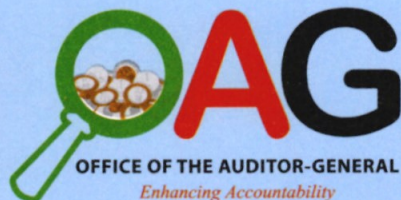


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 16 JUN 2026

DAY.

Tuesday

TABLED
BY:

Hon. Naomi Wanjau, CBS, MP
(Deputy Majority Party Whip)

CLERK-AT
THE TABLE:

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THE AUDITOR-GENERAL

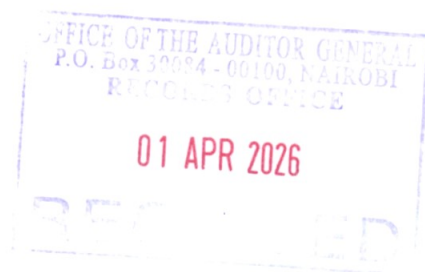
ON

PARLIAMENT
OF KENYA
LIBRARY

KARATI
SECONDARY SCHOOL

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

NYANDARUA COUNTY



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

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

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1. Acronyms and Definition of Key Terms

A. Acronyms.

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

B. Definition of Key Terms

Comparative Year- Means the prior period.

2. Key School Information and Management

(a) Background information

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

The school was registered in 26/07/2021 under registration number 18-S-0030-0951 and is currently categorized as a County public school established, owned or operated by the Government.

The school is a mixed day/boarding school and had 440 number of students as at 30th June 2021. It has 3 streams and 21 teachers of which 5 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	MR. DAVID NJOROGI THIOG'O	Bom Chair	18/03/2019
2	MRS. E.N. MUNG'ARA	Secretary Bom - Principal	18/03/2019
3	MR. JOSEPH KURIA NYIRI	Member	18/03/2019
4	MRS. FLORENCE NJOKI NJOROGI	Member	18/03/2019
5	WILLIAM WANJOHI	Member	18/03/2019
6	ESTHER NJOKI	Member	18/03/2019
7	MARGARET WAMBUI	Member	18/03/2019
8	MR. SOLOMON WANYEKE	Member - Rep CEB	18/03/2019
9	MR. JOSEPH NGUGI KINYAJUI	Member Rep Teachers	18/03/2019
10	MR. JOHN MUHIA		18/03/2019
11	MARY WANJIKU		
12	REV. GAKURU	3 Members - Sponsor	
13	ELIJAH MUTURI	Member - Community	18/03/2019
14	PHILIP MUNDIA	Member Special Needs	18/03/2019
15	TABITHA NJOKI	Rep Students	18/03/2019

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, of 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. MR. DAVID NJOROG 2. MR. SOLOMON WANYEKI 3. MRS. ELIZABETH MUNG'ARA 4. ESTHER NJOKI 5. MR. JOSEPH KURIA	BOM CHAIR MEMBER Principal/Bom Secretary Member Member	6 TIMES
2	Audit Committee	1. Mr. David Njoroge 2. Mr. Joseph Kuria 3. Mrs. E.N. Mung'ara 4. Mr. Kinyajui 5. Rev. Gakuru 6. Mr. Wachira	Bom Chair Member Principal/Secretary Bom Member Member Member	3 OUT OF 3
3	Finance, procurement and general purposes Committee	1. John Muhia Mwangi 2. Joseph Kinyajui 3. Mrs. E.N. Mung'ara 4. Mr. Joseph Nyiri 5. Mr. David Njoroge 6. Mr. Solomon Wanyeki 7. Mr. Wachira	Bom Member D/Principal Secretary Bom Member Member Member Member	2 TIMES
4	Academic Committee	1. Mr. David Njoroge 2. Mr. John Muhia 3. Mr. Joseph Kuria 4. Mrs. Gladys Mbugua 5. Rev. Gakuru 6. Mr. Solomon Wanyeki 7. Mrs. Mung'ara	Chair BOM Member Member Member Member Member Principal/Secretary Bom	2 TIMES
5	Development Committee	1. Mr. David Njoroge 2. Mr. John Muhia 3. Joseph Kinyajui 4. Mrs.		3 TIMES

Ref:	Name of Committee	Names of Members	Designation	Number of meetings attended during the year
		Mung'ara 5. Mr. Joseph Kuria 6. Mr. Solomon Wanyeki		
6	Discipline and welfare Committee	1. MR. KINYAJUI 2. MR. ONKOBA 3. MR. MIGWI 4. MR. NJORGE 5. MR. OTIENO 6. MD. WAINALNA 7. MR. ELINAH 8. MS. ODANGA 9. MR. HARRISON 10. MR. JOSEPH NYIRI 11. MR. DAVID THIOG'O	D/PRINCIPAL MEMBER MEMBER MEMBER MEMBER MEMBER MEMBER MEMBER	3 TIMES
7	Adhoc Committee (if any during the year)			NONE

(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	MRS. ELIZABETH N. MUNG'ARA	306730
2	Deputy Principal	MR. JOSEPH NGUGI KINYAJUI	220211
3	School Bursar	MICHAEL WACHIRA MIGWI	22151903

