

DESCRIPTION OF VOTE HEAD	Note	Jan 2020-June 2021 Kshs
RECEIPTS		
Capitation grants for tuition	1	4,694,942
Capitation grants for operations	2	35,348,175
School Fund Income- Parents' Contributions	3	107,571,617
School Fund Income- Other receipts	4	2,934,085
Proceeds from borrowings		
TOTAL RECEIPTS		150,548,819
PAYMENTS		
Payments for Tuition	5	4,203,202
Payments for operations	6	31,815,027
Boarding and school fund payments	7	108,635,661
TOTAL PAYMENTS		144,653,890
SURPLUS/DEFICIT		5,894,929

The school financial statements were approved on 12/09/2024 and signed by:

Sign:

Mr. Jonathan Mwanja
Chair BOM

Date: 12/09/2024

Sign:

CHIEF PRINCIPAL
MACHAKOS SCHOOL
P.O. BOX 39-90100
MACHAKOS

B.S Manoo
School Principal/
Secretary to BOM

Date: 12/09/2024

Sign:

Rachael Katiku
Bursar/ Finance Officer

Date: 12/09/2024

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

	Note	Jan 2020-June 2021	2019
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8	10,712,601	12,169,636
Cash Balances	9	41,138	56,369
Short term Investment	10	-	-
Total Cash and cash equivalent		10,753,739	12,226,005
Account's receivables	11	18,447,267	18,209,261
TOTAL FINANCIAL ASSETS		29,201,006	30,435,266
FINANCIAL LIABILITIES			
Accounts Payables	12	9,772,327	16,901,516
NET FINANCIAL ASSETS		19,428,679	13,533,750
REPRESENTED BY			
Accumulated Fund b/fwd	13	13,533,750	13,533,750
Surplus/Deficit for the year		5,894,929	-
NET FINANCIAL POSITION		19,428,679	13,533,750

The School's financial statements were approved on 12/09/2024 and signed by:

Name: Jonathan Mwanja
Chairman, BoM

Sign:



Date: 12/09/2024

Name: B.S Manoo
School Principal/Secretary to BoM

Sign:


CHIEF PRINCIPAL
MACHAKOS SCHOOL
P.O. BOX 39-90100,
MAACHAKOS

Date: 12/09/2024

Name: Rachael Katiku
Bursar/Finance

Sign:



Date: 12/09/2024

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

		Jan 2020-June 2021
		Kshs
Receipts for operating income		
Capitation grants for tuition	1	4,694,942
Capitation grants for operations	2	35,348,175
School fund income- Parents contributions/ fees	3	126,018,885
School fund income- other receipts	4	2,934,085
Total receipts		168,996,086
Payments		
Payments for Tuition	5	4,203,202
Payments for operations	6	13,496,478
Boarding and school fund payments	7	134,450,123
Total payments		152,149,803
Net cash flow from operating activities		16,846,283
CASHFLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Assets		
Acquisition of Assets		(18,318,549)
Proceeds from investments		-
Purchase of investments		
Net cash flows from Investing Activities		(18,318,549)
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		(1,472,266)
Cash and cash equivalent at BEGINNING of the year		12,226,005
Cash and cash equivalent at END of the year		10,753,739

Name: Jonathan Mwanja
Chairman, BoM

Sign:



Date: 12/09/2024

Name: B.S Manoo
School Principal/Secretary to BoM

Sign:



Date: 12/09/2024

Name: Rachael Katiku
Bursar/Finance

Sign:



Date: 12/09/2024

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

Receipt/expenses 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 %
	Kshs	Kshs			Kshs	Kshs
RECEIPTS						
(1) CAPITATION GRANT ON TUITION						
Textbooks and reference materials						
Exercise books						
Laboratory equipment						
Internal exams						
Teaching / learning materials	2,894,400	1,661,600	4,556,000	4,694,942	138,942	103%
Chalks						
Exams and assessment						
Teachers guides						
(2) CAPITATION GRANT ON OPERATIONS						
Personnel emoluments						
Repairs and maintenance	6,750,000	3,875,000	10,625,000	11,607,000	(982,000)	109%
Local transport / travelling						
Electricity and water						

