

REPUBLIC OF KENYA



Enhancing Accountability



**REPORT
OF**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 DEC 2024	DAY: MONDAY
TABLED BY: Hon. WADWA WADO, MP	
CLERK-AT-TABLE: ESTHER NGIRO	DEPUTY MAJORITY WHIP

THE AUDITOR-GENERAL

ON

MUCHARAGE SECONDARY SCHOOL

**FOR THE YEAR ENDED
30 JUNE, 2023**

NYERI COUNTY



MUCHARAGE SECONDARY SCHOOL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023

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

Table of Contents

Page

1. Acronyms and Glossary of Terms.....	ii
2. Key School Information and Management	iii
3. Summary Report of Performance of The School.....	vii
4. Statement of School Management Responsibility	xiii
5. Report Of The Independent Auditors (<i>To be attached</i>)	xiv
6. Statement Of Receipts and Payments For the Year Ended 30 th June 2023	1
7. Statement of Assets and Liabilities As At 30 th June 2023	2
8. Statement of Cash Flows for the Year Ended 30 th June 2023	3
9. Statement Of Budgeted Versus Actual Amounts for The Year Ended 30 th June 2023	4
10. Significant Accounting Policies.....	7
11. Notes To The Financial Statements	9
12. Annexes.....	16

1. Acronyms and Glossary of Terms

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

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 in Nyeri County, Nyeri South Sub-County.

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

The school is a girls boarding school and had 160 number of students as at 30th June 2023. It has 2 streams and 16 teachers of which none of teachers are employed by the School Board of Management.

(b) School Board of Management - Board Members

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

Ref:	Name of Board Member	Designation	Date of appointment
1	TIMOTHY MUCHIRI THUKU	Chairman	5/3/2022
2	LUCY WANJIRA KAMAU	Secretary- Principal	5/3/2022
3	ALEX NJUNJI	Members - Sponsor	5/3/2022
4	NANCY MWANGI	Members – Sponsor	5/3/2022
5	LILIAN WANGECHI KANYI	Member- Community	5/3/2022
6	JAMES KIRATHE GACHAU	Member - Community	5/3/2022
7	JAMES KARICHO MUCHIRI	Member - Community	5/3/2022
8	JAMES MWANGI KAGURE	Member- Community	5/3/2022
9	EVA WANGECHI NGARI	Members - Community	5/3/2022
10	CHARLES MWAURA WANYANGA	Member - Community	5/3/2022
11	NGUMO MBOGO	Member – Rep CEB	5/3/2022
12	ALICE WARUGURU	Member- Rep Teachers	5/3/2022
13	SAMUEL NDUUGO NJUURU	Member - Special Needs	5/3/2022
14	BEATRICE GACHAMBI	Member – Special interest	5/3/2022
15	EDDAH WANGECHI MWANGI	Rep Students	5/3/2022
16	JAMES GIKIRI	Co-opted member	5/3/2022
17	GEORGE WAWERU	Co-opted member	5/3/2022
18	ANN WANGUI	Co-opted member	5/3/2022

The functions of the School Board of Management are to:

- 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	1. Timothy Thuku 2. Alex Njunji 3. Nancy Mwangi 4. James Gikiri 5. Lucy Kamau	Chairperson Vice chair Member " "	3 out of 3
2	Audit Committee	1. Timothy Thuku 2. Alex Njunji 3. Nancy Mwangi 4. Charles Mwaura 5.	Chairperson Vice chair Member " P.A Chair	1 out of 3
3	Finance, procurement and general purposes Committee	1. Timothy Thuku 2. Mwangi Kagure 3. Lucy Kamau 4. James Karicho 5. James Kirathe	Chairperson Member " " "	1 out of 3
4	Academic Committee	1. Ngumo Mbogo 2. Alex Njunji 3. Beatrice Gachambi 4. Alice Waruguru 5. Samuel Njuuru	Chairperson Member " " "	1 out of 3

		6. Eva Ngaari	“	
5	Development Committee	1. James Karicho 2. James Kirathe 3. Lilian Wangechi 4. James Gikiri 5. Charles Mwaura	Chairperson Vice chair Member “	1 out of 3
6	Discipline and welfare Committee	1. Alex Njunji 2. Lucy Kamau 3. James Gikiri 4. Timothy Thuku	Chairperson Secretary Member “	1 out of 3
7	Adhoc Committee (if any during the year)			

(d) School operation Management

For the financial year ended 30th June 2023 the School day-to-day management was under the following persons:

Ref:	Designation	Name	Identification
1	Principal	LUCY GATIMU	TSC No. 272243
2	Deputy Principal	JOHN WAGENI	TSC No.419422
3	School Bursar	ESTHER W. WANGUI	ID NO. 29142664
4	Other (specify)		

(e) Schools contacts

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

(f) School Bankers

The school operated 7 bank accounts in the following banks.