(e) Schools contacts

Post Office Box: 334-20319
 Telephone: 0721251226
 E-mail: karatisec2019@gmail.com

(f) School Bankers

The following school operated 4 number of bank accounts in the following banks: (Ensure all accounts including CDF accounts are included)

1. Name of Bank: Kenya Commercial Bank
 Branch: Njabini
 Account Number: 1104316722

2. Name of Bank: Kenya Commercial Bank
 Branch: Njabini
 Account Number: 1104316153

3. Name of Bank: Kenya Commercial Bank
 Branch: Njabini
 Account Number: 1104307103

4. Name of Bank: Kenya Commercial Bank
 Branch: Njabini
 Account Number: 1260731537

5. Name of Bank: Equity Bank
 Branch: Njabini
 Account Number: 0200197637458

(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

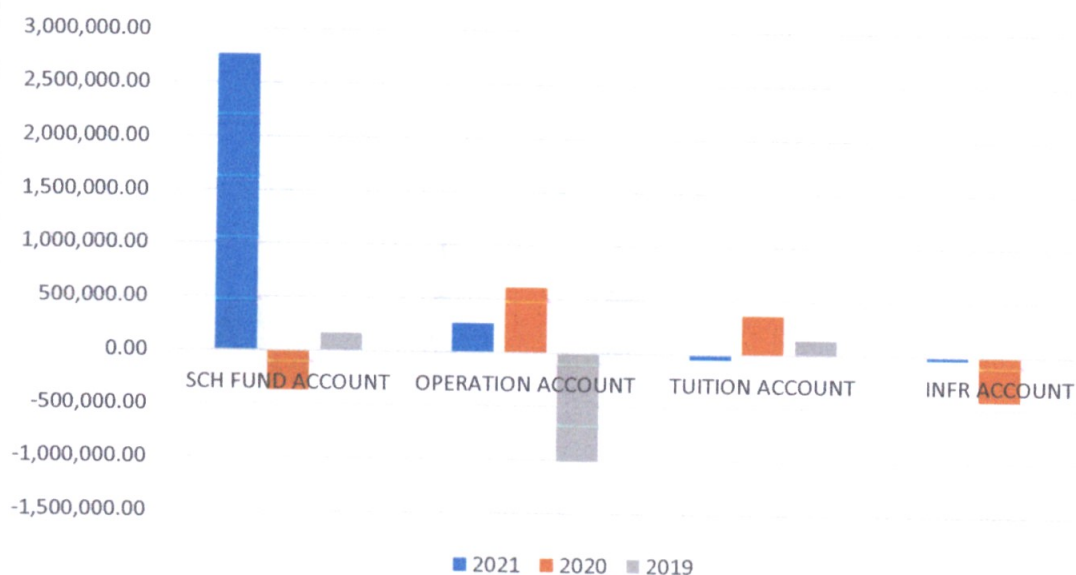
The following is a summary report of the performance of the school against the set performance evaluation criteria:

a) Financial performance:

Surplus/ deficit for the year and a comparison of the same for the last three years

S/NO	ACCOUNTS	2021	2020	2019
		KSHS	KSHS	KSHS
1	School fund Account	2,769,455	(369,555)	169,173
2	Operation account	274,412	611,194	(1,007,699)
3	Tuition Account	(44,727)	367,654	141,804
4	Infrastructure Account	(31,486)	(419,906)	
	TOTAL	2,967,654	189,386	(696,721)