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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
Other votehead (P.E, EWC, LTT, ADM Costs)	12,690,000	7,285,000	19,975,000	16,737,275	3,237,725	84%
Medical	2,700,000	1,550,000	4,250,000	286,800	3,963,200	6.7%
Administration costs						
Activity	2,025,000	1,162,500	3,187,500	573,600	2,613,900	18%
Gratuity						
SMASSE						
(3) FEES CHARGED ON PARENTS						
Personnel emoluments						
Repairs and maintenance	2,700,000	1,550,000	4,250,000	5,466,094	(1,216,094)	129%
Local transport / travelling						
Electricity and water						
Other vote head (P.E, EWC, LTT, ADM Costs)	27,500,850	15,787,525	43,288,375	37,017,713	6,270,662	86%
Medical						
Administration costs						
Activity	1,077,300	618,450	1,695,750	1,143,464	552,286	67%
SMASSE						
OTHER INCOME						

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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
Rent income						
Income from farming activities						
University registration						
Boarding equipments and stores	41,019,750	23,548,375	64,568,125	61,571,595	2,996,530	95%
Bakery						
Bus hire			-		-	-
Uniform	-	-	-			
Income from PA (Development Dormitory)						
TOTAL INCOME	99,357,300	57,038,450	156,395,750	139,098,482	17,297,269	89%
(1) EXPENDITURE FOR TUITION						
Textbooks and reference materials						
Exercise books						
Laboratory equipment						
Internal exams						
Teaching / learning materials	2,894,400	1,661,600	4,556,000	4,203,202	352,798	92%
Chalks						
Exams and assessment						

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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
Teachers guides						
Administration costs						
Bank Charges						
(2) EXPENDITURE FOR OPERATIONS						
Personnel emoluments						
Repairs, maintenance & improvements	6,750,000	3,875,000	10,625,000	18,318,549	(7,693,549)	172%
Local transport / travelling						
Electricity, water and conservancy						
Other vote head (P.E, EWC, LTT, ADM costs)	12,690,000	7,285,000	19,975,000	11,657,904	8,317,096	58%
Medical						
Administration costs						
Activity Expenses	2,025,000	1,162,500	3,187,500	883,770	2,303,730	28%
Gratuity						
SMASSE						
(3) EXPENDITURE FOR SCHOOL FUND						

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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
Personnel emoluments						
Repairs, maintenance and improvements	2,700,000	1,550,000	4,250,000	5,483,112	(1,233,112)	129%
Other votehead (P.E, EWC, LTT, ADM costs, BOM teachers	27,500,850	15,787,525	43,288,375	24,012,971	19,275,404	56%
Local transport / travelling						
Electricity, water and conservancy						
Medical Expenses	2,700,000	1,550,000	4,250,000	4,856,745	(606,745)	114%
Administration costs						
Activity	1,077,300	618,450	1,695,750	929,910	765,840	55%
Expense from PA (Dormitory)						
University registration		-				
Boarding Equipment and Stores	41,019,750	23,548,375	64,568,125	47,640,584	16,927,541	74%

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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
Expenditure for farming Activity						
Insurance costs			-		-	
expenses on bakery						
Rent Expenses				-		
Bank Charges			-		-	
Loan Interest Repayment			-		-	
Loan Principal Repayment			-		-	
Acquisition of Assets			-		-	
TOTALS	99,357,300	57,038,450	156,395,750	117,986,747	38,409,003	72%

commentary on significant underutilization (below 90% of utilization) and any overutilization above 100%

- Increase in students population – the school had projected to have 1800 students and at close of 30th June 2021 the population had increased to 1902.