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

(g) Independent Auditors

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

3. Summary Report of Performance of the School

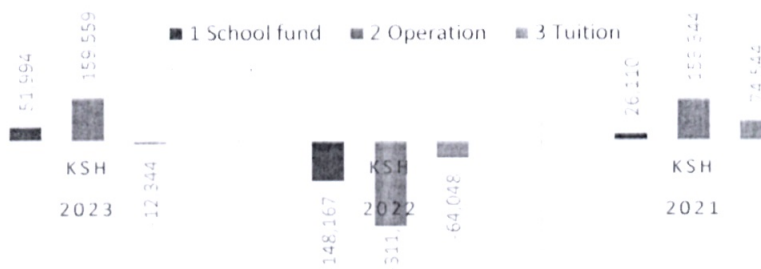
The following is a summary report of the performance of the school against the set performance evaluation criteria:

a) Financial performance:

- Surplus/ deficit

S/NO	ACCOUNTS	2023	2022	2021
	KSH	KSH	KSH	KSH
1	School fund	51,994	(148,167)	26,110
2	Operation	159,559	(311,632)	153,344
3	Tuition	(12,344)	(64,048)	74,544
		(1,065)	(11,179)	20,268
	Total	225,717.50	(535,026))	274,266
	Increase/decrease	(355,003.9)	(260,760)	861,872

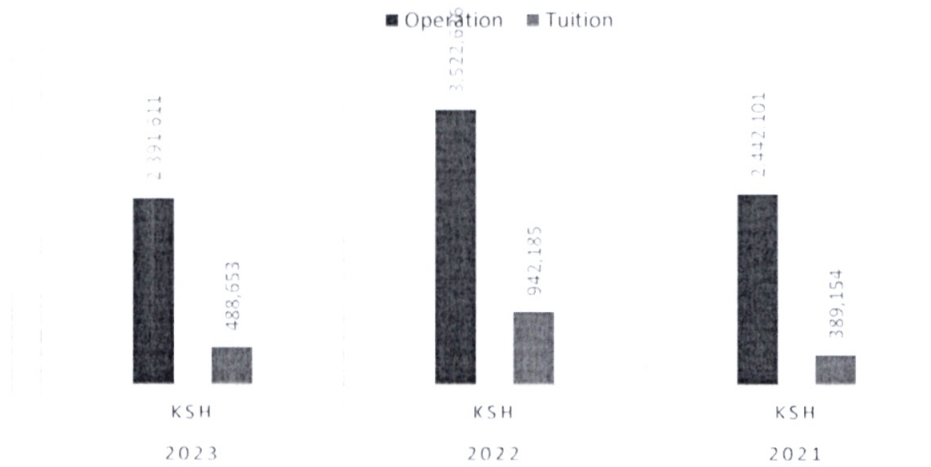
Surplus/Deficit



- Capitation grants

S/NO	ACCOUNTS	2023	2022	2021
	KSH	KSH	KSH	KSH
1	Operation	2,391,611	3,522,636	2,442,101
2	Tuition	488,653	942,185	389,154
	Total	2,880,264	4,464,821	2,831,255
	Increase/decrease	(1,584,557)	1,633,566	(1,109,166)
	No of students	161	234	234
	Ratio of capitation per student	1:16965.92	1:1980	1;12099

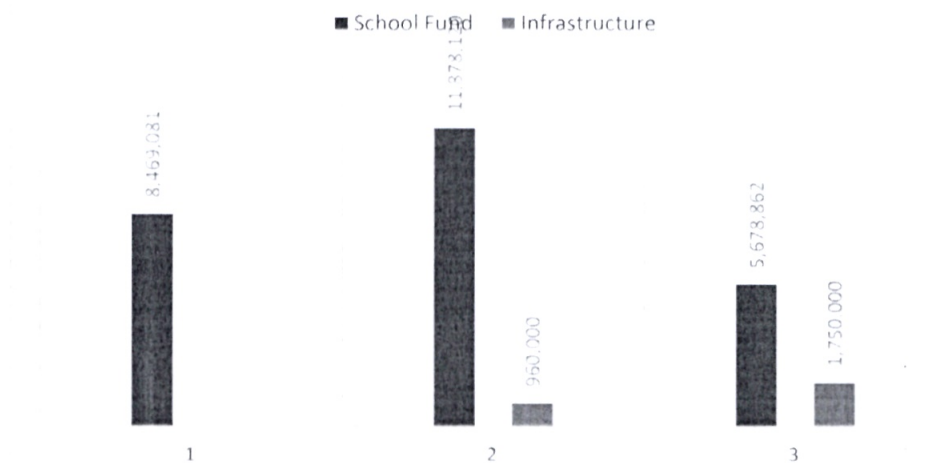
Capitation Grants



- Other income growth.