Chart Title

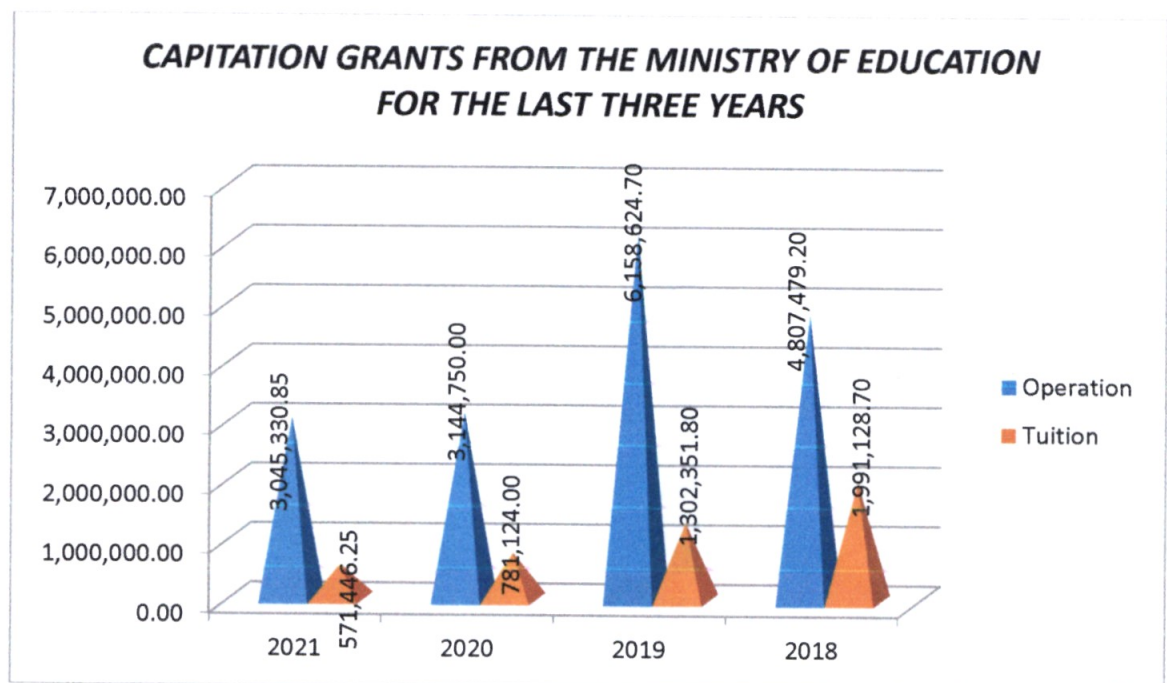


In the year 2019 the deficit increased from Kshs.32,313 to Kshs.696,72. this was contributed to more activities during the year 2019 i.e renovation of classrooms and construction of perimeter wall. In the year 2020 there was a slit surplus of Kshs.189,386 which was realised from a deficit of Kshs.696,721. This was due to less activities during the year due to long closure of schools due to Covid-19 pandemic.

In the year 2021 the surplus increased from Ksh.189,386 to Ksh.2,967,654 This is due to the fact that 2021 represents 6 months period and the infrastructure money had not been utilized. Unlike 2020 which represented 12 months.

Capitation grants from the Ministry of Education for the last three years

ACCOUNTS	2021	2020	2019	2018
OPERATION ACCOUNT	3,579,331	5,103,750	6,158,624	4,807,479
TUITION ACCOUNT	571,446	781,124	1,302,351	1,991,128
TOTAL	4,150,777	5,884,874	7,460,975	6,798,607
INCREASE/DECREASE	(1,734,097)	(1,576,101)	662,368	
NO. OF STUDENTS	442	420	400	380
Ratio of Capitation Per Student	1:9,391	1:14,012	1:18,652	1:17,0891

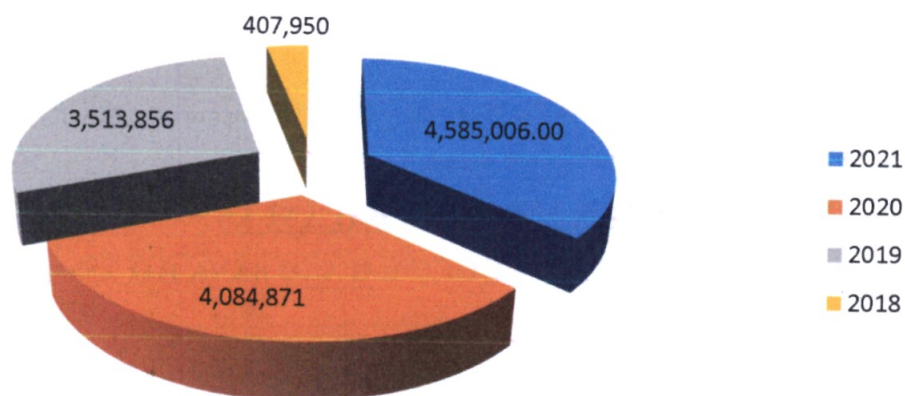


The total capitation for the year 2019 was 7,460,976 which resulted to an increase of 662,368 from 2018. This is due to an increase in number of students and all getting the capitation. In the year 2020 the total capitation was 3,925,874 which resulted to a decrease of Kshs. 3,535,102 from 2019. This is due to long closure of schools due to Covid -19 pandemic. In 2021, the total capitation was Ksh. 3,616,777 with a decrease of Ksh.309,096 from 2020. This is due to the fact that the capitation of 2021 represents a short period of 6 months as compared to 2020 which was 12 months.

MOVEMENT OF DEBTORS OF THE SCHOOL OVER THE LAST THREE YEARS

Accounts	2021	2020	2019	2018
(Debtors) School fund	4,585,006	4,084,871	3,513,856	3,105,906
Total	4,585,006	4,084,871	3,513,856	3,105,906