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- 13 ➤ Changes of school financial year from January to December to adapt the government financial year from July to June. Thus the budget
- 14 was adjusted by half.
- 15 ➤ Price inflation on some of basic commodities .
- 16 ➤ The school not collecting school fees 100% as expected.

IX. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Machakos 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 Machakos school recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Machakos school. In addition, the Machakos 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 Machakos 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. There were no in-kind contributions received during the period.

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 and amounted to Ksh. 10,712,601 (Note 8). Cash in hand as at 30th June, 2021 amounted to Ksh. 41,138.30 in the school fund account. There were no short term investments as at the close of the period.

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. Fees arrears for the current period amounted to Ksh. 5,402,674.00 and has been adjusted in the incomes for the year. Other accounts receivables were inform of house rent arrears amounting to Ksh. 48,150.00.

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. Trade creditors for the period amounted to 5,867,472.00 as disclosed in the analysis of accounts payables. The other accounts payables were inform of prepaid fees of Ksh. 3,101,599.00 and retention monies of Ksh. 803,256.05.

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 Machakos school 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. The budget for the period from 1st January 2021 to December 2021 had been prepared and approved by the BOM before the introduction of the new financial reporting framework. The budget had to be adjusted by half in the statement of budgeted verses actual amounts since the accounting period is for six months.

9. Comparative figures

The comparative figures for the previous financial year from 1st January to December 2020 (12 months) have been reconfigured to conform to the required changes in presentation after the introduction of IPSAS and cannot be compared with the current accounting period of six months.

10. Subsequent events

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

X. NOTES TO THE FINANCIAL STATEMENTS

1 CAPITATION GRANT FOR TUITION

	Jan 2020-June 2021
	Kshs
Textbooks and reference materials	-
Exercise books	-
Laboratory equipment	-
Internal exams	-
Teaching / learning materials	4,694,942
Chalks	
Exams and assessment	
Teachers guides	
Total	4,694,942

2 CAPITATION GRANT FOR OPERATIONS

	Jan 2020-June 2021
	Kshs
Personnel emoluments	
Maintenance and improvement - Covid preparedness	783,500
Maintenance and improvement grants - M & I	11,607,000
Transition infrastructure grants - special grants	5,000,000
BOM Teachers salary grants	
Medical/ Insurance	286,800
Other votehead (P.E, EWC, LTT, ADM costs)	16,737,275
Student Deposit	
HELB	
Administration costs	360,000
Activity	573,600
Total	35,348,175

3 PARENTS CONTRIBUTION/FEEs - SCHOOL FUND ACCOUNT

	Jan 2020-June 2021
	Kshs
Personnel emoluments	634,880
Repairs and maintenance	5,466,094
Local transport / travelling	15,379
Electricity and water	
Medical	1,525,440
Administration costs	197,052
Activity	1,143,464
Fee on Boarding Equipment and Stores	61,571,595
Other vote head (P.E, EWC, LTT, ADM costs)	37,017,713
Total	107,571,618
Add. Receivables	18,447,267
Total to cash flow	126,018,885

4 OTHER RECEIPTS – SCHOOL FUND ACCOUNT

	Jan 2020-June 2021
	Kshs
Rent income	544,074
Uniform	167,140
Tender	
Income from farming activities	- 6,480
Bakery	474,825
Universality registration	140,363
Income from dormitory (PA)	1,601,203
Fee for hire of ground and equipment	
Insurance compensation	
Income from Posho mill	
Income from Bus Hire	
Fee for hire of ground and equipment	
Income from grants and donations*	
Interest income	
Dividends income	
Total	2,934,085

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5 PAYMENTS FOR TUITION

	Jan 2020-June 2021
	Kshs
Textbooks and reference materials	
Exercise books	
Laboratory equipment	
Internal exams	
Teaching / learning materials	4,190,722
Chalks	
Exams and assessment	
Teachers guides	
Administration Costs	
Bank Charges	12,480
Total	4,203,202