S/NO	ACCOUNTS	2023	2022	2021
	KSH	KSH	KSH	KSH
	School Fund	8,469,081	11,878,120	5,678,862
	Infrastructure		960,000	1,750,000

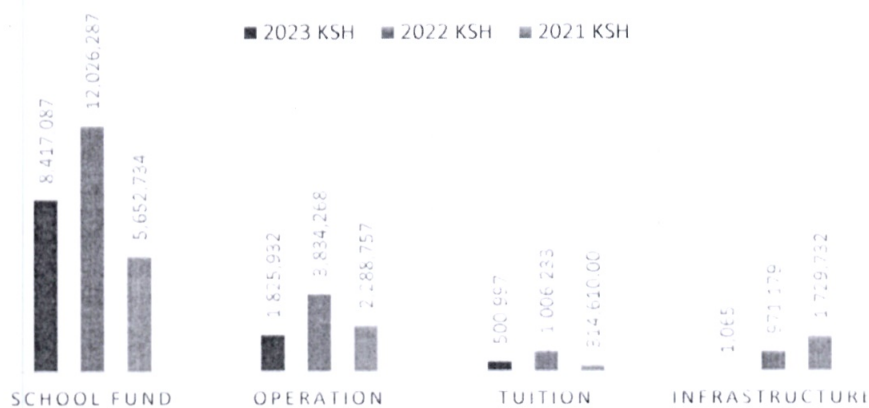
Other Income Growth



Growth in expenditure

S/NO	ACCOUNTS	2023	2022	2021
	KSH	KSH	KSH	KSH
1	School fund	8,417,087	12,026,287	5,652,734
2	Operation	1,825,932	3,834,268	2,288,757
	Tuition	500,997	1,006,233	314,610.00
	Infrastructure	1,065	971,179	1,729,732
	Total	11,151,201	17,837,967	9,985,833
	Increase/decrease	(6,686,766)	7,853,134	(4,819,077)

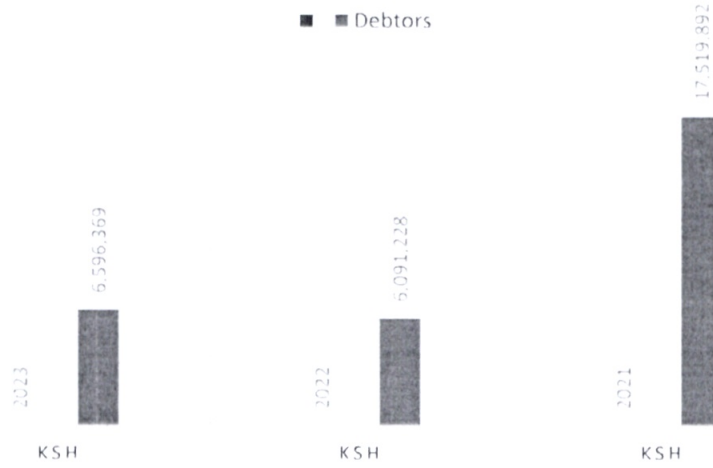
Expenditure Growth



Movement of debtors

	KSH	KSH	KSH	KSH
		2023	2022	2021
1	Debtors	6,596,369	6,091,228	17,519,892

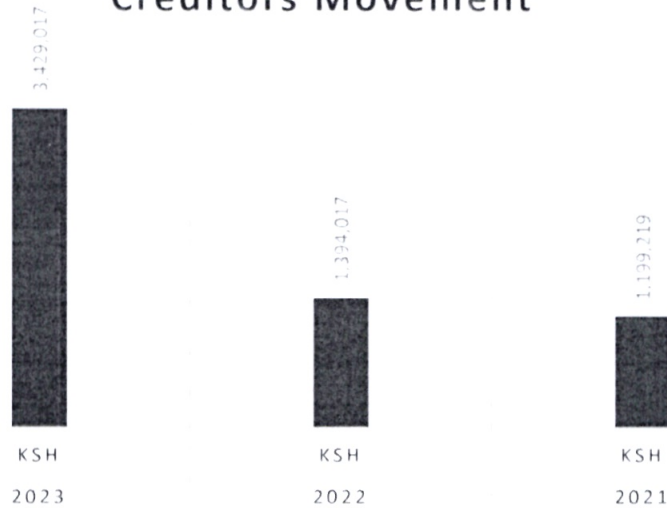
Debtors Movement



- *Movement of creditors of the school over the last three years*

S/NO	ACCOUNTS	2023	2022	2021
	KSH	KSH	KSH	KSH
1	Creditors	3,429,017	1,394,017	1,199,219