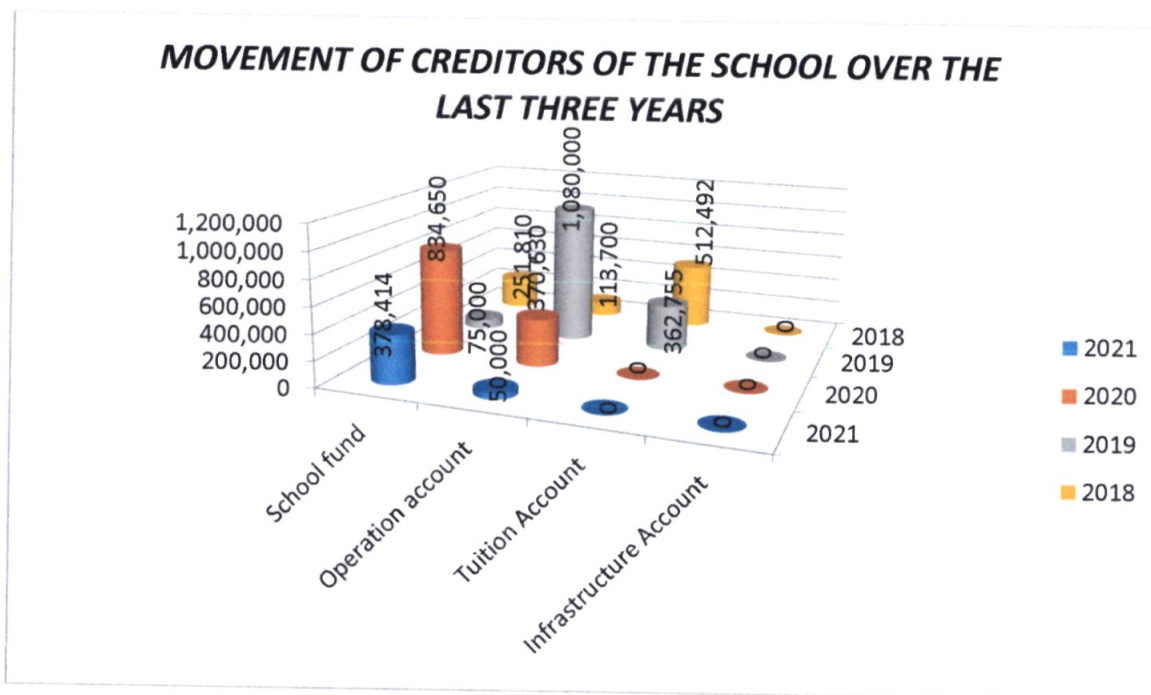
(SCHOOL FUND DEBTORS) OF THE SCHOOL OVER THE LAST THREE YEARS



In 2021, the debtors increased from 308,095 to Ksh 571,015. This is due to the fact that 2021 represents 6 months and the school had no much time to follow up on the students who had balances unlike 2020 which represented 12 months.

Movement of creditors of the school over the last three years

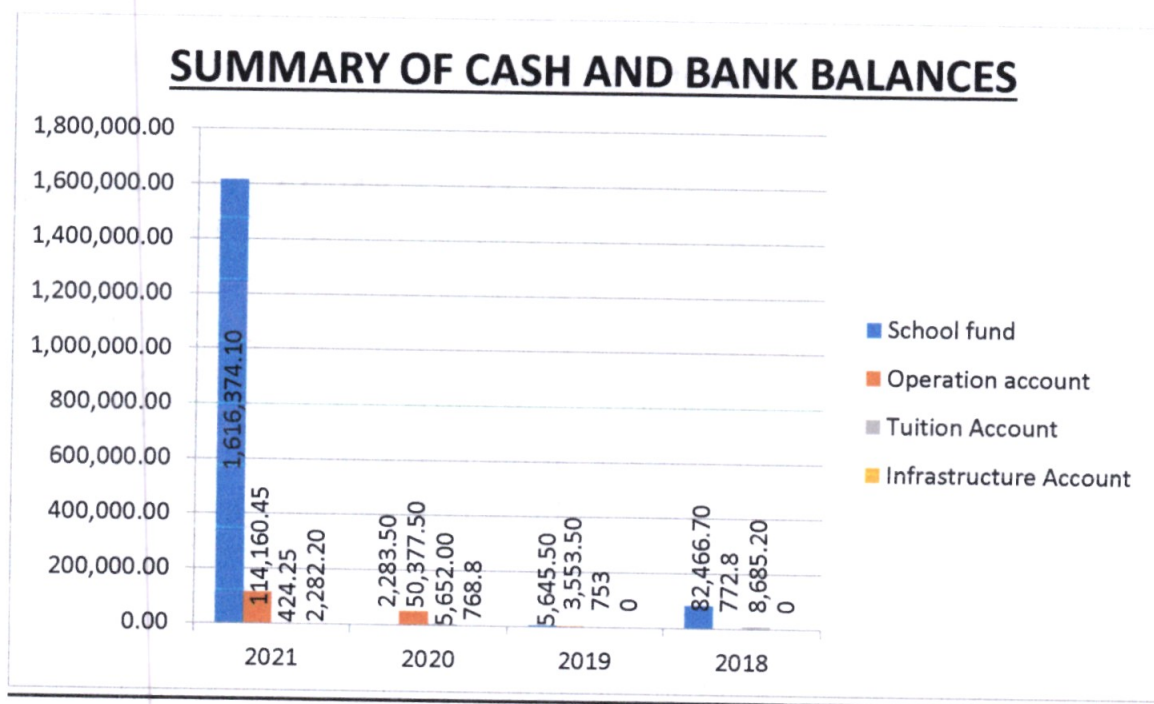
MOVEMENT OF CREDITORS OF THE SCHOOL					
S/No	Accounts	2021	2020	2019	2018
		Kshs	Kshs	Kshs	Kshs
1	School fund Account	378,414	834,650	75,000	251,810
2	Operation Account	50,000	370,630	1,080,000	113,700
3	Tuition account	0	0	362,755	512,492
	Total	428,414	1,205,280	1,517,755	878,002
	Increase / decrease	(776,650)	(312,475)	639,753	



The trend of the creditors for the years have been decreasing because the school have been paying the creditors in time to avoid accruing of more debts.