6 PAYMENTS FOR OPERATIONS

	Jan 2020-June 2021
	Kshs
Personnel emoluments	
Service Gratuity	
Administration Cost	
Maintenance and improvement – covid preparedness	933,674
Repairs and maintenance & improvements	
Local transport / travelling	
Electricity and water	
Medical	21,130
Activity Expenses	883,770
Other vote head (P.E, EWC, LTT, ADM costs)	11,657,904
Insurance Cost	
Bank Charges	
Acquisition of Assets	18,318,549
TOTAL	31,815,027
Less. Acquisition of assets	18,318,549
Total to cash flow	13,496,478

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7 BOARDING AND SCHOOL FUND PAYMENTS

	Jan 2020-June 2021
	Kshs
Personnel emoluments NT/staff	14,591,557
Personal emoluments S/staff	3,433,550
Service Gratuity	984,073
BOM allowances	2,160,250
Maintenance and improvement – covid preparedness	
Repairs and maintenance & Improvements	5,483,112
Local transport / travelling	
Fees refund	58,033
Medical/insurance expenses	4,856,745
Other votehead (P.E, EWC, LTT, ADM costs)	24,012,971
Expenses on bakery	1,125,453
Activity expenses	929,910
Uniforms	
University registration	156,000
Bank charges	
Expenses on farming	604,850
Fees on boarding equipment and stores	47,640,584
Insurance cost	
Loan principal repayment	
BOM Teachers	2,204,800
Acquisition on assets	
Rent Expenses	393,773
Insurance Cost (Life Property)	
Loan Principal repayment	
Loan Interest repayment	
Acquisition of Assets	
TOTAL	108,635,661
Add. Creditors paid	35,586,789
less. Payables	9,772,327
Total to cash flow	134,450,123

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 BANK ACCOUNTS

Name of Bank, Account No. & currency	Bank Account Number	Jan 2020-June 2021 Kshs	2019 kshs
SCB-Tuition Account	0102065729301	621,819	137,520
SCB-Operations Account	0102865729300	2,625,127	23,705
SCB-School Fund Account/Boarding	0102065729300	412,220	3,917,639
Savings Account KCB	050194117338	361,626	2,501,872
Savings Account KCB – Needy kitty	1224693841	391,393	177,075
Daima Bank	5001880006	1,777,185	1,777,185
Co-operative bank	01139749330000	646,028	
Equity Bank	0600263557298	1,327,186	
Infrastructure Account - SCB	0102865729302	2,550,016	3,634,640
Total		10,712,601	12,169,636

9 CASH IN HAND

Description	Jan 2020-June 2021 Kshs	2019
Tuition Account		
Operation Account		50,550
School Fund account	41,138	5,819
Total	41,138	56,369

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10 SHORT TERM INVESTMENTS

Description	Jan 2020-June 2021 Kshs
Cooperative shares	-
Treasury Bills	-
Fixed deposit	-
Equity stock	-
Total	0

11 ACCOUNTS RECEIVABLE

Description	Jan 2020-June 2021 Kshs	2019
Fees arrears	18,399,117	17,642,994
Other non-fees receivables – House Rent	48,150.	537,480
Salary advances	-	(28,213)
Imprest	-	57,000
Total	18,447,267	18,209,261

[Ageing of the fees arrears below]

Description	Jan 2020-June 2021 Kshs	2019 kshs
Fees arrears for current year	5,402,674	3,930,620
Fees arrears for the previous year	-	10,644,914
Fees arrears for prior periods (over two years)	12,996,443	3,067,640
Total	18,399,117	17,642,994

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12 ACCOUNTS PAYABLE

Description	Jan 2020-June 2021	2020	2019
	Kshs		
Trade creditors (See ageing below and appendix 1)	5,867,472	18,866,837	14,077,661
Prepaid fees	3,101,599	1,965,465	2,020,599
Retention monies	803,256	803,256	803,256
Total	9,772,327	21,635,558	16,901,516