Creditors Movement



b) Teacher Student ratio:

- i) Teacher to student ratio: 1:10
- ii) Number of teachers recruited and posted to the school within the year-1
- iii) Number of teachers that were transferred/ retired during the period - 2
- iv) Number of teachers employed by TSC-16
- v) Number employed by BOM-0
- vi) Teachers per subject

Subject	Eng	Ksw	Math	Chem	Bio	Phy	CRE	Hist	Geo	B/S	Agr
No of teachers	2	2	4	3	3	2	2	3	3	2	1

c) Mean score in the 2020-2022KCSE:

YEAR	MEAN SCORE	University entry	Diploma	Certificate
2022	2.7703	0	2	71
2021	2.543	0	2	55
2020	2.638	0	2	45

The performance declined in the year 2021 compared to the year 2020. It then went up to all time high in the comparison period in the year 2022.

d) Number of Candidates in 2020-2022 KCSE:


2022	2021	2020
74	57	47

e) Capacity of the school:

- Dormitory capacity: 300
- Number of girls: 160
- Dining hall capacity: 300
- Lab capacity: 90
- Toilets: 22
- Classes: 15

f) Development projects carried out by the school:

Projects	Source of funds	Status	Initial Cost (Kshs)	Amount Spent (Kshs)	Expected completion time
2019-Ablution-15 toilets, putting watering point, electrifying and fencing the area.	MOE- INFRASTRUCTURE	DONE	1,600,000	1,600,000	COMPLETI
2020/2021FY- Constructed first phase of 1 classroom comprising of 3 classrooms.	Moe-ECONOMIC STIMULUS	DONE	2,000,000	2,000,000	COMPLETI
2021/2022FY-Walling and painting pf classrooms	MOE- INFRASTRUCTURE	DONE	549,860	549,860	COMPLETI
Walling and painting of dorm			349,000	349,000	COMPLETI


 18/06/2024

School Principal
 PRINCIPAL
 MUCHARAGE SECONDARY SCHOOL
18 JUN 2024
 P. O. Box 155 - 10106,
 OTHAYA


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 (PSASB) of Kenya from time to time.

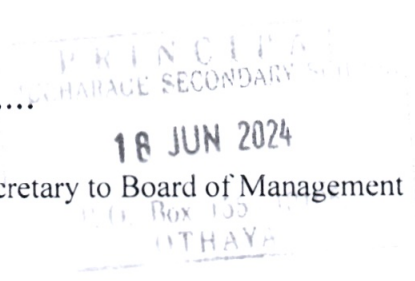
Schedule 4 (Section 23) of the Education Act, 2013 requires the Board of Management of a public institution of basic education to keep all proper books and records of accounts of the income, expenditure and assets of the institution.

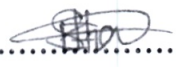
The Board of Management of Mucharage secondary school accepts responsibility for the school's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The Board of Management is of the opinion that the school's financial statements give a true and fair view of the state of the school's transactions during the financial year ended 30th June, 2023, and of the school's financial position as at that date.


.....
Name: TIMOTHY THOKO
Designation: Chairman, School Board of Management
Date: 18/06/2024

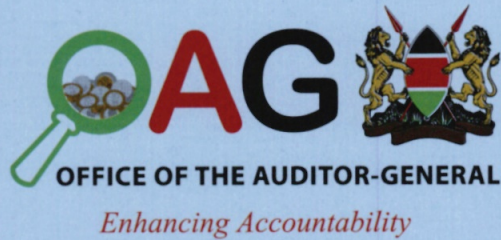

.....
Name: JANE MWANGI
Designation: School Principal & Secretary to Board of Management
Date: 18/06/2024




.....
Name: ESTHER KIANGUI
Designation: Bursar/ Finance Officer
Date: 18-06-2024

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MUCHARAGE SECONDARY SCHOOL FOR THE YEAR ENDED 30 JUNE, 2023 - NYERI COUNTY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mucharage Secondary School - Nyeri County set out on pages 1 to 15, which comprise of the statement of financial assets

and financial liabilities, as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget versus actual amount for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mucharage Secondary School- Nyeri County as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Basic Education Act, 2013.

Basis for Qualified Opinion

1. Inaccuracies in Capitation Grants

The statement of receipts and payments reflects capitation grants for tuition and operations amounts of Kshs.488,653 and Kshs.2,391,611 respectively. Review of data extracted from the Ministry of Education reflects an amount of Kshs.692,154 as disbursement to Mucharage Secondary School. However, examination of bank statement and acknowledgement receipt revealed that the School received Kshs.670,554 resulting to an unexplained variance of Kshs.21,600.