SUMMARY OF CASH AND BANK BALANCES

SUMMARY OF CASH AND BANK BALANCES					
S/NO	ACCOUNTS	2021	2020	2019	2018
		KSHS	KSHS	KSHS	KSHS
1	School fund Account	1,616,375	(14,211)	5,645	82,466
2	Operation Account	114,160	50,378	3,553	772
3	Tuition Account	424	5,652	753	8,685
4	Infrastructure Account	2,282	769	0	0
	TOTAL	1,733,241	42,588	9,956	91,924
	INCREASE/DECREASE	1,690,653	32,632	(81,968)	



In 2019 the Cash and Bank balances reduced from 91,924 to Ksh.9,956 due to many activities in the year 2019 unlike the 2018 financial year.

In 2020 the balances increased from 9,956 to 42,588 due to fewer activities in the school caused by long closure of school due to Covid-19 pandemic.

In 2021, the balances increased from Kshs.42,588 to Kshs. 1,733,241 due to the fact that 2021 represents 6 months thus fewer activities unlike in 2020 which represents 12 months with more activities in the year.

b) Teacher Student ratio:

There 16 teachers posted by Teachers Service Commission and 4 recruited by the board of Management. There was no retiree in January 2022. Although the teacher student ratio lies at 1:28. We have a shortage of 9 teachers from the given CBE. This is due to increased number of student compared to previous years.

c) Number of Candidates in the 2021,2020, 2019, 2018 KCSE:

YEAR	ENROLMENT	MEAN
2021	114	3.237
2020	90	3.5
2019	65	3.431
2018	82	3.268

The capacity of the school:

No.of Students	No.of Classroom	No.f labs	No.of Toilets	Dh.	No.of Domitories	Kitchen
393	12	2	26	1	2	1 permanent

d) Development projects carried out by the school:

S/NO	PROJECT	YEAR	STATUS	AMOUNT	FUND SOURCE
1	CLASSROOM	2019	COMPLETE	1,000,000	TIG
2	KITCHEN	2019	COMPLETE	2,000,000	CDF
3	RENOVATION OF CLASSROOMS	2019	COMPLETE	1,000,000	PARENTS
3	PERIMETER WALL	2019-2020	COMPLETE	3.2M	RMI AND PARENTS
4	8 NO. TOILETS	2020	COMPLETE	850,000	RMI
5	RENOVATION OF CLASSROOMS	2021	COMPLETE	800,000	RMI

KEZIAH MWANGI 

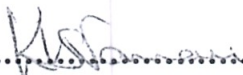
School Principal

4. Statement of School Management Responsibility

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

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

The Board of Management of KARATI SECONDARY SCHOOL accepts responsibility for the school's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Board of Management is of the opinion that the school's financial statements give a true and fair view of the state of the school's transactions during the financial year ended 30th June, 2021, and of the school's financial position as at that date.

.....


Name: SOLOMON WANJERI

Designation: Chairman, School Board of Management

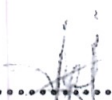
Date: 31/3/2026

.....


Name: REZIAH MWANUZI

Designation: School Principal & Secretary to Board of Management

Date: 31/3/2026

.....


Name: MICHAEL B. MWANGI

Designation: Bursar/ Finance Officer

Date: 21/03/2026

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KARATI SECONDARY SCHOOL FOR THE SIX (6) MONTHS' PERIOD ENDED 30 JUNE, 2021– NYANDARUA 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 Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Karati Secondary School set out on pages 1 to 15, which comprise the statement of assets and liabilities as at

30 June, 2021, and, the statement of receipts and payments, statement of cash flows and statement of budgeted versus actual amounts for the six (6) months' 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, in all material respects, the financial position of Karati Secondary School as at 30 June, 2021 and of its financial performance and its cash flows for the six (6) months' 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. Variances in School Fund Income

The statement of receipts and payments reflects school fund income-parents contribution of Kshs.5,801,053. However, the amount differs with the ledger amount of Kshs.5,608,488 resulting in an unexplained variance of Kshs.192,565.

In the circumstances, the accuracy and completeness of boarding and school fund income-parent's contributions of Kshs.5,801,053 could not be confirmed.

2. Unsupported Accounts Receivables

The statement of assets and liabilities reflects accounts receivables balance of Kshs.4,585,006 as disclosed in Note 12 to the financial statements. However, a debtor's schedule indicating the particulars of the debtors was not provided for audit.

In the circumstances, the accuracy and completeness of the accounts receivable balance of Kshs.4,585,006 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Karati Secondary School Management in accordance with ISSAI 130 on the 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

Unaudited Comparative Balances

I draw attention to the fact that prior to the 2020/2021 financial year, Public Secondary Schools in Kenya did not prepare financial statements for audit. Consequently, the Public

Sector Accounting Standards Board prescribed 30 June, 2021 as the first-time adoption of the International Public Sector Accounting Standards (IPSAS) – Cash Basis of Accounting by Public Secondary Schools.

The financial statements for the six (6) months period ended 30 June, 2021 include comparative information. However, the comparative figures were based on unaudited figures. My audit procedures were, therefore, limited to the extent that comparative information does not contain misstatements that materially affect the current period's financial statements. Accordingly, I do not express an opinion or any form of assurance on the comparative information.