Ageing of the trade creditor's below

Description	Jan 2020-June 2021	2020	2019
	Kshs		
Trade creditors for current year	5,867,472	17,523,064	14,077,661
Trade creditors for the previous year	-	1,343,773	
Trade creditors for prior periods (over two years)			
Total	5,867,472	18,866,837	14,077,661

13 FUND BALANCE BROUGHT FORWARD

Description	Jan-June 2021
	Kshs
Bank balances	10,712,601
Cash balances	41,138
Short Term Investments	-
Receivables	18,447,267
Payables	(9,772,327)
Total	19,428,679

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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	Jan 2020-June 2021
	Kshs
Bank loan(s)	0
Outstanding Leases	0
Hire purchase	0
Gratuity and leave provision	0
Total	0

15 Biological assets

Description	Numbers	Jan 2020-June 2021
		Kshs
Cattle	5	300,000
Pigs	5	100,000
Trees	1920	5,760,000
Coffee or tea plantation	-	-
Poultry	551	275,500
Total	2481	6,435,500

16 Borrowings

Description	Jan 2020-June 2021
	KShs
a) Borrowings	0
Borrowing at beginning of the year	0
Borrowings during the year	0
Repayments of during the year	0
Balance at end of the year	0

17 Stock/ Inventory

Description	Jan 2020-June 2021
	KShs
b) Borrowings	-
Stock/ inventory at beginning of the year	-
Stock/ inventory purchased during the year	-
Stock/ inventory issued during the year	-
Balance at end of the year	0

18 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)

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 30/6/2021	Comments
	a	b	c	d=a-c	
	Kshs	Kshs	Kshs	Kshs	
Construction of buildings					
1. Jua Kali Structural Ltd	1,538,900	4 th May 2021		1,538,900	
2. Broadcore Construction Ltd	840,000	11 th May 2021		840,000	
3. Tile Master Stores	477,100	18 th May, 2021		477,100	
Sub-Total	2,856,000			2,856,000	
Supply of goods					
4. Benjamin Muoki Nzioki	69,420	25 th May 2021		69,420	
5. Naivas Limited	55,462	5 th May 2021		55,462	
6. Kimwa Safety Solutions	97,500	12 th May 2021		97,500	
7. Kitovoto Investments	10,000	19 th May 2021		10,000	
8. Son n' Sons Pharmaceuticals	175,000	26 th May 2021		175,000	
9. Biyo Africa	18,000	6 th May 2021		18,000	
10. Quizy General Stores	1,324,200	13 th May 2021		1,324,200	
11. Sidchem agrodealers	108,550	20 th May 2021		108,550	
12. Masaku Chemists	9,900	27 th May 2021		9,900	
13. Herihealth Care Ltd	930,000	14 th May 2021		930,000	
Sub-Total	2,798,032			2,798,032	
Supply of services					
14. Cyber school technology	213,440			213,440	
15.					
16.					
Sub-Total	213,440			213,440	
Grand Total	5,867,472			5,867,472	

ANNEX 2 – SUMMARY OF FIXED ASSETS REGISTER

Asset class	Date purchased	Location	Opening balance 1st January 2021	Additions during the year (No)	Disposals during the year (No)	Closing balance 30th June 2021
Land 1	NO		115	0	0	115
Buildings and structures	NO		234	0	0	234
Motor vehicles	NO		4	0	0	4
Office equipment, furniture and fittings	NO		3878	0	0	3878
ICT Equipment, and Other ICT Assets	NO		126	0	0	126
Tools and apparatus	NO		3380	-	-	33807
Textbooks	NO		115,300	-	-	115,300
Other Machinery and Equipment	NO		1288	-	-	1288
Heritage and cultural assets	NO		79	0	0	79
Intangible assets- soft ware	NO		5	0	0	5
Total			154,835			154,835