In the circumstances, the accuracy and completeness of capitation grants for tuition and operations of Kshs.488,653 and Kshs.2,391,611 respectively, could not be confirmed.

2. Unsupported Cash and Cash Equivalents

The statement of financial assets and financial liabilities reflects cash and cash equivalents balance of Kshs.67,129 which includes bank balances of Kshs.65,389, and cash balances of Kshs.1,740. However, bank certificate of balances and board of survey reports were not provided for audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.67,129 could not be confirmed.

3. Unsupported Accounts Receivables

The statement of financial assets and liabilities reflects account receivables balance of Kshs.6,596,369 in respect to students' fees arrears and as disclosed in Note 12 to the financial statements. However, ledger reflecting the name, admission number, class, balance brought forward, amount billed and paid during the year were not provided for

audit. Further, the balance includes Kshs.6,142,157 in respect to long outstanding fees arrears brought forward from previous years. Management did not explain the steps being taken to recover the arrears from the concerned students.

In the circumstances, the accuracy and completeness of the accounts receivables of Kshs.6,596,369 could not be confirmed.

4. Unsupported Accounts Payables

The statement of assets and liabilities reflects accounts payables amounting to Kshs.3,548,251 and as disclosed in Note 13 to the financial statements. Included in the balance is Kshs.3,429,022 owed to various suppliers and Kshs.119,229 as prepaid fees. However, documents supporting the trade payables such as invoices were not provided for audit verification while prepaid fees were not supported by student listing.

In the circumstances, the accuracy and existence of the accounts payable balance of Kshs.3,548,251 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues as at 30 June, 2023

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 matter 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. Excess Supply of Text Books

Review of documents revealed that the capitation per student amount of Kshs.22,240 includes Kshs.4,144 meant for teaching, learning materials and exams. Examination of records revealed that the School received 4,292 textbooks from the government for the past six (6) years. Physical inspection of the store records and discussion with the management revealed that the School had 3,116 excess text books as tabulated below:

	Number Delivered	No of student population	Excess
Form 1	975	31	944
Form 2	914	43	871
Form 3	703	39	148
Form 4	521	46	144
English SET Books	705	85	620
Kiswahili Set books	474	85	389
Total	4,292		3,116

In the circumstances, Value for money obtained from the excess books could not be confirmed.

2. Unconfirmed in the Student Enrollment Data

Review of documents provided for audit revealed that there were discrepancies between the data in the National Education Management Information System (NEMIS) and school records relating to the enrolment of students. During the financial year 2022/2023, the NEMIS reported an average number of one hundred and seventy-six (176) students while the enrolment records provided by the school indicated an average of one hundred and sixty-one (161) students, which resulted in unexplained variance of fifteen (15) students. As a result of the variance, school was over-funded by Kshs.218,622 during the year under review.

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

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

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Ownership Documents

Review of documents revealed that the school occupies seven (7) acres of land without the requisite ownership documents. In absence of these legal documents, the authentic ownership of the parcel of land and the accuracy of the reported valuation could not be confirmed.

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

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the School's ability to continue to sustain its services, disclosing, as applicable, matters related to the sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the School or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the school's policies and procedures may deteriorate.

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 September, 2024

6. Statement Of Receipts and Payments For the Year Ended 30th June 2023

Description Of Vote Head	Note	2022-2023	2021-2022
		Kshs	Kshs
Receipts			
Government grants for tuition	1	488,653	942,185
Government grants for operations	2	2,391,611	3,522,636
Government Grants for infrastructure	3		960,000
School fund income- parents' contributions	4	8,434,991	11,878,120
Miscellaneous incomes	5	34,090	
Total Receipts		11,349,345	17,302,941
Payments			
Tuition	6	500,997	1,006,233
Operations	7	2,232,052	3,834,268
Infrastructure	8	1,065	971,179
Boarding and school fund	9	8,417,087	12,026,287
Total Payments		11,151,201	17,837,967
Surplus/Deficit		198,144	(535,026)

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



Name: Timothy Thuku
Chair BOM

Date: 18/06/2024



Name: Jane Mwangi
School Principal/ Secretary to BOM

Date: 18/06/2024



Name: Esther Wanjui
Bursar/ Finance Officer

Date: 18-06-2024



7. Statement of Assets and Liabilities As At 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Financial Assets			
Cash and cash equivalents			
Bank balances	10	65,389	(179,042)
Cash balances	11	1,740	48,027
Total cash and cash equivalent		<u>67,129</u>	<u>(131,015)</u>
Account's receivables	12	6,596,369	6,091,228
Total financial assets		<u>6,663,498</u>	<u>5,960,213</u>
Financial liabilities			
Accounts payables	13	(3,548,251)	(1,638,552)
Net financial assets		<u>3,115,247</u>	<u>4,321,661</u>
Represented by			
Accumulated fund b/fwd	14	2,917,103	4,856,687
Surplus/deficit for the year		198,144	(535,026)
Net financial position		<u>3,115,247</u>	<u>4,321,661</u>