My audit 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. Except for the effect of matters described in the Basis for Qualified Opinion section of my report, there were no other key audit matters to report in the period under review.

Other Information

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

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

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

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 effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Prepare 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.

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.3,108,333. Included in the expenditure is an amount of Kshs.991,000 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.991,000 could not be confirmed.

3. Lack of an Annual Procurement Plan

During the period under review, Management did not prepare a 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.

4. Lack of a Functional Procurement Unit

The School did not have an established procurement function managed by qualified procurement professional as required under Section 47(2) of the Public Procurement and Asset Disposal Act, 2015 and Regulation 33 of the Public Procurement and Asset Disposal Regulations, 2020. Procurement activities were undertaken by individuals lacking the requisite qualifications.

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

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

The School received Government grants for operations of Kshs.3,579,331 from the Ministry of Education credited in the operations bank account. Included in the amount is Kshs.534,000 in respect of infrastructure grants which was to be transferred to infrastructure bank account for maintenance and improvement of the school's facilities. However, only Kshs.33,000 was transferred to the School infrastructure bank account, leaving a balance of Kshs.501,000 as at 30 June, 2021 not transferred. This was contrary to the Ministry of Education Circular No: MOE.HQS/3/13/3 dated 16 June, 2021 which directed that infrastructure grants as well as maintenance and improvement funds should be transferred to the school infrastructure account within fifteen (15) days upon receipt of the funds in the operations account.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of an Internal Audit Review

During the year under review, the School had not complied with the requirement of Regulation 166(1) and (2) of the Public Finance Management Act, 2012 which requires the internal audit of a national government entity to assess its own effectiveness through an internal performance appraisal and shall carry out annual review of the performance of the internal audit activity commenting on its effectiveness in the annual report to The National Treasury.

In the circumstances, the existence of an effective oversight mechanisms could not be confirmed.

2. Long Outstanding Accounts Receivables

The statement of assets and liabilities reflects accounts receivables balance of Kshs.4,585,006. The balance comprises of student fee balances due from continuing students of Kshs.808,230 and Kshs.3,776,776 relating to students who had already completed their studies of at the time of reporting. However, there was no policy on the impairment of long outstanding fees arrears casting doubt on full recoverability of the accounts receivables balance.

In the circumstances, the existence of effective mechanisms for debt management 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 April, 2026

6. Statement Of Receipts and Payments for the Year Ended 30th June 2021

Description Of Vote Head	Note	2020-2021	2019-2020
		Kshs	Kshs
Receipts			
Government grants for tuition	1	571,446	781,124
Government grants for operations	2	3,045,331	5,103,750
Government grants for infrastructure	3	534,000	
School fund income- parents' contributions	4	5,801,053	3,670,429
School fund income- other receipts	5	76,736	157,237
Miscellaneous incomes			
Total Receipts		10,028,566	9,712,540
Payments			
Tuition	6	616,174	413,470
Operations	7	2,770,917	4,912,462
Infrastructure	8	565,487	
Boarding and school fund	9	3,108,333	4,392,738
Total Payments		7,060,911	9,718,670
Surplus/Deficit		2,967,655	(6,130)

The school financial statements were approved on _____ 2021 and signed by:

.....
 Name: **SALOMON WANJIKI**
 Chair BOM

Date: **31/3/2026**

.....
 Name: **REZIAH MWANGI**
 School Principal/ Secretary to
 BOM

Date: **31/3/2026**

.....
 Name: **MICHAEL W. MUGW**
 Bursar/ Finance Officer

Date: **31/03/2026**

KARATI SECONDARY SCHOOL

Annual Report and Financial Statements For the year ended 30th June 2021

7. Statement of Assets and Liabilities As At 30th June 2021

Description	Note	2020-2021	2019-2020
		Kshs	Kshs
Financial Assets			
Cash and cash equivalents			
Bank balances	10	1,702,040	38,157
Cash balances	11	31,201	4,431
Short term investments			
Total cash and cash equivalent		1,733,241	42,588
Account's receivables	12	4,585,006	4,084,871
Total financial assets (a)		6,318,247	4,127,459
Financial liabilities			
Accounts payables	13	428,414	1,205,208
Total Financial Liabilities (b)			
Net financial assets (a-b)		5,889,833	2,922,179
Represented by			
Accumulated fund b/fwd	14	2,922,178	2,928,309
Surplus/deficit for the year		2,967,655	(6,130)
Net Assets		5,889,833	2,922,179

The school's financial statements were approved on and signed by:

Name:

Chair BOM

Date:

31/3/2026

Name: **REXIAH MWANGI**
School Principal/ Secretary to
BOM

Date:

31/3/2026

Name: **RICHARD W. MUGWI**

Bursar/ Finance Officer

Date:

31/03/2026

KARATI SECONDARY SCHOOL

Annual Report and Financial Statements For the year ended 30th June 2021

8. Statement of Cash Flows for the Year Ended 30th June 2021

Description	Note	2020-2021	2019-2020
		Kshs	Kshs
Cash from Operating Activities			
Receipts			
Government grants for tuition	1	571,446	720,946
Government grants for operations	2	3,045,331	3,588,333
Government grants for infrastructure	3	534,000	
School fund income- parents contributions/ fees	4	4,876,888	3,950,531
School fund income- other receipts	5	76,736	157,237
Total receipts		9,104,401	8,417,047
Payments			
Cash outflows for tuition	6	616,174	726,174
Cash outflows for operations	7	2,770,917	3,091,674
Cash outflows for infrastructure	8	565,487	
Cash outflows Boarding/lunch and school fund payments	9	2,895,809	3,393,919
Total payments		6,848,387	7,211,767
Net cash inflow/outflow from operating activities		2,256,014	1,205,280
Cash flow from investing activities			
Acquisition of assets		(565,361)	(2,378,540)
Proceeds from sale of Assets			
Proceeds from investments			
Purchase of investments			
Net cash inflow/outflows from investing activities	10	(565,361)	(2,378,540)
Cash flow from Financing activities			
Proceeds from borrowings/ loans			
Repayment of principal borrowings			
Net cash inflow/outflow from financing activities			
Net increase/decrease in cash and cash equivalents		1,690,653	536,895
Cash and cash equivalent at beginning of the FY	11	42,588	494,307
Cash and cash equivalent at end of the FY		1,733,241	42,588

The school's financial statements were approved on and signed by:

.....
Name:

SOLOMON WANYEKI
Chair BOM

Date:

31/3/2026

.....
Name: KEZIAH MWANZI
School Principal/ Secretary to
BOM

Date:

31/3/2026

.....
Name: MICHAEL W. M. G. G. G.

Bursar/ Finance Officer

Date:

31/03/2026

9. Statement Of Budgeted Versus Actual Amounts for The Year Ended 30th June 2021

Receipt/Expenses Item	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	% Of Utilization
	a	b	c=a+b	d	e=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs
Receipts					
<i>(1) Capitation Grant on Tuition</i>					
Teaching / Learning Materials	790,000		790,000	571,446	72%
	790,000		790,000	571,446	72%
<i>(2) Capitation Grant on Operations</i>					
Repairs And Maintenance	1,350,000		1,350,000	1,467,953	69%
Other Vohteheads	2,330,000		2,330,000	2,111,378	91%
Activity					
	3,680,000		3,680,000	3,579,331	97%
<i>(4) Fees Charged on Parents</i>					
Lunch programee	3,876,000		3,876,000	3,355,113	87%
Infrastructure	80,000		80,000	78,305	98%
Personal emolument	115,000		115,000	105,055	91%
Local transport and travelling	18,000		18,000	17,005	94%
Electricity and water	180,000		180,000	165,590	92%
Administration costs	74,000		74,000	58,440	80%
Activity costs	11,800		11,800	12,115	103%
Income from farming activities	80,000		80,000	76,736	96%
Fees on boarding equipments and stores	1,020,000		1,020,000	1,085,265	106%
Total Income	9,924,800		9,924,800	9,104,401	92%

KARATI SECONDARY SCHOOL

Annual Report and Financial Statements For the year ended 30th June 2021

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
Teaching / Learning Materials	720,000		720,000	531,448	74%
Laboratory equipments	90,000		90,000	84,000	93%
Bank Charges	720		720	726	101%
<i>(7) Expenditure For Operations</i>					
Repairs, Maintenance & Improvements	534,000		534,000	565,487	108%
Activity Expenses	280,000		280,000	256,000	86%
Other voteheads	2,330,000		2,330,000	2,514,918	94%
<i>(9) Expenditure For school fund/lunch/boarding</i>					
Lunch Programme	3,880,000		3,880,000	1,427,149	37%
Boarding Equipment and Stores	560,000		560,000	558,362	99%
Activity costs	109,000		109,000	110,000	100%
Repair and maintainance	43,000		43,000	37,000	86%
Personal emolument	500,000		500,000	542,656	108%
Local transport and travelling	18,000		18,000	17,000	94%
Electricity water and conservacy	108,000		108,000	100,150	93%
Administration costs	74,000		74,000	71,122	96%
Expenditure on school farm	33,000		33,000	32,370	98%
Totals	9,279,720		9,279,720	6,848,387	74%

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 various sources when the event occurs, and the related cash has been received by the *school*. In addition, the *school* recognises all expenses when the event occurs, and the related cash has 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 an 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 the fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. Payables also include expenditures incurred for the purchase of goods, works and services that have 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 2021.

11. Notes To the Financial Statements**1 Government Grants for Tuition**

Description	2020-2021	2019-2021
	Kshs	Kshs
Teaching / Learning Materials	571,446	781,124
Total	571,446	781,124

2 Government Grants for Operations

Description	2020-2021	2019-2020
	Kshs	Kshs
Repairs And Maintenance	933,953	1,988,000
Other Vote Heads	2,111,378	2,462,550
Activity fee		468,800
Total	3,045,331	5,103,750

3 Government Grants for infrastructure

Description	2020-2021	2019-2020
	Kshs	Kshs
Maintenance & Improvement	534,000	
Total	534,000	

4 School Fund Income - Parents Contribution/Fees

Description	2020-2021	2019-2020
	Kshs	Kshs
Lunch programme	4,279,278	2,320,240
Repairs and maintenance	78,305	77,545
Local transport / travelling	17,005	23,855
Electricity and water	165,590	186,245
Personal emuloment	105,055	90,204
Administration costs	58,440	66,550
Activity	12,115	3,935
Fee on Boarding Equipment and stores	1,085,265	901,855