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



Name: TIMOTHY THUKU

Chair BOM

Date: 18/06/2024



Name: JANE MWANGI
School Principal/ Secretary to BOM

Date: 18/06/2024





Name: ESTHER KANGUI
Bursar/ Finance Officer

Date: 18-06-2024


8. Statement of Cash Flows for the Year Ended 30th June 2023


Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash from Operating Activities			
Receipts			
Government grants for tuition	1	488,653	942,185
Government grants for operations	2	2,391,611	3,522,636
Government grants for infrastructure	3		960,000
School fund income- parents contributions/ fees	4	8,434,991	11,866,434
Other income		34,090	11686
Total receipts		11,349,345	17,302,941
Payments			
Cash outflows for tuition	6	500,997	1,006,233
Cash outflows for operations	7	2,232,052	3,834,268
Cash outflows for infrastructure		1,065	971,179
Cash outflows Boarding/lunch and school fund payments	9	8,417,087	12,026,287
Total payments		11,121,661	17,837,967
Net cash inflow/outflow from operating activities		198,144	(535,026)
Net increase/decrease in cash and cash equivalents		198,144	(535,026)
Cash and cash equivalent at beginning of the FY		(131,015)	404,011
Cash and cash equivalent at end of the FY		67,129	(131,015)

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


 Name: Timothy A. H. M.

Chair BOM
 Date: 18/06/2024


 Name: Jane Maira
 School Principal/ Secretary to BOM
 Date: 18-06-2024


 Name: ESTHER KIANGUI
 Bursar/ Finance Officer
 Date: 18-06-2024



9. Statement Of Budgeted Versus Actual Amounts for The Year Ended 30th June 2023

Receipt/Expenses Item	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	% Of Utilization
	a	b	c=a+b	d	e=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs
Receipts					
(1) Capitation Grant on Tuition					
Teaching / Learning Materials	802,285		802,285	488,653	60.91%
(2) Capitation Grant on Operations					
Personnel Emoluments					
Repairs And Maintenance	1,250,000		1,250,000	524,000	41.92%
Medical	46,000		46,000	39,500	85.86%
Other voteheads	2,350,000		2,350,000	1,579,398	67.21%
Activity	78,000		78,000	99,963	128%
3) FDSE for infrastructure					
Maintenance & Improvement MoE					
(4) Fees Charged on Parents					
Other voteheads	2,917,500		2,917,500	2,346,692	80.41%
Repairs And Maintenance	500,000		500,000	717,268	143.45
Activity	125,000		125,000	61,935	49.55%
SMASSE					
Fee On Boarding Equipment and Stores	4,979,820		4,979,820	4,901,646	98%

Receipt/Expenses Item	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	% Of Utilization
	a	b	c=a+b	d	e=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs
5) Miscellenous Income					
Total Income	13,048,605		13,048,605	10,518,099.50	80.61%
(6) Expenditure For Tuition					
Teaching / Learning Materials	802,285		802,285	500,997	60.91%
(7) Expenditure For Operations					
Personnel Emoluments					
Repairs, Maintenance & Improvements	1,250,000		1,250,000	-	0%
Local Transport / Travelling					
Electricity, Water and Conservancy					
Other voteheads	2,350,000		2,350,000	1,574,091	66.98%
Medical	46,000		46,000		0%
Administration Costs					
Activity Expenses	78,000		78,000	111,652	143.14%
(8) Expenditure For infrastructure					
Construction of classrooms					
Purchase of equipment					
Purchase of machinery					

Receipt/Expenses Item	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	% Of Utilization
	a	b	c=a+b	d	e=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs
(9) Expenditure For school fund/lunch/boarding					
Repairs, Maintenance and Improvements	500,000		500,000	385,851	77.17%
Local Transport / Travelling					
Other voteheads	2,917,500		2,917,500	3,359,625	115.15%
Activity	125,000		125,000	115,920	92.74%
Gratuity					
Lunch Programme					
Boarding Equipment and Stores	4,979,820		4,979,820	3,389,137	68.06%
Totals	13,048,605		13,048,605	9,424,929	72.23%

- i. The school has only received 80.61 of the expected reveue from 1st July 2022 to 30th June 2023
- ii. The school has utilized 72.23 of the expected revenue as per the votehead while the balance of 8.38% has been used to clear some creditors.

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 school fees from parents, 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*. Income arising from school fees is recognised when the event occurs whether cash is received or not. Expenditure arising from operations is recognised when the event occurs irrespective of receipt of cash.

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.

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. Accounts receivables also include school fees billed to parents for services rendered but not paid. 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. Payables also include expenditure incurred for the purchase of goods, works and services that has been rendered and not settled. This is an enhancement to the cash accounting policy adopted for public secondary schools. Other liabilities are disclosed in the financial statements.

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 2023.

11. Notes To The Financial Statements

1 Government Grants for Tuition

Description	2022-2023	2021-2022
	Kshs	Kshs
Reference Materials		140,000
Teaching / Learning Materials	488,653	802,185
Total	488,653	942,185

2 Government Grants for Operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Repairs And Maintenance	524,000	1,365,851
Medical	39,500	46,000
Activity	99,963	7,800
Other Vote Heads (P.E,ADM COST,L.T.T &E.W.C)	1,579,398	2,102,985
Transfer from Boarding A/c	148,750	
Total	2,391,611	3,522,636

3 Government Grants for infrastructure

Description	2022-2023	2021-2022
	Kshs	Kshs
Maintenance &Improvement	-	960,000
Total	-	960,000

4 School Fund Income -Parents Contribution/Fees

Description	2022-2023	2021-2022
	Kshs	Kshs
Repairs and maintenance	717,268	602,100
Refund		12,190
ID	1,450	24,500
Medical		28,000
Activity	61,935	132,050
Fee on Boarding Equipment and stores	4,901,646	6,643,113
Others (P.E,ADM COST,L.T.T &E.W.C)	2,346,692	9,781,154

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfer from Operation	406,000	850,000
Total	8,434,991	11,866,434

5 Miscellaneous Incomes

Description	2022-2023	2021-2022
	Kshs	Kshs
Income From Farming Activities	34,090	11,686
Total	34,090	11,686

6 Tuition

Description	2022-2023	2021-2022
	Kshs	Kshs
Laboratory Equipment		376,930
Teaching / Learning Materials	337,612	627,569
Creditors paid	160,000	
Bank Charges	3,385	1,734
Total	500,997	1,006,233

7 Operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Service Gratuity		226,399
Repairs And Maintenance & Improvements		257,500
NSSF remittance	23,316	11300
Creditors paid	100,000	66,000
Activity Expenses	111,625	60,400
Insurance Cost NHIF	16,900	8,000
Others (P.E,ADM COST,L.T.T &E.W.C)	1,574,091	2,204,669
Boarding	406,120	1,000,000
Total	2,232,052	3,834,268

8 Infrastructure

Description	2022-2023	2021-2022
	Kshs	Kshs
Construction of classrooms	-	971,179
Others (specify) bank charges	1,065	-
Total	1,065	971,179

9 Boarding And School Fund

Description	2022-2023	2021-2022
	Kshs	Kshs
Repairs And Maintenance & Improvements	385,851	1,086,718
Net equity transfer to equity	522,005	
Activity expenses	115,920	
Expenses On Income Generating Activities* Farm	31,059	
Fee On Boarding Equipment and Stores	3,389,137	5,789,408
Infrastructure		960,000
Farm Expenses		2,426
Creditors paid	474,000	526,000
Others (P.E,ADM COST,L.T.T &E.W.C)	3,359,625	3,521,735
Transfer to Operation	45,000	
Transfer to Tuition	94,490	140,000
Total	8,417,087	12,026,287

Mucharage Secondary school
Annual Report and Financial Statements For the year ended 30th June 2023

Notes to the Financial Statements (continued)

10 Bank Accounts

Account Name & Currency	Status	Bank Account Number	2022-2023	2021-2022
	Active/Dorman		Kshs	Kshs
Tuition Account	Active	1101544090	613	12,957
Operations Account	Active	1101521724	5,488	(153,860)
School Fund Account/Boarding	Active	1101540451	3,553	(121,448)
Equity	Active	0080294463603	23,381	52,921
Income generating activities Account Farm	Active	04-0402-002-07850	21,810	18,779
Infrastructural Account	Active	1272126714	10,544	11,609
Total			65,389	(179,042)

11 Cash in Hand

Description	2022-2023	2021-2022
	Kshs	Kshs
Notes and Coins	1,740	48,027
Total	1,740	48,027

12 Accounts Receivable

Description	2022-2023	2021-2022
	Kshs	Kshs
Fees Arrears	6,596,369	6,091,228
Total	6,596,369	6,091,228

Notes to the Financial Statements (continued)

12 a Ageing Analysis of Accounts Receivable

Description	2022-2023		2021-2022	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Between 1- 2 years	454,212	6.89%	887,065	14.56%
Between 2-3 years	887,065	13.45%	1,360,575	22.34%
Over 3 years	5,255,092	79.67%	3,843,588	63.10%
Total (should tie to note 13 a)	6,596,369	100%	6,091,228	100%