Description	2020-2021	2019-2020
	Kshs	Kshs
Total	5,801,053	3,670,429

5 School Fund Income-Other Receipts

Description	2020-2021	2019-2020
	Kshs	Kshs
Income From Farming Activities	76,736	157,237
Total	76,736	157,237

6 Tuition

Description	2020-2021	2019-2020
	Kshs	Kshs
Laboratory Equipment	84,000	
Teaching / Learning Materials	531,448	412,480
Bank Charges	726	990
Total	616,174	413,470

7 Operations

Description	2020-2021	2019-2020
	Kshs	Kshs
Transfer to infrastructure	534,000	
Repair and maintenance		2,381,510
Activity Expenses	256,000	387,940
Others voteheads	2,514,918	2,142,616
Bank charges		126
Total	3,304,918	4,912,462

8 Infrastructure

Description	2020-2021	2019-2020
	Kshs	Kshs
Construction of classroom	565,361	
Bank charges	126	

Total	565,487	
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9 Boarding And School Fund

Description	2020-2021	2019-2020
	Kshs	Kshs
Personnel Emoluments	542,656	672,352
Repairs And Maintenance & Improvements	37,000	172,000
Local Transport / Travelling	17,000	62,965
Electricity And Water	100,150	101,798
Administration Costs	71,122	89,172
Lunch Programme	1,639,673	2,813,657
Expenses farming Activities	32,370	127,552
Fee On Boarding Equipment and Stores	558,362	268,239
Activity	110,000	85,000
Total	3,108,333	4,392,738

10 Bank Accounts

Account Name & Currency	Status	Bank Account Number	2020-2021	2019-2021
	Active/Dormant		Kshs	Kshs
Tuition Account	Active	1104316722	86	5,314
Operations Account	Active	1104316153	83,817	48,569
School Fund Account/Boarding	Active	1104307103	1,615,855	(16,494)
Infrastructural Account	Active	1260731537	2,282	769
Total			1,702,040	38,158

11 Cash In Hand

Description	2020-2021	2019-2020
	Kshs	Kshs
Tuition Account	338	338
Operations Account	30,343	1,809
School Fund Account/Boarding	520	2,283
Total	31,201	4,430

12 Accounts Receivable

Description	2020-2021	2019-2020
	Kshs	Kshs
Fees Arrears	4,585,006	4,084,871
Total Fees Arrears	4,585,006	4,084,871
Fees arrears for the current year	571,015	308,095
Fees arrears for the previous year	237,215	3,776,776
Fees arrears for prior periods	3,776,776	
Total	4,585,006	4,084,871

12 b) Ageing Analysis of Accounts Receivable

Description	2020-2021		2019-2020	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	571,015	12%	308,095	8%
Between 1- 2 years	125,969	3%	125,969	3%
Between 2-3 years	348,461	8%	348,461	7%
Over 3 years	3,539,561	77%	3,302,346	82%
Total (should tie to note 13 a)	4,585,006	100%	4,084,871	100%

13 Accounts Payable

Description	2020-2021	2019-2020
	Kshs	Kshs
Trade Creditors (See Ageing Below and Appendix 1)	50,000	852,130
Prepaid Fees	378,414	353,150
Total	428,414	1,205,280
Trade creditors for the current year	50,000	852,130
Trade creditors for the prior periods (over two years)		
Total	50,000	852,130

13a. Ageing Analysis of Accounts Payable

Description	2020-2021		2019-2020	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	50,000		852,130	
Total (should tie to note 14)	50,000		852,130	

14 Fund Balance Brought Forward

Description	2020-2021	2019-2020
	Kshs	Kshs
Bank Balances	1,702,040	38,157
Cash Balances	31,201	4,431
Receivables	4,585,006	4,084,871
Payables	(428,414)	(1,205,280)
Total	5,889,833	2,922,179

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	2020-2021	2019-2020
		Kshs	Kshs
Cattle	7	350,000	320,000
Trees	470	470,000	400,000
Total	477	820,000	720,000

Other important disclosure notes**16 Stock/ Inventory**

Description	2020-2021	2019-2020
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KARATI SECONDARY SCHOOL

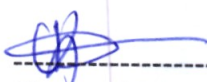
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	Kshs	Kshs
Food stuffs	78,882	-
Stationery items	73,310	-

17 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)

 31/3/2026

Sign and Date
Principal

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 Goods						
1. Naomi Wangai (strategic plan)	50,000	50,000	-	50,000		
Grand Total	50,000	50,000		50,000		

Annex 2 – Summary of Fixed Assets Register

Asset Class	Historical Cost b/f (Kshs) 1 st July 2023	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 30 th June 2023
Land	15,000,000			15,000,000
Buildings And Structures	13,561,100			13,561,100
Office Equipment, Furniture and Fittings	3,570,600			3,570,600
Textbooks	5,091,850			5,091,850
ICT Equipment	305,000			305,000
Tools And Apparatus	3,204,579			3,204,579
Intangible Assets- Soft Ware	60,000			60,000
Total	40,793,129			40,793,129