13 Accounts Payable

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Trade Creditors (See Ageing Below and Appendix 1)	3,429,022		1,394,017	
Prepaid Fees	119,229		244,535	
Total	3,548,251		1,638,552	

13a. Ageing Analysis of Accounts Payable

Description	2022-2023		2021-2022	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Between 1- 2 years	3,429,022	100%	-	-
Over 3 years			1,638,552	100%
Total (should tie to note 14)	3,429,022	100%	1,638,552	100%

14 Fund Balance Brought Forward

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Bank Balances	(179,042)		278,578	
Cash Balances	48,027		125,433	
Receivables	6,596,369		6,091,228	
Payables	(3,548,251)		(1,638,552)	
Total	2,917,103		4,856,687	

Other important disclosure notes

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

15 Biological assets

Description	Numbers	2022-2023	2021-2022
		Kshs	Kshs
Cattle	3	400,000	400,000
Trees	240	480,000	480,000
Total		880,000	880,000

16 Stock/ Inventory


Description	2022-2023	2021-2022
	Kshs	Kshs
Food stuffs	127,980	-
Lab consumables	200,000	-
	327,980	-

Mucharage Secondary school
Annual Report and Financial Statements For the year ended 30th June 2023

1 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)



 Sign and Date
 Principal

18/06/2024
18 JUN 2024
 P. O. Box 155 - 10106,
 OTHAYA

Mucharage Secondary school
Annual Report and Financial Statements For the year ended 30th June 2023

12. Annexes

Annex I - Analysis of Pending Accounts Payable

Supplier Of Goods Or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Comparative FY	Comments
	A	b	C	d-a-c		
	Kshs	Kshs	Kshs	Kshs	Kshs	
Supply of services						
1. Postal corporation of Kenya	23,715	1/7/2022		23,715		
2. Trimarnike enterprises	6,000	1/7/2022		6,000		
3. Elena Karimi	299,670	1/7/2022		299,670		
4. Patrick Njau	34,615	1/7/2022		34,615		
5. Lichi security systems Ltd	304,500	1/7/2022		304,500		
6. Simon Maigua	5,200	1/7/2022		5,200		
7. John Gakuru	24,000	1/7/2022		24,000		
Sub-Total	697,700			697,700		
Supply Of Goods		1/7/2022				
8. Alex WambuguMwangi	56,710	1/7/2022		56,710		
9. Eunice WachingaKaritu	289,000	1/7/2022		289,000		
10. Andrew Wanyingi	13,370	1/7/2022		13,370		
11. Isaac Makumi	331,000	1/7/2022		331,000		
12. Khimji Shah Bookshop	209,115	1/7/2022		209,115		

Mucharage Secondary school

Annual Report and Financial Statements For the year ended 30th June 2023

Supplier Of Goods Or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Comparative FY	Comments
13.Jeremiah Gakunga	352,152	1/7/2022		352,152		
14.Zachary Mahianyu	217,540	1/7/2022		217,540		
15.Kenblest	411,248	1/7/2022		411,248		
16.Jane Ndirangu	26,995	1/7/2022		26,995		
17.Daniel Gichuki Wachiuri	41,067	1/7/2022		41,067		
18.Daniel Ndirangu	239,000	1/7/2022		239,000		
19.Resana Stationers	436,590	1/7/2022		436,590		
21.Omwasco	59,060	1/7/2022		59,060		
22.KPLC	62,000	1/7/2022		62,000		
23.Everest Business Supplies	27,500	1/7/2022		27,500		
24.Othaya central supplies	23,310	1/7/2022		23,310		
25.Kiragu Mwaniki	5,665	1/7/2022		5,665		
Sub-total	2,731,322			2,731,322		
GRAND -TOTAL	3,429,022			3,429,022		

Mucharage Secondary school
Annual Report and Financial Statements For the year ended 30th June 2023

Annex 2 – Summary of Fixed Assets Register

Asset Class	Historical Cost b/f (Kshs) 1st July 2022	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 30th June 2023
Land	15,000,000	-	-	15,000,000
Buildings And Structures	10,000,000	-	-	10,000,000
Motor Vehicles	5,000,000	-	-	5,000,000
Office Equipment, Furniture And Fittings	1,500,000	-	-	1,500,000
Textbooks	500,000	200,000	-	500,000
ICT Equipment	1,000,000	-	-	1,000,000
Tools And Apparatus	1,500,000	150,000	-	1,500,000
Other Machinery And Equipment	250,000	-	-	250,000
Heritage And Cultural Assets	10,000	-	-	10,000
Intangible Assets- Soft Ware	95,000	-	-	95,000
Total	3,485,500	350,000		3,520,500